Highlight

Highlight Communications AG

Interim Report as of March 31, 2014

Triumph against the reigning champions: In the semi-final of the UEFA Champions League, Real Madrid beat FC Bayern München in both matches, thus securing a place in the final.

At a glance: Events in the first quarter of 2014

JAN Effective January 1, 2014, Bernhard Burgener stands down as CEO of Constantin Film AG to join the company's Supervisory Board. On January 7, he is elected as Chairman of this body following the early resignation of the previous Chairman Fred Kogel. Management Board member Martin Moszkowicz becomes the new CEO of Constantin Film AG.

At this year's Bavarian Film Awards in mid-January, the Constantin Film blockbuster "Fack ju Göhte" wins the audience prize. Director Bora Dagtekin lifts this trophy for the second successive year, after his comedy "Türkisch für Anfänger" topped the voting in the previous year. In addition, the Constantin Film co-production "Ostwind" wins the Bavarian Film Award in the category of best young people's film of 2013.

FEB At the Berlinale reception of the Bavarian Film Promotion Fund (FilmFernseh-Fonds Bayern) in mid-February 2014, the "Fack ju Göhte" team is awarded the "Goldene Leinwand mit Stern" prize. This very rare prize is awarded to only those films that sell more than six million movie tickets in Germany. With around 7.1 million viewers in total, the comedy is also number three among the all-time best German theatrical productions.

Just six weeks after its release, the Constantin Film co-production "The Famous Five 3" has already attracted more than a million viewers. The third installment of the youth adventure series based on the novels of Enid Blyton is therefore even more successful than its two predecessors.

MAR On March 18, 2014, the Constantin Film co-production "3096 Tage" receives the German Audio Film Award in the movie category. This prize, which was established in 2002, is awarded for the production of films with an audio description that enables blind and partially sighted people to follow key elements of the plot by means of spoken text. The Constantin Film TV series "Dahoam is Dahoam" is awarded the audience prize of the German Audio Film Awards.

In the context of granting of reference funds by the German Federal Film Board (FFA) for 2013 in late March 2014, the Constantin Film Group secures the title of "Goldener FFA-Branchentiger" for the ninth time in a row in the production category and for the tenth time in a row in the distribution category. This brings reference funding of around EUR 2.6 million for production and a subsidy of EUR 0.63 million for distribution.

Members of the Highlight Group

Constantin Film
RAINBOW HOME ENTERTAINMENT
TEAM MARKETING
HIGHLIGHT EVENT & ENTERTAINMENT

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PREFACE

Dear shareholders and other interested parties,

In a market environment that remains challenging, the Highlight Group achieved sales and earnings in the first quarter of 2014 that were in line with expectations.

As a result of substantial sales growth in the Film segment, consolidated sales amounted to CHF 125.7 million, up CHF 43.8 million or 53.5 % on the same period of the previous year (CHF 81.9 million). By contrast, capitalized film production costs and other own work capitalized decreased by CHF 7.5 million to CHF 7.8 million (previous year's period: CHF 15.3 million) as a result of the lower production volume compared with the first quarter of 2013.

In parallel, consolidated operating expenses rose by CHF 36.5 million or 36.3 % to CHF 137.2 million (previous year's period: CHF 100.7 million). This was primarily due to amortization, depreciation and impairment – particularly relating to film assets – which increased to CHF 65.2 million (previous year's period: CHF 19.2 million). Consolidated net profit declined year-on-year to CHF 1.0 million (previous year's period: CHF 2.2 million). CHF 0.7 million of this figure is attributable to Highlight shareholders (previous year's period: CHF 1.8 million), corresponding to earnings per share of CHF 0.02 (previous year's period: CHF 0.04).

The Constantin Film Group achieved good results in the area of theatrical distribution in particular. Including the performance of all of its movies released in German theaters in the first quarter of 2014, it achieved a substantial market share of 11.9 % by audience figures and 11.0 % by sales, thereby reinforcing its position as the leading independent distributor. This success was based on the one hand on the good performance of the youth adventure movie "The Famous Five 3", which was released in mid-January 2014 and attracted around 1.2 million viewers. On the other hand, the sensational hit "Fack ju Göhte", which was released in November 2013, attracted around another 1.5 million viewers in the first three months of this year. The global distribution of the co-production "Pompeii" also meant that the Constantin Film Group recorded significantly higher income from both theatrical distribution and license trading than in the first quarter of 2013.

The home entertainment business area benefited from continuing stable sales of both new releases and catalog titles in the first quarter of 2014. One notable success was the Constantin Film co-production "The Mortal Instruments: City of Bones", which went on sale in mid-January and went straight to the top of the German sales charts. A total of 200,000 units of this title had been sold in German-speaking regions by the end of the quarter.

As a result of these developments, external sales in the Film segment increased by 64.3 % to CHF 112.7 million (previous year's period: CHF 68.6 million). This higher level of sales was offset by a sharp rise in expenses, as the theatrical launch of "Pompeii" also meant that the capitalized production costs of the movie were amortized accordingly. Furthermore, earnings were negatively impacted by impairment on film assets, particularly for the film "Tarzan". Segment earnings in the first three months of the current fiscal year were therefore down year-on-year at CHF –2.5 million (previous year's period: CHF –1.3 million).

In the first quarter of 2014, the TEAM Group secured further major deals in the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League (for the 2015/16 to 2017/18 seasons respectively). TV contracts were concluded in markets as diverse as Italy, Israel and Myanmar. In the area of sponsorship rights, the Japanese automotive manufacturer Nissan was acquired as new sponsor of the UEFA Champions League.

At CHF 12.4 million, external sales in the Sports- and Event-Marketing segment were practically unchanged year-on-year (CHF 12.5 million). Segment expenses were reduced by CHF 0.4 million to CHF 7.1 million in the period under review (previous year's period: CHF 7.5 million), with the result that segment earnings improved to CHF 5.4 million (previous year's period: CHF 5.0 million).

The activities of Highlight Event AG initially focused on the successful commercial handling of the 2014 New Year's Day Concert of the Vienna Philharmonic Orchestra. Another focal point was preparations for a memorial concert to be played by the orchestra on the occasion of the centenary of the outbreak of the First World War. At this event, which will be held in late June in Sarajevo, Bosnia-Herzegovina, Highlight Event AG will act as the direct link between the orchestra and the European Broadcasting Union for the first time.

External sales in the Other Business Activities segment declined slightly from CHF 0.9 million to CHF 0.7 million. The same applies to segment expenses, which were reduced from CHF 1.7 million to CHF 1.5 million. The segment loss, which resulted from online/social gaming, amounted to CHF 0.7 million (previous year's period: CHF 0.5 million).

According to current planning 2014 for the theatrical production business area, another ten promising movie projects are in the pipeline for theatrical release in 2015. Three of these movies – including the sequels to two global hit movie series, "Fantastic Four 2" and "Resident Evil 6" – are English-language productions that are geared towards the international market. For the German movie market, scheduled productions include "Ostwind 2 – Die Rückkehr nach Kaltenbach" and a sequel to "Fack ju Göhte".

For fiscal year 2014, we are continuing to forecast consolidated sales of between CHF 380 million and CHF 410 million and a consolidated net profit.

HIGHLIGHT STOCK

Development of the capital markets

After a strong rising trend in the second half of 2013, the global stock markets, while highly volatile, generally tracked sideways or even downwards in the first quarter of 2014. This development is due to a whole series of factors. From the middle of January these included turbulence in many emerging nations and unsettling economic data in China and the United States, the two biggest economies in the world. In addition, many listed companies published unspectacular annual results as the quarter progressed, and there was the steady escalation of the Crimea crisis in Ukraine.

Against this backdrop, the US Dow Jones Industrial Average Index, for example, lost 1.5 % in the first three months of the current year and closed on March 31, 2014 at 16,323 points. The Japanese Nikkei 225, which in the previous year had dazzled with high double-digit growth rates, suffered a genuine slump. Closing at 14,828 points, it posted a loss of 9.0 % in the first quarter of 2014.

The Swiss Market Index (SMI) performed considerably better, rising to 8,454 points for growth of 3.1 %. By contrast, developments on the German stock market were mixed. While the DAX benchmark index was virtually unchanged as against the end of 2013 at 9,556 points (9,552 points), the SDAX small cap index rose by 5.6 % to 7,169 points. Meanwhile, the index for German media stocks (DAXsector Media) closed trading at 318 points, a decline of 6.7 %.

Performance of Highlight stock in the first quarter of 2014

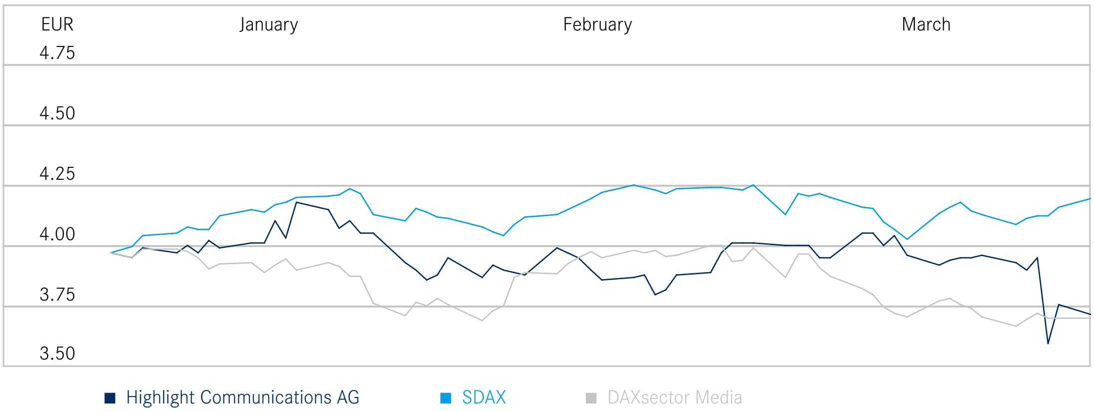
Having started the new year at a closing price of EUR 3.97, the performance of Highlight stock was defined by a clear upward trend in the first two weeks of trading. During this phase the share price hit its preliminary closing price high for the year of EUR 4.18 on January 17. Then, driven by the general market weakness, a strong downswing began that continued until the end of January to reach a price level of EUR 3.86.

The months of February and March were then broadly characterized by a sideward trend, with the stock price fluctuating in a corridor of between EUR 3.80 and EUR 4.05. Following the publication of our 2013 annual report the stock briefly dropped to EUR 3.60, but rose back to EUR 3.76 the next day. On March 31, Highlight stock closed Xetra trading at EUR 3.72, thus losing 6.3 % in the first quarter of 2014. As of the end of the quarter, the 52-week high was EUR 4.45 (April 2, 2013) while the 52-week low was EUR 3.43 (November 7, 2013).

In the period from January to March 2014, a total of 1.40 million Highlight shares were traded on the Deutsche Börse AG Xetra trading system – corresponding to a daily average of almost 22,300 shares. Compared to the first quarter of 2013 (53,800 shares per trading day), trading in the company's shares was therefore considerably reduced. In Deutsche Börse AG's trading volume ranking for the segments below the DAX, Highlight stock was therefore placed 110th as of March 31, 2014 (end of 2013: 103rd). It was also number 110 (end of 2013: 111th) in terms of free float market capitalization.

Xetra closing prices of Highlight stock compared to SDAX and DAXsector Media

Indices indexed at Highlight closing price as of December 31, 2013 for comparison.



Subscribed capital and shareholder structure

There were no changes in the subscribed capital of Highlight Communications AG in the first quarter of 2014. As of March 31, 2014, it still amounted to CHF 47.25 million, divided into 47.25 million bearer shares with a nominal value of CHF 1.00 per share. There were no treasury stock transactions in the reporting period, and therefore the number of non-voting treasury shares was still around 2.72 million as of the end of the quarter. These account for 5.75 % of the subscribed capital. After deducting these shares, there were 44.53 million shares in circulation.

There were also no changes in the shareholder structure in the reporting period. 52.39 % of Highlight's shares are held by Constantin Medien AG. Further significant share packages are held by members of the Board of Directors as well as private and institutional investors. As of March 31, 2014, the free float amounted to 41.86 % as per the definition of Deutsche Börse AG.

Investor relations activities

One of the main areas of our investor relations activities is informing investors, analysts and the financial press in a timely and comprehensive manner. The basis for this is primarily our regularly published annual and interim reports, which give a detailed insight into the current performance of our company. We also inform market players about all key events in the form of press releases and ad-hoc disclosures. Extensive information on the Highlight Group is also made available on our website (www.highlight-communications.ch).

However, the core element of our investor relations work is and will remain personal communication by means of active and open dialogs. This is why we conduct presentations and roadshows at international financial centers and participate in events for analysts and investors. Our stated aim is to use this type of public relations work to achieve a fair valuation of Highlight's shares and to convince potential shareholders of the intrinsic value of an investment in our company.

A large number of research institutions currently track Highlight stock. The following studies with price targets have recently been compiled:

Close Brothers Seydler Research	Rating: Buy	Price target: EUR 5.00
DZ BANK	Rating: Buy	Price target: EUR 7.00

Information on Highlight stock as of March 31, 2014

ISIN/ticker	CH 000 653 9198/HLG
Index	DAXsector Media
Closing price	EUR 3.72
52-week high	EUR 4.45
52-week low	EUR 3.43
Subscribed capital	CHF 47.25 million
Shares in circulation	44.53 million
Market capitalization (in relation to shares in circulation)	EUR 165.7 million

Directors' dealings/shareholdings of executive bodies as of March 31, 2014

In the first quarter of 2014, Highlight Communications AG received no notifications from members of the Board of Directors or the management of the Highlight Group regarding acquisitions or sales transactions subject to reporting.

As of March 31, 2014, the Chairman and Delegate of the Board of Directors Bernhard Burgener and Board of Directors member René Camenzind each held direct or indirect shareholdings in Highlight amounting to more than 1 % of the subscribed capital. The shareholdings and share interest from options held by the individual members of the Board of Directors and the management of the Highlight Group (including related parties) were as follows as of the end of the first quarter:

Board of Directors	Shareholdings	Share interest from options
Bernhard Burgener, Chairman and Delegate, executive member	2,000,000	–
Martin Wagner, Vice Chairman, executive member	–	–
Antonio Arrigoni, non-executive member	–	–
René Camenzind, non-executive member	628,715	–
Dr. Erwin V. Conradi, non-executive member	177,000	–
Dr. Dieter Hahn, non-executive member	21,000	–
Martin Hellstern, non-executive member	200,000	–
Dr. Ingo Mantzke, executive member	100,000	–
Group management		
Dr. Paul Graf, Managing Director	–	–
Peter von Büren, Managing Director	–	–

INTERIM MANAGEMENT REPORT

BASIC INFORMATION ON THE GROUP

Group structure and operating activities

Highlight Communications AG, listed on the Frankfurt Stock Exchange since May 1999, is an internationally oriented strategic and financial holding company based in Pratteln near Basel. It acts through its operational subsidiaries in the Film, Sports- and Event-Marketing and Other Business Activities segments.

Film segment

In its Film segment, Highlight Communications AG wholly owns Constantin Film AG, Munich, which, together with its subsidiaries and equity interests, is Germany's leading independent producer and distributor of theatrical movies. Its activities comprise development and production of films and exploitation of the rights to the films it produces and acquires. Self-produced films are usually marketed worldwide, while third-party productions are exploited mainly in German-speaking countries. All stages of the exploitation chain from theatrical distribution and DVD/Blu-ray releases down to TV broadcasting are fully utilized. In addition to theatrical movies, the Constantin Film Group produces fictional and non-fictional products for German and foreign TV broadcasters.

On the Swiss movie market, the Highlight Group is represented by Constantin Film Schweiz AG, Pratteln, which is indirectly wholly-owned by Highlight Communications AG. The company specializes in the production and distribution of movie, television and video productions in addition to providing entertainment and new media services.

Highlight Communications AG has its own distribution organization to best exploit its video rights for in-house and licensed films. Distribution in Switzerland and Austria is performed by the Rainbow Home Entertainment subsidiaries, which are wholly-owned by the company. Highlight Communications (Deutschland) GmbH works with Paramount Home Entertainment on the German market.

The company's main sources of financing in the Film segment result from exploitation of the rights to the films it produces and acquires across all stages of the exploitation chain. Further income is generated from production contracts from TV broadcasters as well as national and international film grants. The main expense items consist of acquisition and exploitation rights for screenplays and materials, production costs as well as release and promotion expenses for the individual films (marketing and copies).

Sports- and Event-Marketing segment

In the Sports- and Event-Marketing segment, Highlight Communications AG wholly owns Team Holding AG (TEAM). Based in Lucerne, the TEAM Group specializes in global marketing of major international sports events. As one of the world's leading agencies in this area, it exclusively markets the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup on behalf of the Union of European Football Associations (UEFA).

The main source of financing in the Sports- and Event-Marketing segment is the agency commission associated with marketing of TV and sponsorship rights.

Other Business Activities segment

The Other Business Activities segment comprises the activities of Highlight Event & Entertainment AG, Düdingen, which is listed on the Swiss stock exchange (SIX Swiss Exchange) and in which Highlight Communications AG holds a 68.63 % stake. The company operates in the event and entertainment business and owns the marketing mandates for the Eurovision Song Contest and the Vienna Philharmonic Orchestra. In addition, the Highlight subsidiary Rainbow Home Entertainment AG holds a 50.004 % stake in the full-service agency Pokermania GmbH, Cologne, which specializes in the development of online gaming business models and the social gaming market. These activities in online/social gaming are allocated to the Other Business Activities segment.

The main sources of financing in the Other Business Activities segment are the agency commission associated with marketing of TV and sponsorship rights as well as the income resulting from marketing of social/online gaming products. The main expense items here consist of technical costs as well as costs relating to development and programming of new social/online gaming products.

Control system and performance indicators

Group management

Highlight Communications AG's Board of Directors is responsible for the strategic orientation and management of the Highlight Group. By contrast, responsibility for operating activities lies with the management body of the relevant subsidiary. At Team Holding AG, this body is the Board of Directors, which currently consists of four members, at Constantin Film AG it is the Management Board, which is made up of three people, while Highlight Event & Entertainment AG also has a three-member Board of Directors. Management of all activities within the Highlight Group is based on short-term and medium-term planning as well as regular reporting.

Financial performance indicators

The primary objective of the Highlight Group is to increase enterprise value on a sustainable basis. A value management system was developed and introduced to plan, manage and control business operations. The key financial parameters are the profit from operations (EBIT) and the EBIT margin calculated as the ratio of EBIT and sales. Another key parameter is earnings per share.

Non-financial performance indicators

The economic performance of the Group is also influenced by non-financial performance indicators, which result from the requirements of the respective business model in the Film, Sports- and Event-Marketing and Other Business Activities segments:

- In the TV service production business area, range and market share are important parameters for judging the success of a broadcast format with the public. These values are often the basis for decisions on commissioning productions in the future.
- In the theatrical distribution business area, the audience generated by a film is one of the key factors, as theatrical success usually also impacts on the subsequent stages of exploitation, particularly in the home entertainment area. Despite intensive prior market research in the target groups, the taste of the movie-going public is only assessable to a limited extent. In addition, the movies released by the Constantin Film Group are always in competition with titles brought out concurrently by other distributors. Consequently, even a marketing campaign perfectly geared towards the respective film cannot always attract as many people as expected.
- The Constantin Film Group is exposed to strong competition with regard to the purchase of rights to literary works and screenplays as well as the conclusion of contracts with successful directors, actors and film studios. It therefore has decades of experience working closely with renowned and experienced screenwriters, directors and producers with extensive expertise in producing movie and TV formats at home and abroad.
- Technical and content-related expertise are crucial factors, not only in view of the increasingly digital and convergent patterns of media use and the transformation towards the use of cross-platform offerings. Accordingly, the recruitment, fostering and retention of well-trained, skilled, committed and creative employees are of great importance.

- Other major indicators for the success of the Highlight Group are a highly-developed network of contacts as well as close, trusting relationships with business partners. In the Film segment, cooperation with screenwriters, directors and producers in Germany and abroad is particularly important. In the Sports- and Event-Marketing and Other Business Activities segments, trusting business relationships with rights-holders as well as existing and potential sponsors are crucial to the marketing of international major sporting and entertainment events.

Legal influencing factors

Highlight Communications AG has to comply with a large number of stock-market rules and statutory regulations. As a stock corporation under Swiss law, it follows the Codes of Best Practice of the SIX Swiss Exchange as well as the regulations of the Frankfurt Stock Exchange for the regulated market (Prime Standard). The operating activities of the Highlight subsidiaries and equity interests are carried out in accordance with a large number of media, data protection, copyright and regulatory requirements.

In comparison to the presentation in the report on the Highlight Group's situation in the annual report 2013 of Highlight Communications AG, the following changes have occurred with regard to the legal influencing factors in the Film segment:

In film production, the Constantin Film Group uses various national and international public film subsidies. The German Federal Government subsidizes the production of movies in Germany in order to improve the economic situation of the film industry in Germany, support companies in the film industry, boost their international competitiveness and develop Germany as a film production location on a long-term basis. In 2013, the Federal Government provided around EUR 30 million for the production of German films via sponsorship programs and awards. In 2014, it also provides EUR 60 million for the German Federal Film Fund (DFFF), which refunds producers for up to 20 % of certain film production costs. In addition, the German federal states provide substantial funds each year for the production of German films. Furthermore, film subsidies are allocated by the European Union.

The draft law for the amended version of the German Film Subsidies Act (FFG) resolved by the German Federal Cabinet came into force as of January 1, 2014 with the planned amendments (extension of contribution liability to include other types of film exploitation companies, increased flexibility of holdback periods, etc.). The constitutionality of the FFG was confirmed by the judges of the German Federal Constitutional Court on January 28, 2014.

In its judgment of March 27, 2014, the European Court of Justice affirmed that courts may obligate Internet providers to block their customers' access to websites that offer illegal content. This judgment represents another milestone in combating piracy and supporting the creative industry.

Market research and development

In comparison to the presentation in the report on the Highlight Group's situation in the annual report 2013 of Highlight Communications AG, there were no changes with regard to the market research and development activities of the companies in the different segments.

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE FILM SEGMENT

Sector-specific situation

Theatrical production/acquisition of rights

On the film market at this year's Berlinale in February 2014, both supply and demand for high-quality licensed products were generally weak – a fact that could already be observed on the film markets in Cannes, Toronto and Los Angeles in the previous year. This development is chiefly due to the fact that conclusion of related contracts at these markets is now the exception rather than the rule. In addition, the far-reaching changes in the film industry have also left their mark on the film markets, with the possibilities of digitization and the strategic realignment of the Hollywood studios also changing the market.

TV service production

The discussions regarding the shift from traditional TV consumption to individually timed use of web-based program content have increased. The user behavior of younger viewers in particular is changing, with social media, YouTube and the use of a second screen (smartphone, tablet PC etc.) playing an increasing important role in the consumption of moving image content. For this reason, there is increasing implementation of concepts that function on a range of platforms or even completely detached from traditional television. One typical example is the online broadcaster Mediakraft Networks, which produces program formats and distributes them – without prior TV broadcasting – via portals such as YouTube, Clipfish and Snack-TV.

In other countries, the TV landscape has already changed significantly as a result of online services such as Netflix, amazon, Hulu and other providers. For example, Netflix users in the USA have unlimited access to certain films and series without a fixed program schedule for only just under USD 8 per month. In Germany, too, the path is now clear for Netflix after ARD and ZDF's joint video-on-demand service had to be discontinued following intervention by the regulatory authorities.

The reduction of the broadcasting fee as recommended by the Commission for Determining the Financing Requirements of Public Broadcasters (Kommission zur Ermittlung des Finanzbedarfs der öffentlich-rechtlichen Sendeanstalten – KEF) met with unanimous rejection on the part of TV producers. For example, the German Producers Alliance called for the reduction of the fee to be waived, saying that the anticipated surplus from broadcasting fees should instead be used to offset the increased production costs, which had to be covered by TV producers in the past. Only in this way would it be possible to avoid further risks to the scope and quality of TV productions in the future.

Theatrical distribution

German movie theaters generated revenues of around EUR 248 million in the first three months of 2014 (Q1 2013: around EUR 265 million) and sold over 30.7 million movie tickets (Q1 2013: 33.1 million). The movie market was thus down 6.4 % year-on-year in terms of revenues and down 7.3 % year-on-year in terms of audience figures.

This decline is mainly due to the relatively weak performance of several Hollywood productions, with US films geared towards a young audience in particular falling significantly short of expectations. The only Hollywood film to achieve convincing results was the financial drama "The Wolf of Wall Street", which was the most-watched film in the first quarter with almost 2.4 million viewers. Other than this, only two US productions generated seven-figure audience figures: the fantasy spectacle "The Hobbit: The Desolation of Smaug" (around 1.5 million) and the CGI film "Frozen" (more than 1.2 million), although these films had already been released in mid-December and late November 2013 respectively.

By contrast, five German own and co-productions attracted more than a million viewers in the first quarter of 2014. The top new release was the Matthias Schweighöfer comedy "Vaterfreuden" (almost 2.3 million), followed by the surprise hit “Stromberg – Der Film” (more than 1.2 million) and the Constantin Film co-production “The Famous Five 3” (around 1.2 million). Seven-figure audience figures were also generated by the blockbusters “Der Medicus” (Q1 2014: more than 2.4 million) and “Fack ju Göhte” (Q1 2014: almost 1.5 million), which were released in the previous year.

Based on these hit movies, the market share of German films in terms of viewers climbed to 41.7 % in the first three months of the current year (Q1 2013: 31.9 %) – its highest level in decades.

Home entertainment

For the first two months of 2014*), Gesellschaft für Konsumforschung (GfK) forecast total revenues of EUR 271 million on the German video sell-through and rental market. The German home entertainment industry was thus down slightly on the previous year’s figure of EUR 276 million.

According to GfK’s forecast, retail revenues of EUR 191 million were generated on sales of DVDs and Blu-ray discs in January and February 2014 (same period of 2013: EUR 207 million). EUR 131 million of these revenues were attributable to DVD sales – down 11.4 % on the previous year’s figure (EUR 148 million). By contrast, revenues from Blu-ray discs increased from EUR 59 million to EUR 60 million and thus became increasingly important.

The upswing on the electronic sell-through market also continued, with revenues in this area increasing by 33.3 % to EUR 16 million in the first two months of 2014 (same period of 2013: EUR 12 million). However, the rise in Blu-ray and electronic sell-through revenues did not entirely compensate for the decrease in DVD revenues, with the result that total revenues on the physical and electronic sell-through market declined from EUR 219 million to EUR 207 million.

For the video rental market, GfK forecast total revenues of EUR 64 million in January and February 2014 – up 12.3 % on the same period of 2013 (EUR 57 million). EUR 38 million of these revenues (same period of 2013: EUR 39 million) were attributable to DVD and Blu-ray disc rentals and EUR 26 million (same period of 2013: EUR 18 million) to electronic rentals via video-on-demand or pay-per-view. The electronic video rental market thus grew by 44.4 %, continuing its positive development from the previous year. This growth is related in particular to rising sales figures for web-enabled TVs, which boost electronic distribution.

**) Data for the first quarter of 2014 were not yet available on the editorial closing date.*

License trading/TV exploitation

According to current assessments, adults and young people (aged 14 and over) in Germany spent an average of 221 minutes per day watching TV in 2013. However, free-to-air TV stations are increasingly competing with pay-TV broadcasters, download portals and streaming platforms, with pay-TV even designated as the fastest growing segment on the German TV market in some cases. Particularly when it comes to series, streaming platforms seem to be perfectly tailored to the needs of viewers, as they allow them to watch several episodes or even whole seasons at a time.

An increasingly important role is also played by video-on-demand services such as the iTunes platform operated by Apple, Maxdome from ProSiebenSat.1, Videoload, Deutsche Telekom’s video-on-demand service, Select Video from Kabel Deutschland, and Prime from amazon.

Operating performance

New own and co-productions in theatrical production

Following the major success of the adaptation of the novel “Dampfnudelblues. Ein Eberhoferkrimi”, which was a hit with both moviegoers and TV viewers last year, filming of “Winterkartoffelknödel”, another installment of Rita Falk’s bestselling series of books, began in the first quarter of 2014. Filming was completed in early April and the theatrical release is scheduled for mid-October 2014.

In mid-March, filming began in Cologne for the new Sönke Wortmann comedy “Frau Müller muss weg”, based on the award-winning play of the same name by authors Lutz Hübner and Sarah Nemitz. The film is scheduled for release in German theaters in mid-November 2014.

Filming begins for two ZDF projects in TV service production

At MOOVIE – the art of entertainment GmbH, filming for the ZDF two-part series “Die Abrechnung” began in late February. Inspired by true events such as the bankruptcy of the drugstore chain Schlecker, the film portrays the collapse of a drugstore empire. The drama is expected to be broadcast in the fall this year. Also on behalf of ZDF, filming of “Das Zeugenhaus” began in early March, a TV film based on true events in connection with the Nuremberg trials in 1945.

Constantin Entertainment GmbH produced further episodes of the daily shows “Schicksale” and “Im Namen der Gerechtigkeit” on behalf of Sat.1 in the first quarter of 2014. In addition, the pilot for “Geht’s noch?! Kayas Woche” was filmed for RTL. Seven more episodes of this format have been commissioned and are being broadcast on a weekly basis since April 25, 2014.

In other European countries, the subsidiaries of Constantin Entertainment GmbH produced programming such as new seasons of the proven formats “Kuchenne Rewolucje” and “Malanowski & Partnererzy” in Poland, “The Voice of Israel 3” and “Dan Shilon-Show” in Israel, “The Voice of Switzerland 2” in Switzerland, and “Csaladi Titkok” in Hungary.

“Famous Five” series once again successful in theatrical distribution

In the theatrical distribution business area, the Constantin Film Group released a total of five films (four own/co-productions and one licensed title) in German movie theaters in the reporting period. “Fack ju Göhte”, in particular, was a big hit with the public. The same applies to the youth adventure movie “The Famous Five 3”, which performed even better than the first two parts of the series.

Stable market position in home entertainment business

In the first quarter of 2014, the Highlight Group stabilized its position on the German-speaking home entertainment market. In doing so, it particularly benefited from the new releases under the Constantin Film label, especially “The Mortal Instruments: City of Bones”. The licensed title “Ender’s Game”, which went on sale in early March, also generated strong sales figures.

Sales-relevant development in license trading/TV exploitation

In the Constantin Film Group’s license trading business area, the start of the initial licenses for “Glück” (ZDF), “Benvenuti al Sud” (ProSiebenSat.1), “Werner – Eiskalt” (ProSiebenSat.1) and “Wrong Turn 4” (ProSiebenSat.1) in particular had a positive impact on sales in the free-TV sector in the first quarter of 2014. In the pay-TV sector, there were also initial licenses for films including “Freelancers”, “LOL”, “Step Up Revolution” and “Resident Evil: Retribution”, which were all licensed for Sky Deutschland.

Analysis of non-financial performance indicators

Long-term commitment of experts and talents in theatrical production/acquisition of rights

Constantin Film AG remains firmly committed to retaining talent, and has spent decades working very closely with renowned and experienced screenwriters and producers with extensive expertise in producing movie and TV formats at home and abroad.

Further high ratings in TV service production

Two TV productions of Constantin Film subsidiaries achieved very satisfactory ratings again in the first quarter of 2014. The "Tatort" episode "Kopfgeld" starring Til Schweiger, a service production of Constantin Television GmbH for ARD that was broadcast in early March, was watched by a total of 10.12 million viewers, corresponding to a market share of 27.7 % of the total audience. ARD thus generated the highest ratings that weekend.

One of the major TV projects by MOOVIE – the art of entertainment GmbH, "Die Hebamme" starring Josefine Preuß in the leading role, was broadcast on Sat.1 in late March and achieved the day's highest ratings in the target demographic of 14-to-49-year-olds with a market share of 22.8 % (2.64 million viewers). In terms of the total audience, it was watched by 5.36 million viewers (market share: 17.5 %), making it the third most-watched TV program that evening.

Constantin Film remains Germany's most successful independent distributor

In the theatrical distribution business area, the Constantin Film Group achieved good results in the first quarter of 2014, with two films in the top ten of the German movie charts. Fifth place went to the sensational hit "Fack ju Göhte", released in November 2013, which attracted around another 1.5 million viewers in the first three months of this year. Eighth place was taken by the youth adventure movie "The Famous Five 3", which hit movie theaters in mid-January 2014 and also achieved a seven-figure audience figure of around 1.2 million.

Including the performance of all of its movies screened in German cinemas in the first quarter of 2014, the Constantin Film Group achieved a substantial market share of 11.9 % by audience figures and 11.0 % by revenues. In the distributor rankings, it came third in both categories behind Warner und Universal, putting it in top place again among Germany's independent distributors.

"The Mortal Instruments: City of Bones" is bestseller in home entertainment exploitation

Home entertainment business benefited from continuing stable sales of both new releases and catalog titles in the first quarter of 2014. For example, the Constantin Film co-production "The Mortal Instruments: City of Bones", which went on sale in mid-January, went straight to the top of the German sales charts and stayed in the top ten until mid-March. A total of 200,000 copies of this title had been sold in German-speaking regions by the end of the quarter.

On the basis of an attractive line-up and a host of high-selling secondary market releases, the Highlight Group achieved a joint market share of 10 % (same period of 2013: 9 %) on the German video sell-through market in January and February 2014 *) in collaboration with its distribution partner Paramount Home Entertainment.

**) Data for the first quarter of 2014 were not yet available on the editorial closing date.*

With the initial broadcast of the animated film "Werner – Eiskalt", which impacted sales with the start of its license in the first quarter of 2014, ProSieben attracted a total of 2.13 million viewers in late April and thereby achieved a good market share of 7.6 % of the total audience (13.2 % of 14-to-49-year-olds).

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE SPORTS- AND EVENT-MARKETING SEGMENT

Sector-specific situation

Changes in the media landscape and media ownership have strengthened the position of sports content in the media mix. Commercial broadcasters in particular need viewer magnets to retain their subscribers and secure advertising income. Sports events are ideally suited for this purpose. This was demonstrated by the US cable broadcaster Comcast, which reported a 30 % year-on-year rise in net income in the first quarter of 2014. This increase was largely attributable to the TV broadcasting of the Winter Olympics in Sochi in February 2014.

Operating performance

Further marketing success with UEFA competitions

After the positive results achieved in fiscal year 2013, the TEAM Group secured further major deals in the first quarter of 2014 in the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League (for the 2015/16 to 2017/18 seasons respectively).

TV contracts were concluded in markets as diverse as Italy (Mediaset and Sky Italia), Israel and Myanmar. Further progress was also made in the area of sponsorship rights. The Japanese automotive manufacturer Nissan will act as a sponsor for the UEFA Champions League starting from the 2014/15 season, replacing the long-term sponsorship partner Ford.

Finals approaching

In operational terms, TEAM focused on active support for the commercial partners in the knockout rounds of the two competitions. In addition, preparations were already underway for the finals on May 14 in Turin (UEFA Europa League) and on May 24 in Lisbon (UEFA Champions League).

Analysis of non-financial performance indicators

UEFA Champions League generates high audience figures

The TV broadcast of the UEFA Champions League games remains highly popular. For example, the games in the group stage of the current season were watched by an average of 8.0 million viewers in free-TV and 2.1 million in pay-TV in Germany. Both of these figures were the highest generated in the past eight seasons. The same applies in Italy, where the average audience figure of 9.9 million was likewise the best level for the group stage in the past eight seasons.

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE OTHER BUSINESS ACTIVITIES SEGMENT

Sector-specific situation

Event and entertainment business

Sponsorship is growing ever more significant in the financing mix of culture providers in German-speaking countries. While an average of only 6.7 % of their total income came from sponsors in 2007, this share has risen to 16.5 % in 2013 and therefore more than doubled. Also noticeable is a significant increase in long-term partnerships between the respective culture provider and the sponsors. By far the leading sponsor of culture is the financial services sector (banks, insurance companies, etc.), followed by the media industry (TV, radio, publishing companies) and energy providers.

Online/social gaming

A current representative survey by the German Trade Association of Interactive Entertainment Software (BIU) shows that computer and video games have now become a mass medium in Germany. At the beginning of 2014, digital games were played by around 34.2 million Germans, or roughly 46 % of the population. The number of active gamers had thus risen by 9 % in comparison to the previous year (31.4 million). There was a particularly significant increase in the number of daily users of digital games, which was up 31 % at 13.5 million. However, computer and video games are also becoming increasingly popular among women (+12 %) and the over-50s (+12 %).

Operating performance

Successful handling of the New Year's Day Concert

At the beginning of the year, the activities of Highlight Event AG initially focused on the successful commercial handling of the 2014 New Year's Day Concert of the Vienna Philharmonic Orchestra, which was conducted for the second time by the world-famous conductor Daniel Barenboim.

Preparations for major events

Good progress was also made in the reporting period with the operational preparations for the 59th Eurovision Song Contest, which was held in the Danish capital Copenhagen from May 6 to 10, 2014. The activities focused in particular on the implementation of design, the hospitality area, sponsors' media presence (TDC/Samsung, Visit Denmark and ALCON), Eurovision Village, sponsor campaigns, and merchandising.

Another focus of Highlight Event AG's activities was preparations for a memorial concert to be played by the Vienna Philharmonic Orchestra on the occasion of the centenary of the outbreak of the First World War. This concert, which will be held in Sarajevo, Bosnia-Herzegovina, in late June 2014, was declared by the European Broadcasting Union (EBU) to be one of the key events for all public broadcasters in Europe. Highlight Event AG will act as the direct link between the orchestra and the EBU for the first time for this event.

Continuous development of FunPoker software

Pokermania GmbH continuously developed its "white-label" software FunPoker again in the first quarter of 2014. The aim of this development work is to integrate additional forms of poker in the game in order to acquire new players, including in an international environment.

Analysis of non-financial performance indicators

New Year's Day Concert broadcast worldwide again

Highlight Event AG's successful marketing activities played a key role in enabling the Vienna Philharmonic Orchestra's 2014 New Year's Day Concert to be broadcast in more than 80 countries again, as in the previous year. With this international reach, the New Year's Day Concert once again proved itself to be the world's biggest classical music event.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL SITUATION OF THE HIGHLIGHT GROUP

Results of Group operations

In the first quarter of 2014, the Highlight Group generated consolidated sales of CHF 125.7 million – an increase of CHF 43.8 million or 53.5% as against the same period of the previous year (CHF 81.9 million) resulting from the Film segment. By contrast, capitalized film production costs and other own work capitalized decreased by CHF 7.5 million to CHF 7.8 million (previous year's period: CHF 15.3 million), which was due to a lower production volume compared to the first quarter of 2013.

Despite this decline, total output for the first three months of the current fiscal year was up significantly year-on-year at CHF 133.5 million (previous year's period: CHF 97.2 million). Other operating income was slightly below the previous year's level at CHF 4.6 million (previous year's period: CHF 5.1 million).

Consolidated operating expenses rose by CHF 36.5 million or 36.3% to CHF 137.2 million after CHF 100.7 million in the first three months of 2013. The increase is primarily due to amortization, depreciation and impairment, which climbed to CHF 65.2 million (previous year's period: CHF 19.2 million).

By contrast, the cost of materials and licenses declined by CHF 9.6 million due to productions to CHF 32.0 million, while personnel expenses were at virtually the same level as in the first quarter of 2013 at CHF 23.0 million (previous year's period: CHF 23.5 million). This also applies to other operating expenses, which climbed by CHF 0.4 million to CHF 16.9 million.

As a result of the strong rise in costs – particularly for amortization, depreciation and impairment – relative to the increase in total output, EBIT for the first three months of fiscal year 2014 was slightly below the figure for the same period of the previous year at CHF 0.9 million (previous year's period: CHF 1.6 million).

The financial result was somewhat weaker than in the first quarter of 2013 at CHF 0.1 million (previous year's period: CHF 0.7 million). An increase in financial income from CHF 2.3 million to CHF 2.4 million was offset by a rise in finance expenses from CHF 1.5 million to CHF 2.2 million.

After deducting tax expenses (income taxes and deferred taxes) of CHF 0.1 million (previous year's period: CHF 0.1 million), the Highlight Group reported a consolidated net profit for the first quarter of 2014 of CHF 1.0 million (previous year's period: CHF 2.2 million). CHF 0.3 million (previous year's period: CHF 0.4 million) of this is attributable to non-controlling interests. The amount attributable to Highlight shareholders was therefore CHF 0.7 million (previous year's period: CHF 1.8 million), corresponding to earnings per share of CHF 0.02 (previous year's period: CHF 0.04) in relation to the average number of shares in circulation.

Results of segment operations

In the first three months of 2014, the Film segment posted sales of CHF 112.7 million, up 64.3% on the previous year's level (CHF 68.6 million). The areas of theatrical distribution and license trading in particular generated significantly higher income than in the first quarter of the previous year due to the global distribution of the film "Pompeii". Minimum guarantees used to finance the production costs of the film were realized when the film was released. At the same time, the capitalized production costs of the film were amortized, meaning that the minimum guarantees were offset by corresponding amortization. Furthermore, earnings were negatively impacted by impairment on film assets, particularly for the film "Tarzan". Impairment on film assets climbed by CHF 7.0 million to CHF 8.9 million in the first quarter of 2014. Segment earnings in the first three months of 2014 were therefore down year-on-year at CHF –2.5 million (previous year's period: CHF –1.3 million).

At CHF 12.4 million, external sales in the Sports- and Event-Marketing segment were practically unchanged year-on-year (CHF 12.5 million). Segment expenses were reduced by CHF 0.4 million in the reporting period to CHF 7.1 million (previous year's period: CHF 7.5 million), with the result that the segment result improved to CHF 5.4 million (previous year's period: CHF 5.0 million).

The Other Business Activities segment generated external sales of CHF 0.7 million (previous year's period: CHF 0.9 million) and other income of CHF 0.2 million (previous year's period: CHF 0.3 million). After deducting segment expenses of CHF 1.5 million (previous year's period: CHF 1.7 million), the segment posted a loss of CHF 0.7 million (previous year's period: CHF 0.5 million), which resulted from the online/social gaming area.

The costs incurred for holding activities decreased by CHF 0.2 million in the reporting period to CHF 1.3 million (previous year's period: CHF 1.5 million).

Net assets situation

The total assets of the Highlight Group as of March 31, 2014 amounted to CHF 395.9 million, a drop of CHF 47.4 million as against the end of 2013 (CHF 443.3 million). On the assets side of the balance sheet, this decrease mainly resulted from non-current assets, which fell by CHF 43.2 million to CHF 200.3 million (December 31, 2013: CHF 243.5 million). The share of non-current assets in total assets therefore declined to 50.6 % (December 31, 2013: 54.9 %).

Current assets were down by CHF 4.3 million at CHF 195.6 million (December 31, 2013: CHF 199.9 million), primarily due to the CHF 9.1 million reduction in trade accounts receivable and other receivables due from third parties. Furthermore, other financial assets declined by CHF 1.5 million, while inventories rose by CHF 1.1 million and cash and cash equivalents climbed by CHF 4.2 million.

Film assets amounted to CHF 165.2 million as of the end of the reporting period, a drop of CHF 45.8 million as against the end of 2013 (CHF 211.0 million). CHF 125.9 million of this total related to in-house productions (December 31, 2013: CHF 175.2 million) and CHF 39.3 million to third-party productions (December 31, 2013: CHF 35.8 million). The reduction in in-house productions is due to amortization and impairment losses on films being exploited, which significantly exceeded additions in the period under review.

On the equity and liabilities side of the balance sheet, non-current liabilities declined by CHF 3.8 million to CHF 14.8 million (December 31, 2013: CHF 18.6 million). The main reason for this was a CHF 4.2 million reduction in deferred tax liabilities. Current liabilities decreased by CHF 42.3 million to CHF 275.1 million (December 31, 2013: CHF 317.4 million), in particular due to a decline in financial liabilities (CHF –31.1 million) and trade accounts payable and other liabilities due to third parties (CHF –11.9 million).

As of March 31, 2014, consolidated equity (including non-controlling interests) was down slightly as against the end of 2013 at CHF 106.0 million (CHF 107.2 million). The reduction was essentially due to currency effects (CHF –0.5 million), the re-measurement of the pension obligation (CHF –0.7 million) and losses from the measurement of financial assets at fair value in the amount of CHF 1.1 million. A positive effect of CHF 1.0 million resulted from the net profit for the period.

In relation to total assets, now also lower, the notional equity ratio rose from 24.2 % (December 31, 2013) to 26.8 % (March 31, 2014). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and advance payments received against film assets) improved even more significantly from 31.5 % to 36.0 %.

Financial situation

As of the end of the first quarter of 2014, the Highlight Group had cash and cash equivalents of CHF 48.5 million – an increase of CHF 4.2 million as against the end of 2013 (CHF 44.3 million). This figure was offset by financial liabilities of CHF 120.9 million (December 31, 2013: CHF 152.0 million). Accordingly, net debt decreased by CHF 35.3 million to CHF 72.4 million (December 31, 2013: CHF 107.7 million).

The Highlight Group's operating activities generated a net cash inflow of CHF 56.2 million in the first three months of the current fiscal year, corresponding to an increase of CHF 37.0 million as against the same period of the previous year (CHF 19.2 million). The increase is essentially due to the cash inflow from the film business.

Net cash used in investing activities rose slightly by CHF 2.1 million to CHF 20.9 million (previous year's period: CHF 18.8 million). This increase is due in particular to payments for film assets, which were up by CHF 1.5 million year-on-year to CHF 19.7 million. By contrast, payments for property, plant and equipment matched the level for the first quarter of 2013 at CHF 0.4 million.

Financing activities generated a net cash outflow of CHF 30.8 million in the period from January to March 2014. The rise of CHF 19.3 million as against the same period of the previous year (CHF 11.5 million) is almost exclusively due to the net repayment of debt.

On the basis of the present level of cash and cash equivalents and credit facilities available, the Highlight Group was able to meet its payment obligations at all times in the period under review.

PERSONNEL REPORT

As of March 31, 2014, the Highlight Group had a total of 879 employees (March 31, 2013: 781). This figure includes employees on non-permanent, project-related contracts.

EVENTS AFTER THE BALANCE SHEET DATE

The management and the Board of Directors are not aware of any events that occurred after the end of the reporting period that could significantly influence the net assets, financial position and results of operations of the Highlight Group.

REPORT ON RISKS AND OPPORTUNITIES

Risk management system

Entrepreneurial action and taking advantage of opportunities is always associated with risks. To protect the existence of the Highlight Group as a going concern, and to support the company in achieving its goals, an integrated, company-wide risk management system (RMS) has been implemented.

The Highlight Group's risk management system comprises risks and opportunities in equal measure. In line with the decentralized Group structure, operational responsibility for dealing with risks lies with the respective risk officers. These are mainly the directors, Management Board members and committee members, and the managing directors and department managers of the individual subsidiaries. At the level of Highlight Communications AG, the reported risks are consolidated, categorized uniformly where appropriate, assessed at Group level, and passed on in the form of a risk report to the Group management on a quarterly basis and to the Board of Directors for approval on an annual basis.

A detailed description of the risk management system can be found in the report on risks and opportunities in the annual report 2013 of Highlight Communications AG. The same applies to the individual opportunities and risks and the description of the internal control system in relation to the Highlight Group's accounting process.

Significant changes in opportunities and risks in the reporting period

The Highlight Group's opportunity and risk profile for the coming months after the first three months of 2014 generally corresponds to the assessments in the consolidated financial statements as of December 31, 2013. A detailed presentation of the business risks can be found in the report on risks and opportunities in the annual report 2013 of Highlight Communications AG.

In comparison to previous reports, particularly the Group management report for fiscal year 2013, also no significant deviations have been identified with regard to the allocation of individual factors to the different classes. The current assessment of the risk factors by those responsible in each case still supports the classification of opportunities and risks given in the report on risks and opportunities in the annual report 2013 of Highlight Communications AG.

Summary of the opportunity and risk situation

In the opinion of the Group management, the biggest risk factors still relate to regulatory intervention and anticipating customers' tastes and the future use of media. The Group management still considers the greatest opportunities to relate to collaboration with screenwriters, directors and producers at home and abroad and access to attractive material and licenses, which the Highlight Group can attribute not least to its image and its creative and committed staff. In addition, it has access to a large portfolio of existing rights and licenses.

Based on the available information and estimates, particularly for probabilities of occurrence, maximum losses and the effect of the countermeasures taken, the Group management of Highlight Communications AG has come to the conclusion that these risks do not represent a threat to the existence of the Group as a going concern. This applies to the risks both on an individual basis and also in combination, provided the effect of the combined risks can be meaningfully simulated or estimated in another way. The Group management considers the Group to be adequately equipped to deal with the residual risks that are not reduced by countermeasures. It believes that the measures taken keep the risk to an economically acceptable level and considers the Group's risk-bearing capacity to be sufficient.

FORECAST

Film segment

Sector-specific situation

The DFFF is now certain to continue and be increased until 2016. This represents a major contribution to the financing of German movies over the next few years that will encourage production companies like Constantin Film AG to undertake creative, ambitious production business in Germany. The decision of the German Federal Constitutional Court confirming the unrestricted legitimacy of the German Film Subsidies Act gives the whole industry a hugely important foundation for sustainable growth prospects.

In the TV service production business area, private program providers are expected to develop innovations in the product portfolio due to partially stagnating ratings for long-standing formats. Pay-TV could increasingly become an attractive partner for service productions. Its growth is currently strong and stable. Fans of sports, movies and up-market TV series are turning to pay-TV in ever larger numbers. The Internet will also be properly recognized as potential competition for commercial television and therefore as a possible new partner.

In the theatrical distribution business area, it can be assumed that the movie market in Germany will achieve good results in terms of revenues and audience figures in the second quarter of 2014, despite the upcoming football World Cup. This period will see the release of international titles such as “The Amazing Spider-Man 2: Rise of Electro”, “The Other Woman”, “Godzilla”, “X-Men: Days of Future Past”, “Maleficent” and “A Million Ways to Die in the West”, among other films.

On the German home entertainment market, the digital exploitation formats (electronic sell-through, video-on-demand and pay-per-view) will continue to grow in prominence. For example, Constantin Film AG expects that the market share of video-on-demand – measured on the basis of the current market volume – will reach a high double-digit percentage in the next few years.

Focal points in fiscal year 2014

In the theatrical production business area, Constantin Film AG is still focusing on continuous optimization of the consistently high quality of its national and international in-house productions. The main aim is to produce titles that have a strong emotional link with the audience’s requirements and are based on specific brands and/or have an event nature, for example. Yet productions with smaller budgets and a correspondingly manageable moviegoer risk are attractive if they have a convincing concept. Every project must be measured against high creative and commercial standards.

According to current planning, ten promising movie projects are in the pipeline for the remainder of 2014. Three of these movies – including “Fantastic Four 2” and “Resident Evil 6” – are English-language productions that are geared towards the international market. For the German movie market, scheduled productions include “Ostwind 2 – Die Rückkehr nach Kaltenbach” and a sequel to “Fack ju Göhte”.

In the TV service production business area, the subsidiaries of Constantin Film AG are constantly working to develop innovative TV formats and expand their contacts with the major TV stations. For the next few months, Constantin Film AG expects an improvement in the order situation in this business area, which could also be positively affected by the increasingly aggressive purchasing policy of the major online portals. The production of the Ken Follett adaptation “A Dangerous Fortune” and another Rita Falk provincial crime comedy, “Schweinskopf al dente”, are scheduled for 2014, for example.

In theatrical distribution, Constantin Film AG continues to pursue its proven strategy of combining national and international own and co-productions with high-quality third-party productions that will be released in theaters with a suitable press and marketing strategy at a strategically favorable time. In an environment in which the US studios in particular vie for the audience's attention with high-profile marketing campaigns when launching their major blockbusters, Constantin Film AG will analyze even more carefully when and how to position its films on the German movie market in the future.

As things stand, another nine movies are expected to be released in German theaters in the period from April to December 2014. On account of the football World Cup, only one movie has been scheduled for release in the second quarter of 2014: "Irre sind männlich" (in theaters since April 24). Further releases are planned starting from August, in line with the usual seasonal trend, since in the summer months the movie market is dominated by US blockbusters that are released worldwide.

In the current fiscal year, the home entertainment business area will particularly benefit from the new release of the theatrical hit "Fack ju Göhte", which went on sale at the beginning of May. Further significant sales are expected from titles such as "Pompeii", "Need for Speed" and "The Famous Five 3".

In the second quarter of 2014, revenues in free-TV exploitation will mainly arise from the start of the licenses for the films "Agent Ranjid rettet die Welt" (ZDF), "The Three Musketeers" (ProSiebenSat.1), "Carnage" (ARD), "Wickie and the Treasure of the Gods" (ProSiebenSat.1) and "Blutzbrüdaz" (ProSiebenSat.1). In pay-TV exploitation, "So Undercover", "The Famous Five 2", "The Legend is back – the Texas Chainsaw Massacre" and "Wrong Turn 5" will generate revenues in the second quarter of 2014.

Sports- and Event-Marketing segment

Sector-specific situation

The sponsorship measurement consultancy firm IEG forecasts a rise in global sponsorship spending of 4.1 % (previous year: 3.9 %) to USD 55.3 billion in 2014. IEG again expects the Asia/Pacific region to deliver the biggest percentage growth rate (5.6 % compared with 5.0 % in the previous year), while Central and South America are also likely to post strong growth as a result of the football World Cup in Brazil (5.0 % compared with 2.6 % in the previous year). By contrast, IEG forecasts a significant reduction in the pace of growth in Europe (2.1 % compared with 2.8 % in the previous year), while at 4.3 %, the increase in North America is likely to be only slightly down on the previous year (4.5 %).

Focal points in fiscal year 2014

Following the further extension of TEAM's mandate to market the commercial rights to the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup (for the 2015/16 to 2017/18 seasons respectively), the prospects for continuation of the close cooperation with the Union of European Football Associations remain very strong. If contractual performance targets for the ongoing marketing process are achieved, TEAM's mandate will be automatically extended by a further three seasons (2018/19 to 2020/21). Therefore, the TEAM Group's primary target is to achieve an early contract extension with UEFA.

To this end, as many new deals as possible are to be concluded on the best possible terms in the current fiscal year, for TV rights as well as sponsorship rights. The two competition finals in Turin and Lisbon represent ideal sales platforms in the current marketing phase.

Other Business Activities segment

Sector-specific situation

PwC expects the games market in Germany to grow more strongly again in the next few years, and forecasts revenues of EUR 2.4 billion for 2016. Based on a comparative figure of EUR 1.85 billion in 2012, this would equate to an average annual increase of 3.9 %. PwC cites virtual additional content in the free-to-play area as one of the key growth drivers. In this business model, game producers provide the basic game content free of charge to offer potential users as low an entry barrier as possible. Additional content such as game extensions or functional items can then be bought as the game progresses. PwC assumes that this segment will grow by an average of 10 % per year - and therefore significantly more than the market as a whole.

Focal points in fiscal year 2014

Highlight Event AG's main focus is high-quality handling of the events of the Vienna Philharmonic Orchestra and the EBU, as these projects offer the biggest opportunities for the future. However, with regard to the projects newly acquired (merchandising of the Eurovision Song Contest and Eurovision Young Musicians), there are sound strategic opportunities to expand the existing business areas even further. This particularly applies to the Eurovision Young Musicians project, which links our existing activities in the field of classical music with those of the EBU, with which we have had a successful partnership for many years.

In addition, online gaming offers a major opportunity to interact with the users/fans in the promising business area of social media, events and entertainment. Accordingly, the activities already implemented are increasingly being expanded.

Financial targets of the Highlight Group

In the Film segment, at least two Constantin Film Group movies are still expected to draw more than a million viewers again in the current fiscal year. However, there are still uncertainties, especially regarding the performance of the other releases in 2014 and the development of the German TV service production market. It is therefore too early to issue a reliable forecast for the year. In theatrical distribution, sales are expected to be considerably higher than in 2013 based on the promising film projects and anticipated higher global distribution income. However, the higher sales will also be accompanied by a rise in release and promotion expenses as a result of the number of films and higher amortization on film assets. The additional sales are therefore expected to be completely offset by the increase in expenses. In home entertainment business, sales in the current fiscal year are expected to significantly exceed those generated in 2013. By contrast, a slight year-on-year decline in sales is anticipated in TV service production and license trading due to the current uncertainty on the market and the competitive situation. Overall, we are currently forecasting higher sales but lower earnings in the Film segment in fiscal year 2014 as compared to the previous year.

In the Sports- and Event-Marketing segment, the expected sales and earnings targets are at an unchanged level within the current contractual agreement for marketing the UEFA Champions League and the UEFA Europa League, which lasts from the 2012/13 season to the 2014/2015 season.

In the Other Business Activities segment, the existing contractual cooperation with the EBU and the Vienna Philharmonic Orchestra will be continued to the same extent in the current fiscal year. The sales and earnings targets expected from this business therefore remain at the level of fiscal year 2013. The need for intensive investment will continue in online/social gaming in 2014. For this reason, we do not anticipate any significant sales and expect a continued negative earnings contribution. We also anticipate a net loss for the segment as a whole.

Based on the expected developments in the individual segments as described above, our sales forecast at Group level is still between CHF 380 million and CHF 410 million and we still expect to generate a consolidated net profit.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of March 31, 2014 of Highlight Communications AG, Pratteln

The information within our interim report is originally published in German. Discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes. If any questions arise related to the accuracy of the information contained in the translation, please refer to the German version of our interim report, which is the official and only binding version.

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2014 (unaudited)

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Mar. 31, 2014	Dec. 31, 2013
Non-current assets		
In-house productions	125,897	175,201
Third-party productions	39,338	35,843
Film assets	165,235	211,044
Other intangible assets	1,986	2,214
Goodwill	17,569	17,597
Property, plant and equipment	5,019	5,117
Investments in associated companies and joint ventures	461	402
Non-current receivables due from third parties	1,378	1,068
Receivables due from associated companies and joint ventures	3,616	3,079
Other financial assets	218	227
Deferred tax assets	4,820	2,708
	200,302	**243,456**
Current assets		
Inventories	4,966	3,896
Trade accounts receivable and other receivables due from third parties	117,078	126,199
Receivables due from related parties	35	77
Receivables due from associated companies and joint ventures	2,267	2,283
Other financial assets	16,136	17,627
Income tax receivables	2,722	1,632
Cash and cash equivalents	48,529	44,259
Non-current assets held for sale	3,900	3,900
	195,633	**199,873**
Total assets	**395,935**	**443,329**

The notes on page 31 – 37 are an integral part of the consolidated interim financial statements.

EQUITY AND LIABILITIES (TCHF)	Mar. 31, 2014	Dec. 31, 2013
Equity		
Subscribed capital	47,250	47,250
Treasury stock	–2,716	–2,716
Capital reserve	–104,534	–104,534
Other reserves	–26,679	–26,187
Retained earnings	181,867	182,862
Equity attributable to shareholders	95,188	96,675
Non-controlling interests	10,792	10,573
	105,980	**107,248**
Non-current liabilities		
Pension liabilities	6,904	6,015
Provisions	1,166	1,601
Deferred tax liabilities	6,770	11,022
	14,840	**18,638**
Current liabilities		
Financial liabilities	120,873	151,997
Advance payments received	52,645	58,881
Trade accounts payable and other liabilities due to third parties	88,619	100,471
Liabilities due to related parties	289	282
Liabilities due to associated companies and joint ventures	3,023	26
Provisions	3,961	4,768
Income tax liabilities	5,705	1,018
	275,115	**317,443**
Total equity and liabilities	**395,935**	**443,329**

The notes on page 31 – 37 are an integral part of the consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT
JANUARY 1 TO MARCH 31, 2014 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Sales	**125,731**	**81,929**
Capitalized film production costs and other own work capitalized	**7,801**	**15,264**
Total output	**133,532**	**97,193**
Other operating income	**4,603**	**5,122**
Costs for licenses, commissions and materials	–6,268	–9,298
Costs für purchased services	–25,737	–32,277
Cost of materials and licenses	**–32,005**	**–41,575**
Salaries	–20,320	–20,785
Social security, pension costs	–2,683	–2,683
Personnel expenses	**–23,003**	**–23,468**
Amortization and impairment on film assets	–64,270	–17,922
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	–978	–1,242
Amortization, depreciation and impairment	**–65,248**	**–19,164**
Other operating expenses	**–16,938**	**–16,528**
Profit from operations	**941**	**1,580**
Earnings from investments in associated companies and joint ventures	**61**	**5**
Financial income	2,378	2,266
Financial expenses	–2,244	–1,530
Financial result	**134**	**736**
Profit before taxes	**1,136**	**2,321**
Current taxes	–6,345	–652
Deferred taxes	6,239	528
Taxes	**–106**	**–124**
Net profit	**1,030**	**2,197**
thereof shareholders' interests	677	1,826
thereof non-controlling interests	353	371

(CHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Earnings per share		
Earnings per share attributable to shareholders, basic	0.02	0.04
Earnings per share attributable to shareholders, diluted	0.02	0.04
Weighted average number of shares (basic)	44,534,350	46,093,433
Weighted average number of shares (diluted)	44,534,350	46,093,433

The notes on page 31 – 37 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS JANUARY 1 TO MARCH 31, 2014 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Net profit	**1,030**	**2,197**
Currency translation differences	–515	1,263
Items that may be reclassified to the income statement in future	**–515**	**1,263**
Actuarial gains and losses of defined benefit obligation plans	–654	–
Gains/losses from financial assets at fair value through other comprehensive income/loss	–1,054	2,888
Items that will not be reclassified to the income statement in future	**–1,708**	**2,888**
Other comprehensive income/loss, net of tax	**–2,223**	**4,151**
Total comprehensive income/loss	**–1,193**	**6,348**
thereof sharholders’ interests	–1,487	5,959
thereof non-controlling interests	294	389

The notes on page 31 – 37 are an integral part of the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY JANUARY 1 TO MARCH 31, 2014 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Equity	
	Subscribed capital	Treasury stock
Balance as of January 1, 2014	**47,250**	**–2,716**
Currency translation differences	–	–
Items that may be reclassified to the income statement in future	–	–
Actuarial gains and losses of defined benefit obligation plans	–	–
Gains/losses from financial assets at fair value through other comprehensive income/loss	–	–
Items that will not be reclassified to the income statement in future	–	–
Other comprehensive income/loss, net of tax	–	–
Net profit	–	–
Total comprehensive income/loss	–	–
Purchase of treasury stock	–	–
Sale of treasury stock	–	–
Dividend payments	–	–
Change in non-controlling interests	–	–
Other changes	–	–
Balance as of March 31, 2014	**47,250**	**–2,716**
Balance as of January 1, 2013	**47,250**	**–1,157**
Currency translation differences	–	–
Items that may be reclassified to the income statement in future	–	–
Actuarial gains and losses of defined benefit obligation plans	–	–
Gains/losses from financial assets at fair value through other comprehensive income/loss	–	–
Items that will not be reclassified to the income statement in future	–	–
Other comprehensive income/loss, net of tax	–	–
Net profit	–	–
Total comprehensive income/loss	–	–
Purchase of treasury stock	–	–
Sale of treasury stock	–	–
Dividend payments	–	–
Change in non-controlling interests	–	–
Other changes	–	–
Balance as of March 31, 2013	**47,250**	**–1,157**

The notes on page 31 – 37 are an integral part of the consolidated interim financial statements.

attributable to the shareholders					
Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
-104,534	**-26,187**	**182,862**	**96,675**	**10,573**	**107,248**
–	-492	–	-492	-23	-515
–	**-492**	–	**-492**	**-23**	**-515**
–	–	-618	-618	-36	-654
–	–	-1,054	-1,054	–	-1,054
–	–	**-1,672**	**-1,672**	**-36**	**-1,708**
–	**-492**	**-1,672**	**-2,164**	**-59**	**-2,223**
–	–	677	677	353	1,030
–	**-492**	**-995**	**-1,487**	**294**	**-1,193**
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	-75	-75
–	–	–	–	–	–
–	–	–	–	–	–
-104,534	**-26,679**	**181,867**	**95,188**	**10,792**	**105,980**
-103,614	**-28,106**	**183,673**	**98,046**	**13,231**	**111,277**
–	1,245	–	1,245	18	1,263
–	**1,245**	–	**1,245**	**18**	**1,263**
–	–	–	–	–	–
–	–	2,888	2,888	–	2,888
–	–	**2,888**	**2,888**	–	**2,888**
–	**1,245**	**2,888**	**4,133**	**18**	**4,151**
–	–	1,826	1,826	371	2,197
–	**1,245**	**4,714**	**5,959**	**389**	**6,348**
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
-103,614	**-26,861**	**188,387**	**104,005**	**13,620**	**117,625**

CONSOLIDATED STATEMENT OF CASH FLOWS
JANUARY 1 TO MARCH 31, 2014 (unaudited)

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Net profit	1,030	2,197
Deferred taxes	–6,239	–528
Current taxes	6,345	652
Financial result (without currency result)	807	–458
Earnings from investments in associated companies and joint ventures	–61	–5
Amortization, depreciation and impairment on non-current assets	65,248	19,164
Gain (–)/loss (+) from disposal of non-current assets	–	5
Other non-cash items	162	–114
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities	8,195	–9,018
Decrease (–)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities	–15,778	11,101
Dividends received from associated companies and joint ventures	–	–
Interest paid	–853	–709
Interest received	83	318
Income taxes paid	–2,751	–7,038
Income taxes received	10	3,585
Cash flow from operating activities	**56,198**	**19,152**
Payments for intangible assets	–218	–211
Payments for film assets	–19,728	–18,213
Payments for property, plant and equipment	–447	–427
Payments for financial assets	–537	–
Proceeds from disposal of property, plant and equipment	–	5
Cash flow for investing activities	**–20,930**	**–18,846**
Repayment of current financial liabilities	–31,602	–12,539
Proceeds from receipt of current financial liabilities	866	1,000
Dividend payments	–75	–
Cash flow for financing activities	**–30,811**	**–11,539**
Cash flow from/for the reporting period	**4,457**	**–11,233**
Cash and cash equivalents at the beginning of the reporting period	44,259	72,517
Change in cash and cash equivalents due to exchange rate movements	–187	720
Cash and cash equivalents at the end of the reporting period	48,529	62,004
Change in cash and cash equivalents	**4,457**	**–11,233**

The notes on page 31 – 37 are an integral part of the consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2014

Highlight Communications AG, Pratteln

1. General information on the Group

The Group parent company Highlight Communications AG is based at Netzibodenstrasse 23b, Pratteln, Switzerland.

Highlight Communications AG's Board of Directors authorized the publication of these unaudited, condensed consolidated interim financial statements on May 19, 2014.

2. Accounting and valuation principles

The unaudited, condensed consolidated interim financial statements for the period from January 1 to March 31, 2014 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34).

The condensed consolidated interim financial statements do not include all explanations and disclosures required for the financial statements for the full fiscal year and should be read in conjunction with the consolidated financial statements of the company as of December 31, 2013.

The accounting and valuation policies applied in the consolidated financial statements for fiscal year 2013 remained consistent with those applied in the condensed consolidated interim financial statements (see annual report 2013, notes to the consolidated financial statements, note 4) except for the first-time adoption of new or revised standards and interpretations explained below.

The consolidated interim financial statements have been prepared in Swiss francs, which is the functional and reporting currency of the Group's parent company. In general, the amounts are reported in thousands of Swiss francs (TCHF) unless stated otherwise.

The preparation of the condensed consolidated interim financial statements requires management to use estimates and assumptions that affect the classification and measurement of reported income, expenses, assets, liabilities, contingent liabilities and contingent assets as of the balance sheet date. These estimates and assumptions represent the management's best estimate based on historical experience and other factors, including estimates about future events. Estimates and assumptions are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based have changed or new or additional information has become available. Such changes are recognized in the reporting period in which the estimate is modified. For additional information, please refer to the annual report 2013, notes to the consolidated financial statements, note 5.

3. Changes in accounting principles

The mandatory adoption of the following accounting standards and interpretations from January 1, 2014 had no material effect on these condensed consolidated interim financial statements respectively no material changes are anticipated for the consolidated financial statements as of December 31, 2014:

Standards/amendments/interpretations		Mandatory application for fiscal years starting on or after
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)		January 1, 2014
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives (amendment)	January 1, 2014
IFRIC 21	Levies	January 1, 2014

The Highlight Group began early voluntary adoption of the amendment to IAS 36, Impairment, in fiscal year 2013.

The Highlight Group waived voluntary early adoption of the new or revised standards and interpretations not yet effective for fiscal year 2014. For additional information, please refer to the annual report 2013, notes to the consolidated financial statements, note 2.

4. Changes in scope of consolidation

Constantin Production Services Inc., USA, was merged with Constantin Film Development Inc., USA, on January 1, 2014. This transaction has no effect on these consolidated interim financial statements.

5. Explanatory notes to selected items of the balance sheet and the income statement

Total assets amounted to TCHF 395,935 as of March 31, 2014 after TCHF 443,329 as of December 31, 2013. While non-current assets declined by TCHF 43,154 in total as a result of a drop in film assets in particular, current assets decreased by a total of TCHF 4,240 as of March 31, 2014. The decrease in current assets essentially resulted from a reduction in trade accounts receivable and other receivables from TCHF 126,199 to TCHF 117,078. This was partly offset by cash and cash equivalents, which rose by TCHF 4,270. On the equity and liabilities side, non-current liabilities decreased by TCHF 3,798 and current liabilities declined by TCHF 42,328. In addition, equity was down by TCHF 1,268 at TCHF 105,980.

Film assets

As of March 31, 2014, film assets decreased by TCHF 45,809 compared to December 31, 2013. In-house productions declined by TCHF 49,304, while third-party productions increased by a total of TCHF 3,495. The reduction in film assets is essentially a result of scheduled amortization on in-house productions.

Current assets

As against December 31, 2013, current receivables fell by TCHF 9,179 as of the end of the reporting period. This was due to the decrease of TCHF 4,987 in trade accounts receivable, of TCHF 4,134 in other receivables and the TCHF 16 decline in receivables due from associated companies and joint ventures. Furthermore, receivables due from related parties declined by a total of TCHF 42.

Other current financial assets decreased by TCHF 1,491 to TCHF 16,136. The change is mainly due to the effect of the loss of value of the shares held in Constantin Medien AG, which is shown in the statement of other comprehensive income, and the sale of other financial assets.

Cash and cash equivalents rose from TCHF 44,259 to TCHF 48,529 as of March 31, 2014. Financing activities resulted in a cash outflow of TCHF 30,811, due mainly to the repayment of financial liabilities. The Group's investing activities used cash of TCHF 20,930, which was essentially due to payments for film assets. Operating activities had a positive cash flow of TCHF 56,198.

Equity

As of March 31, 2014, the number of directly and indirectly held non-voting treasury shares, taking into account those held by subsidiaries, was 2,715,650 shares in Highlight Communications AG (December 31, 2013: 2,715,650). No treasury shares were bought or sold in the period under review.

Equity fell by TCHF 1,268 from TCHF 107,248 to TCHF 105,980 as of March 31, 2014. This reduction was essentially due to the drop in the value of the shares in Constantin Medien of TCHF 1,054 recognized in retained earnings. The remeasurement of the pension obligation also reduced retained earnings by TCHF 618, on account of the drop in the discount rate in particular. The reduction in other reserves of TCHF 492 results from the translation of the equity of companies that do not use the Swiss franc as their functional currency. The net profit for the period of TCHF 1,030 contributed to a positive effect.

Liabilities

While non-current liabilities decreased slightly compared to the end of the year by TCHF 3,798, current liabilities fell by a total of TCHF 42,328. Financial liabilities declined by TCHF 31,124 to TCHF 120,873. At the same time, trade accounts payable were down by TCHF 11,856 and other liabilities rose by TCHF 4.

Sales and other income

Sales in the reporting period amounted to TCHF 125,731 after TCHF 81,929 in the same period of the previous year. While sales in the Sports- and Event-Marketing segment declined by TCHF 63, the Film segment's sales climbed by TCHF 44,113. Capitalized film production costs and other own work capitalized decreased by TCHF 7,463 year-on-year. This decline is mostly attributable to the Film segment and reflects the lower production volume as compared to the first quarter of 2013.

Operating expenses

The cost of materials and licenses declined by TCHF 9,570 year-on-year. The reduction is primarily due to the lower production volume in the Film segment compared to the first quarter of 2013.

Personnel expenses amounted to TCHF 23,003 in the reporting period and were thus slightly below the previous year's level.

Amortization, depreciation and impairment on film assets, intangible assets and property, plant and equipment totaling TCHF 65,248 (previous year's period: TCHF 19,164) comprise amortization and depreciation of TCHF 56,331 (previous year's period: TCHF 17,305) and impairment of TCHF 8,917 (previous year's period: TCHF 1,859), which relates in full to film assets.

Unrecognized pro rata loss of companies accounted for using the equity method

The unrecognized pro rata loss of companies accounted for using the equity method was TCHF 395 in the period under review (previous year's period: TCHF 477). The cumulative unrecognized pro rata loss was TCHF 3,083 (December 31, 2013: TCHF 2,688).

Financial result

In the reporting period, the financial result was down by a total of TCHF 602 compared to the same period of the previous year. In the comparative period, a gain from the change in the fair value of a financial instrument since sold as part of an equity swap transaction was recognized in the amount of TCHF 509.

6. Financial risk management

The Group is exposed to various financial risks arising from operating business activities and financing activities. Financial risks of relevance to the Group arise from changes in foreign exchange rates, from market risks for financial assets, changes in interest rates, liquidity, credit quality and the solvency of the Group's business partners. There were no changes in the allocation of financial assets and liabilities to the individual classes in comparison to the annual consolidated financial statements. For additional information, please refer to the annual report 2013, notes to the consolidated financial statements, note 8.

Fair value of financial assets and liabilities

The table below shows the allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

March 31, 2014 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/ without category	–	174	–	174
Financial assets at fair value through profit or loss	FVPL	218	–	1,831	2,049
Financial assets (equity instruments)	FVOCI	14,305	–	–	14,305
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	–	–	–
Derivative financial instruments	FLPL/ without category	–	473	–	473

December 31, 2013 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/ without category	–	666	–	666
Financial assets at fair value through profit or loss	FVPL	227	–	2,268	2,495
Financial assets (equity instruments)	FVOCI	15,359	–	–	15,359
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	506	–	506
Derivative financial instruments	FLPL/ without category	–	1,500	–	1,500

Disclosures on level 3 financial instruments:

Designation of the financial instrument	Preference shares
Fair value January 1, 2014	2,268
Currency translation differences through equity	–76
Sale	–361
Fair value March 31, 2014	**1,831**

The financial assets measured at fair value through profit or loss and included in level 1 are measured using market prices. The derivative financial instruments in level 2 are measured at current market rates. A discounted cash flow method was used to determine the fair value of level 2 financial instruments. The change in the fair value of the financial assets shown in level 3 is due to sales in the amount of TCHF 361 and currency translation effects in the amount of TCHF –76.

The carrying amount of the financial assets and liabilities measured at market rates is the fair value.

There were no reclassifications between the individual levels of the fair value hierarchy.

Financial assets and liabilities at amortized cost

Given the short remaining term, the carrying amounts of current financial receivables and liabilities as of the end of the reporting period are approximately the fair value. Non-current receivables are discounted in line with their term; their carrying amounts are therefore also approximately their fair value.

Fair value of non-financial assets and liabilities

With the exception of the property (see annual report 2013, notes to the consolidated financial statements, note 6.14), there were no non-financial assets or liabilities measured at fair value as of March 31, 2014. As was the case as of December 31, 2013, the property measured at fair value less costs to sell is assigned to level 2.

7. Segment reporting

The following segment information is based on what is commonly known as the management approach.

The management of the company as the chief operating decision maker makes decisions on the allocation of resources to the segments and assesses their success on the basis of key indicators for sales and segment result. The Group's management does not rate the segments on the basis of their assets and liabilities.

Based on the internal management reporting system and the underlying organizational structure of internal reporting, the Group is still divided into the three operating segments Film, Sports- and Event-Marketing and Other Business Activities. The administrative functions of the Highlight Communications AG holding company are reported under Other. The elimination of inter-segment transactions is reported in the reconciliation column.

The segment result is defined as earnings before earnings from investments in associated companies and joint ventures, before financial result and before taxes.

Sales and service transactions between the segments are performed as arm's length transactions.

Segment information January 1 to March 31, 2014

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Reconciliation	Group
External sales	112,674	12,407	650	–	–	125,731
Other segment income	12,266	136	246	–	–244	12,404
Segment expenses	–127,466	–7,101	–1,546	–1,325	244	–137,194
thereof amortization, depreciation	*–55,784*	*–216*	*–331*	–	–	*–56,331*
thereof impairment	*–8,917*	–	–	–	–	*–8,917*
Segment result	**–2,526**	**5,442**	**–650**	**–1,325**	–	**941**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						61
Financial income						2,378
Financial expenses						–2,244
Profit before taxes						**1,136**

Segment information January 1 to March 31, 2013

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	68,561	12,470	898	–	–	81,929
Other segment income	20,345	26	257	–	-242	20,386
Segment expenses	-90,255	-7,525	-1,669	-1,528	242	-100,735
thereof amortization, depreciation	*-16,703*	*-259*	*-343*	–	–	*-17,305*
thereof impairment	*-1,859*	–	–	–	–	*-1,859*
Segment result	**–1,349**	**4,971**	**–514**	**–1,528**	–	**1,580**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						5
Financial income						2,266
Financial expenses						-1,530
Profit before taxes						**2,321**

8. Financial commitments, contingent liabilities and other financial obligations

Compared to the consolidated financial statements as of December 31, 2013, financial commitments, contingent liabilities and other financial obligations decreased by TCHF 9,971 to TCHF 73,713 as of March 31, 2014.

9. Related party disclosures

As part of its normal business activities, the company maintains relations with associated companies, joint ventures, the major shareholder and its subsidiaries in addition to companies controlled by members of the Board of Directors. In some cases, the receivables due from associated companies and joint ventures also include loans that arise from the non-binding financing of operative projects.

The table below shows the scope of the transactions performed in the reporting period:

Joint ventures

(TCHF)	Mar. 31, 2014	Dec. 31, 2013
Receivables	2,244	2,283
Liabilities	2,979	–

(TCHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Sales and other income	1,297	2,272
Cost of materials and licenses and other expenses	1,156	2,363

Associated companies

(TCHF)	Mar. 31, 2014	Dec. 31, 2013
Receivables	3,639	3,079
Liabilities	44	26

(TCHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Sales and other income	1	–
Cost of materials and licenses and other expenses	45	43

Other related parties

(TCHF)	Mar. 31, 2014	Dec. 31, 2013
Receivables	–	–
Liabilities	138	106

(TCHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Sales and other income	–	–
Cost of materials and licenses and other expenses	180	180

Parent company and its direct subsidiaries

(TCHF)	Mar. 31, 2014	Dec. 31, 2013
Receivables	35	77
Liabilities	151	176

(TCHF)	Jan. 1 to Mar. 31, 2014	Jan. 1 to Mar. 31, 2013
Sales and other income	44	95
Cost of materials and licenses and other expenses	128	151

Other related party transactions essentially include the following:

During the reporting period, the consulting agreement between the Constantin Film Group and Fred Kogel GmbH, which covers the areas of license trading, TV service production and film distribution, resulted in expenses of TCHF 92 (previous year's period: TCHF 92). The associated liabilities amounted to TCHF 30 as of March 31, 2014 (December 31, 2013: TCHF 31).

As of March 31, 2014, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 107 (December 31, 2013: TCHF 74).

Related parties include the members of the Board of Directors, the members of Group management and their relatives.

Highlight Communications AG did not perform significant services for companies controlled by related parties in the reporting period or in the same period of the previous year.

All transactions with related parties are carried out at arm's length conditions.

10. Events after the end of the balance sheet date

The management and the Board of Directors are not aware of any events that occurred after the balance sheet date that could significantly influence the net assets, financial position and results of operations of the Highlight Group.

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Well earned:
The hit comedy „Fack ju Göhte“ won the audience prize at the Bavarian Film Awards.

Events 2014

Cinema	Cannes Film Festival	May 14 – 25
	Locarno Film Festival	August 6 – 16
	Venice Film Festival	August 27 – September 6
	Toronto Film Festival	September 4 – 14
Football	UEFA Europa League final	May 14
	UEFA Champions League final	May 24
Music	Eurovision Song Contest, semifinals	May 6 and 8
	Eurovision Song Contest, final	May 10
	Vienna Philharmonic’s Summer Night Concert	May 29
Investor Relations	Interim reports	August/November
	Annual General Meeting	May 30
	German Equity Forum	November 24 – 26

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