Highlight

ANNUAL REPORT 2008

Highlight Communications AG, Pratteln, Switzerland		
FILM		SPORTS- & EVENT-MARKETING
97.83 %	100 %	80 %
Constantin Film AG Munich, Germany Subsidiaries of Constantin Film AG	**Highlight Communications (Deutschland) GmbH** Munich, Germany **Rainbow Home Entertainment AG** Pratteln, Switzerland **Rainbow Home Entertainment GmbH** Vienna, Austria	**Team Holding AG** Lucerne, Switzerland **T.E.A.M. Television Event And Media Marketing AG** Lucerne, Switzerland **Team Football Marketing AG** Lucerne, Switzerland

- Film production
- Theatrical distribution
- Film license trading
- Video/DVD exploitation (wholesale, retail and rental)
- TV service production

- UEFA Champions League
- UEFA Cup (from quarterfinals)
- UEFA Super Cup
- U-21 European Championship
- Eurovision Song Contest
- Vienna Philharmonic Orchestra

The Highlight Group's expertise includes the design, production and marketing of major events and first-class entertainment.

Top cinema films, an attractive library, successful TV formats, the premium football of the UEFA Champions League and long-established musical events such as the Eurovision Song Contest or the Vienna Philharmonic's New Year's Day Concert constitute the Highlight portfolio.

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FOREWORD BY THE CHAIRMAN AND THE DELEGATE

Dear shareholders and other interested parties,

Fiscal year 2008 was the most successful year for the Highlight Group in operational terms in the Company's 26 year history – despite the financial crisis and the beginning of a recession.

We started 2008 with forecast revenues of CHF 480 million to CHF 500 million and profit expectations of between EUR 0.38 and EUR 0.40 per share. These planning targets were exceeded once again. This excellent result, especially in the present time, emphasizes once more the good positioning, sustainability, and soundness of our business model.

- Group revenues reached CHF 518.4 million in fiscal year 2008, a 7.6% increase over the previous year.
- Profit from operations (EBIT) rose by 4.3% over the previous year to a new record figure of CHF 55.2 million.
- Despite value adjustments of CHF 10.7 million on financial assets, the Highlight Group had net consolidated earnings of CHF 32.5 million and net consolidated earnings (Highlight shareholders) of CHF 29.8 million, which almost reached the same level as the 2007 record year (CHF 30.7 million).
- Earnings per share of CHF 0.65 or EUR 0.41 is almost the same as last year's earnings per share (CHF 0.68 or EUR 0.41) despite the above mentioned value adjustments.
- The Highlight Group's equity base improved significantly by CHF 15.2 million to CHF 98.2 million.

Excellent Constantin films

Fiscal year 2008 was especially successful for our subsidiary Constantin Film AG. Its unique position, especially in the cinema distribution segment, among German independent distributors and producers was again demonstrated. Constantin's total of nine own and co-productions started in 2008 attracted enthusiastic audiences of more than 8.4 million cinemagoers in Germany alone. Four of these films attracted more than one million each and therefore placed in the top ten in German productions.

The Bernd Eichinger production "The Baader Meinhof Complex" attracted the highest level of national and international attention, luring 2.5 million visitors to theaters. The much talked about film adaptation of the bestseller of the same name by Stefan Aust was nominated for the three most important international film awards as best foreign-language film: Golden Globe, BAFTA award, and Oscar®.

The film with the highest audience figures released in German cinemas in 2008 was the Constantin co-production "The Wave", which captivated more than 2.6 million viewers. In addition to its commercial success, this youth drama won bronze at the prestigious German film awards in the "Best Feature Film" category.

Constantin was also the big winner at this year's Bavarian film awards with three prizes. Screenwriter and producer Bernd Eichinger won the trophy for "The Baader Meinhof Complex" in the category of "Best Film". Oscar® winner Caroline Link received the prize for best director for "One Year ago in Winter" and Karoline Herfurth received the best young actress award for her convincing acting performance in this family psychological portrait.

Constantin theatrical hits successful in video marketing

The market situation in Germany was characterized by a weakening consumer climate and a rapid decline in prices on the DVD sell-through market. The same was true for rental outlets that could not stop the long-term loss of customers in 2008.

It is all the more encouraging that the Company's success continued in the Home Entertainment segment despite difficult economic conditions. New DVD/Blu-ray releases of Constantin cinema hits – especially its own production "The Wave" and the 3D animated comedy "Lissi und der wilde Kaiser" – once again ensured this success. After the funny Sissi parody produced by multi-talented Michael Bully Herbig attracted almost 2.3 million to the cinemas, the home cinema version became the highest-selling German-language CGI film of the year with over 500,000 units sold.

Further highlights were Constantin's own production "Resident Evil: Extinction" and the Constantin licensed film "Step Up 2: The Streets", which has sold more than 180,000 copies in stores so far.

Convincing marketing activities in Sports- and Event-Marketing

For Highlight subsidiary TEAM, fiscal year 2008 was dominated by the ongoing sale of the commercial rights to the UEFA Champions League and the UEFA Europa League – the successor competition to the UEFA Cup – for the 2009/10 to 2011/12 seasons. Despite the increasing grip of the financial and economic crisis as the year progressed, TEAM concluded deals on behalf of and in the name of UEFA that met the ambitious requirements and often exceeded them.

TEAM concluded the extensive tendering processes for awarding TV rights in five key European markets – UK, Germany, France, Italy, and Spain. Very positive deals were also made in many Asian countries as well as in Arabic and African regions. In terms of sponsorship of the UEFA Champions League, TEAM has already finalized contracts with five of a total of six exclusive partners – a significant achievement in view of the current economic situation.

These results highlight the high level of unbroken attraction that the UEFA football formats hold on the one hand and prove the skill and professionalism of our subsidiary on the other. These are abilities that TEAM also demonstrated at the New Year's Day Concert of the Vienna Philharmonic Orchestra. TEAM was responsible for the sale of TV and radio rights for this classic for the first time and mastered the task to the full satisfaction of the rights holders. The concert was sold to over 72 countries worldwide, 18 more than in the previous year.

10 years as a listed company – from a niche player from Switzerland to one of the leading media groups in the German-speaking world

Ten years ago, when going public on May 11, 1999, the Highlight Group operated as a niche player in German-language home Entertainment and film license trading among the media stocks of that time. The Company has grown on an ongoing basis in a constantly changing media landscape without losing sight of its focus on its operating strength and long-term results. The Highlight Group is now one of the key players in the German-language media landscape.

Yet, the development of the Highlight stock price was unsatisfactory in the past fiscal year. In a turbulent market environment, especially in the second half of the year, the price held its ground for a long time, but was then forced to suffer a loss of 42 %. The drop in price was not due to the still excellent key figures of the Highlight Group, but reflects current developments in the economic and financial markets.

The Board of Directors can of course influence and manage the Highlight Group's strategy, but not the developments on financial and capital markets and the valuations that the capital markets give companies or industries. However, we will continue to do everything we can to convince the capital markets of the potential and future of our group of companies.

Focus on simplifying the Group structure

In the operating area, we will continue to strengthen and expand our market positions in the long term. In the meantime, we have increased our share in Constantin Film AG to 97.83 %. The rest of the company's shares are meant to be acquired now as part of a squeeze-out procedure. To this end, we sent a squeeze-out demand to Constantin in December 2008. This agreement, which will allow us to take over the outstanding shares at a fixed price, will be voted on at the coming Constantin Annual General Meeting.

Optimistic into fiscal year 2009

2008 was a very good year for our Company despite the turbulent and constantly worsening environment. According to present estimates, 2009 will also be a good year for the Highlight Group. Given relatively stable exchange rates (EUR/CHF), we want to raise earnings per share to EUR 0.42 to EUR 0.44 with revenues remaing almost the same.

Our optimism is based on several pillars: Constantin's distribution slate, which is expected to contain 14 films, is one of the strongest in recent years by our own estimations. In particular, "Männersache" by and with German star comedian Mario Barth, the screen adaptation of the youth book classic "Vorstadtkrokodile", and Michael Bully Herbig's "Wickie und die starken Männer" are expected to be well-received.

In the home entertainment business area, our straight-to-video releases "Bangkok Dangerous" and "Disaster Movie" have been in the German top 10 for a few weeks. We also expect the recent cinema hit "The Baader Meinhof Complex" and the third part of the "Wilde Hühner" trilogy, which has already attracted almost one million people to theaters, to be additional strong growth drivers in particular.

In Sports- and Event-Marketing, the focus is now on closing the deal on selling the rights to the UEFA Champions League and the UEFA Europa League. Organizational support and development of the current competitions up to the major final games will also be an extensive task. The same is true for music as the Eurovision Song Contest and the Summer Night Concert of the Vienna Philharmonic Orchestra are also two major events.

In the name of the Board of Directors, we would like to thank you for the confidence you have again placed in us and in our Company in 2008. We will continue to do all we can to continue the Highlight Group’s success story. In doing so, we are counting primarily on you as shareholders, on the drive and judgment of our employees, and on our customers and business partners. We would like to extend our special thanks to you all for your achievements and the support you have provided.

The coming year will not be easy for the media industry. But a difficult environment always offers new opportunities for well-positioned companies by its very nature. The takeover of Constantin Film AG by the Highlight Group was only possible during the New Economy crisis, and Highlight Group came out of that crisis stronger in the end. We are convinced that the current environment will lead to a further clearing out of the media landscape, and solid and well-positioned companies will come out of the crisis stronger. In this spirit, we hope to be able to count on your continued support.

Werner E. Klatten
Chairman of the Board of Directors

Bernhard Burgener
Delegate of the Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS

Werner E. Klatten (born 1945)

Chairman of the Board of Directors
Lawyer. Mr Klatten initially worked as the head legal advisor of Martin Brinkmann AG, Bremen, before being appointed to the company's executive board. His career in the media industry began in 1988 as the Chairman of the management of Sat.1 (first in Mainz, later in Berlin). In 1994, Mr Klatten joined the management of Spiegel-Verlag, Hamburg, where he was responsible for the areas of markets and revenue. He was also a managing director of Spiegel TV and CEO of SpiegelNet AG from 2000.

In 2001, Mr Klatten was made CEO of EM.TV & Merchandising AG (today: EM.Sport Media AG), a position he held until the end of August 2008. Since the middle of September 2008, he has been the Chairman of the Board of Directors of Highlight Communications AG, having already been a member of it since the end of May 2008.

Bernhard Burgener (born 1957)

Delegate of the Board of Directors (CEO)
Businessman. Mr Burgener has worked in the film business since 1982. His professional career began in 1983 with the founding of Rainbow Video AG (today: Rainbow Home Entertainment AG), Pratteln. Mr Burgener has been a shareholder of Highlight Communications AG since 1994 and was its CEO until 1999. In May 1999 he took the Company public and from 1999 to the middle of September 2008 he was responsible for the activities of the Highlight Group as the Chairman of its Board of Directors.

Since September 2008, Mr Burgener has again acted as CEO. Parallel to this, on September 1, 2008 he took over from Werner E. Klatten the position of CEO of EM.Sport Media AG. Until year-end 2008, he also held the position of Chairman of the Supervisory Board of Constantin Film AG, before becoming its CEO effective January 1, 2009.

Martin Wagner (born 1960)

Vice Chairman of the Board of Directors and Head of Legal Affairs & Compliance
Lawyer. Mr Wagner is a commercial lawyer and a partner at a leading international law firm in Basel. Specializing in stock corporation law, stock market law and media law, he serves as senior legal counsel to several listed companies in Switzerland and abroad. Mr Wagner has been a member of Highlight Communications AG's Board of Directors since May 2000.

Dr. Ingo Mantzke (born 1960)

Member of the Board of Directors and Chief Investor Relations Officer
MBA. Dr. Mantzke worked at BHF-Bank from 1987 to 1989 before accepting a two-year PhD scholarship. From 1991 to 1996 he worked for KPMG Unternehmensberatung GmbH, most recently holding the position of senior manager in the financial services segment. Dr. Mantzke then became a director of Deutsche Börse AG, where we was initially responsible for the areas of Controlling and Investor Relations and later took the position of Head of Finance.

Dr. Mantzke has been a member of Highlight Communications AG's Board of Directors since February 1999 and acted as Chief Financial Officer of the Highlight Group until November 2003. Since then, his responsibilities include being Chief Investor Relations Officer for all activities of the Company in the investor area.

Antonio Arrigoni (born 1968)

Member of the Board of Directors

Swiss certified accountant. Mr Arrigoni was an auditor at KPMG in Zurich and Miami from 1996 to the middle of 2004. He then came to Highlight Communications AG, where he took on the role of CFO as a Managing Director. Mr Arrigoni has been CFO of EM.Sport Media AG since April 2008 and a member of the Board of Directors of Highlight Communications AG since the end of May 2008.

René Camenzind (born 1951)

Member of the Board of Directors

Businessman. Mr Camenzind began his professional career in 1974 at Mythen Center Schwyz, becoming its manager from 1990. In 2003 he was elected President of the Board of Directors of Mythen Center Holding AG. Since January 2004, Mr Camenzind has been a member of Highlight Communications AG's Board of Directors.

Dr. Erwin Conradi (born 1935)

Member of the Board of Directors

Industrial engineer. Dr. Conradi worked at IBM in New York and Düsseldorf from 1959 to 1971. He then joined the Metro Group, where he ranked as one of the most important top managers in retail as the head of Metro AG. Dr. Conradi has been a member of the Supervisory Board of EM.Sport Media AG since mid-2007 and a member of the Board of Directors of Highlight Communications AG since the end of May 2008.

Martin Hellstern (born 1934)

Member of the Board of Directors

Businessman. Mr Hellstern's work in the media industry began in 1963 at Rialto Film AG, Zurich, which he gradually built into the largest independent film company in Switzerland today. Since 1990, he has been a member of the Board of Directors and shareholder of Switzerland's leading cinema company KITAG, Teleclub AG and CineStar SA, Lugano. Mr Hellstern has been a shareholder of Highlight Communications AG since 2003 and a member of Highlight Communications AG's Board of Directors since January 2004.

Acting success:
Johanna Wokalek receives the BAMBI award in 2008 for her convincing portrayal of the terrorist Gudrun Ensslin in “The Baader Meinhof Complex”.

In operational terms, the fiscal year 2008 was the most successful in the Highlight Group’s history. Forecast revenues were exceeded substantially and, at CHF 55.2 million, profit from operations hit a new record.

CORPORATE GOVERNANCE

INTRODUCTION

The Highlight Group welcomes the corporate governance rules as they heighten transparency for shareholders. As a Swiss company, Highlight Communications AG largely complies with the rules issued by SIX Swiss Exchange. The organization of our management bodies complies with the leading "Codes of Best Practice".

1. GROUP STRUCTURE

Highlight Communications AG is a holding company headquartered in Pratteln/BL.

1.1. Operative Group structure

Highlight Communications AG and its group companies make up the Highlight Group, hereinafter referred to as the "Highlight Group". The operative structure of the Highlight Group consists of two segments – "Film" and "Sports- and Event-Marketing".

1.2. Listed companies

1.2.1. Highlight Communications AG

Highlight Communications AG has its registered offices in Pratteln/BL, Switzerland, and has been listed on the Frankfurt stock exchange since May 11, 1999. It is a member of the Prime Standard (ISIN: CH 000 653 9198, German WKN number: 920 299, ticker: HLG). As of December 31, 2008, the market capitalization of the company was around EUR 236.25 million at a closing stock price for the year of EUR 5.00.

1.2.2. Constantin Film AG

Highlight Communications AG holds a majority stake in Constantin Film AG, Munich, Germany. This company has been listed on the Frankfurt stock exchange since September 30, 1999. The stock is included in the CDAX index (ISIN: DE 000 580 0809, German WKN number: 580 080, ticker: CFA). As of December 31, 2008, the market capitalization of the company was around EUR 225.93 million at a closing stock price for the year of EUR 17.73. As of December 31, 2008, Highlight Communications AG and its subsidiaries held an interest of 97.83 % in Constantin Film AG. The other shares are held by various institutional investors, funds and private individuals.

By way of a letter dated December 2, 2008, Highlight Communications AG sent a squeeze-out demand to Constantin Film AG, instructing it to take all necessary measures in order that the next Annual General Meeting of Constantin Film AG can pass a transfer resolution in accordance with section 327a (1) sentence 1 of the German Stock Corporation Act. Constantin Film AG is planning to submit the application of Highlight Communications AG for voting at the yet to be scheduled 2009 Annual General Meeting.

1.2.3. Escor Casinos & Entertainment SA

Escor Casinos & Entertainment SA, headquartered in Düdingen/FR, is an associate of Highlight Communications AG. Escor Casinos & Entertainment SA has been listed on the Swiss Stock Exchange SIX since 1987. Its shares (ISIN: CH 000 358 3256, securities number: 358 325, ticker: ESRI) are traded on SIX. As of December 31, 2008, the market capitalization of the company was around CHF 25.99 million at a closing stock price for the year of CHF 21.00.

1.3. Non-listed companies

1.3.1. Non-listed subsidiaries of Highlight Communications AG

Further information on the key subsidiaries and the scope of consolidation of Highlight Communications AG can be found under note 3 in the notes to the consolidated financial statements.

1.3.2. Non-listed subsidiaries of Constantin Film AG

Please refer to Constantin Film AG's annual report for details of its subsidiaries and equity interests.

1.4. Principal shareholders

On December 31, 2008, Highlight Communications AG was aware of the following shareholders with a share of more than 5 % of its share capital:

EM.Sport Media AG	47.31 %
MarCap Investors L.P.	8.06 %

The rest is held by various institutional investors and funds as well as private investors.

Highlight Communications AG maintains an active stock buy-back program. Depending on market conditions, stock of up to a maximum of 10 % of the Company's issued capital as stipulated by Swiss law is bought back.

In the year under review, a total of 1,826,808 treasury shares were bought back and 3,265,857 treasury shares were sold. As of December 31, 2008, treasury stock comprised 759,803 shares, equivalent to 1.61% of the Company's issued capital.

The transactions of the current buy-back program can be seen on an ongoing basis on our website.

1.5. Cross shareholdings

EM.Sport Media AG holds 47.31% of the issued capital of Highlight Communications AG.

Highlight Communications AG holds and controls 7.64 % of the subscribed capital of EM.Sport Media AG. At the level of EM.Sport Media AG the shares are considered treasury stock with no voting rights.

2. CAPITAL STRUCTURE

2.1. Capital

Highlight Communications AG's subscribed capital amounts to CHF 47,250,000 and is divided into 47,250,000 bearer shares with a nominal value of CHF 1.00 each; all shares subscribed are paid up.

2.2. Authorized capital

On May 30, 2008, the Annual General Meeting established authorized share capital of CHF 12,750,000 and empowered the Board of Directors to execute a capital increase by issuing 12,750,000 bearer shares at CHF 1.00 each within a period of two years. A partial increase is permitted. No such capital increase has been implemented to date.

2.3. Changes in capital – changes in nominal value

None.

2.4. Shares, participating and profit-sharing rights

There are no preferential, participating or profit-sharing rights.

2.5. Restrictions on the transferability of shares and registration of nominees

There are no restrictions on the transferability of shares. The bylaws of Highlight Communications AG do not provide for any percentage clauses or conditions for shareholder registration; no nominees are registered.

3. BOARD OF DIRECTORS

The Board of Directors is the Company’s highest management body, responsible for the strategic orientation of the Company as well as the monitoring of Group management. Each member of the Board of Directors is elected by the shareholders. The Board of Directors appoints its own Chairman, Vice Chairman and the various committees.

3.1. Members of the Board of Directors

The Board of Directors currently comprises eight members. The list below provides an overview of the composition of the Board of Directors on December 31, 2008, the functions of the individual members within the Highlight Group, their nationality and their significant activities and interests outside the Highlight Group:

Werner E. Klatten
Chairman of the Board of Directors, member of the Board of Directors since 2008
German national, lawyer, management consultant, non-executive member; a consultancy agreement was concluded between Highlight Communications AG and Werner E. Klatten; besides, no material business relations are maintained with the Highlight Group.

Other (corporate) activities and interests:
Vice Chairman of the Supervisory Board of EM.Sport Media AG, Ismaning, Germany
Chairman of the Executive Board of Stiftung Deutsche Sporthilfe, Frankfurt am Main, Germany
Board of Directors of CTC Media Inc., Moscow, Russia

Bernhard Burgener

Delegate of the Board of Directors, member of the Board of Directors since 1994

Swiss national, businessman, entrepreneur;
responsible for the Highlight Group's strategy, executive member.

Other (corporate) activities and interests:
Chairman of EM.Sport Media AG, Ismaning, Germany
Chairman of the Supervisory Board (until December 31, 2008) and Chief Executive Officer (since January 1, 2009) of Constantin Film AG, Munich, Germany
President of the Board of Directors of Team Holding AG, Lucerne, Switzerland
President of the Board of Directors of Team Football Marketing AG, Lucerne, Switzerland
President of the Board of Directors of T.E.A.M. Television Event And Media Marketing AG, Lucerne, Switzerland
President of the Board of Directors of KJP Holding AG, Lucerne, Switzerland
President of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Board of Directors of Escor Casinos & Entertainment SA, Düdingen, Switzerland
Board of Directors of Radio Basilisk Betriebs AG, Basel, Switzerland
President of the Board of Directors of Lechner Marmor S.p.A., Laas, Italy
President of the Board of Directors of Lasamarmo S.p.A., Laas, Italy
Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland

Martin Wagner

Vice Chairman, member of the Board of Directors since 2000

Swiss national, lawyer; Head of Legal Affairs & Compliance, executive member.

Other (corporate) activities and interests:
Supervisory Board of Constantin Film AG, Munich, Germany
Supervisory Board of EM.Sport Media AG, Ismaning, Germany
Vice President of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Board of Directors of Team Holding AG, Lucerne, Switzerland
Board of Directors of Team Football Marketing AG, Lucerne, Switzerland
Board of Directors of T.E.A.M. Television Event And Media Marketing AG, Lucerne, Switzerland
Board of Directors of KJP Holding AG, Lucerne, Switzerland
President of the Board of Directors of VCP Venture Capital Partners AG, Basel, Switzerland
Board of Directors of Escor Casinos & Entertainment SA, Düdingen, Switzerland
President of the Board of Directors of Radio Basilisk Betriebs AG, Basel, Switzerland
President of the Board of Directors of Weltwoche Verlags AG, Zurich, Switzerland
Board of Directors of Köppel Holding AG, Zurich, Switzerland
Board of Directors of Handelszeitung und Finanzrundschau AG, Zurich, Switzerland
Board of Directors of Handelszeitung Fachverlag AG, Zurich, Switzerland
Board of Directors of Handelszeitung Medien AG, Zurich, Switzerland
Board of Directors of Axel Springer Schweiz AG, Zurich, Switzerland
Board of Directors of TR7 AG, Zurich, Switzerland
Board of Directors of Jean Frey AG, Zurich, Switzerland
Board of Directors of Amiado Group AG, Zurich, Switzerland
Board of Directors of Avivum AG, Zurich, Switzerland
Board of Directors of PartyGuide.ch AG, Zurich, Switzerland
Board of Directors of Students.ch AG, Zurich, Switzerland

Board of Directors of Lechner Marmor S.p.A., Laas, Italy
Board of Directors of Lasamarmo S.p.A., Laas, Italy
Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland
Board of Directors of IWF Institut für Wirtschaftsförderung AG, Liestal, Switzerland
Board of Directors of IPWR Institut für Politik, Wirtschaft und Recht AG, Basel, Switzerland
Board of Directors of livingroom.fm Betriebs AG, Basel, Switzerland
Board of Directors of Bluenaut Matching Services AG, Rünenberg, Switzerland
Board of Directors of Pima Canyon JDS AG, Rünenberg, Switzerland

Dr. Ingo Mantzke
member of the Board of Directors since 1999
German national, MBA, Chief Investor Relations Officer, executive member.

Other (corporate) activities and interests:
Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Managing partner of PeopleNet Verwaltungs GmbH, Königstein, Germany
Chairman of the Supervisory Board of Cornerstone Capital AG, Frankfurt, Germany
Chairman of the Supervisory Board of Cornerstone Verwaltungs AG, Heidelberg, Germany
Board of Directors of Mountain Partners AG, Wädenswil, Switzerland
Board of Directors of Mountain Super Angel AG, St. Gallen, Switzerland

Antonio Arrigoni
member of the Board of Directors since 2008
Swiss national, lic. rer. pol., Swiss certified accountant, non-executive member; no material business relations are maintained with the Highlight Group.

Other (corporate) activities and interests:
CFO of EM.Sport Media AG, Ismaning, Germany
Managing Director of EM.TV Verwaltungs GmbH, Ismaning, Germany
Managing Director of EM.Sport GmbH, Ismaning, Germany

René Camenzind
member of the Board of Directors since 2004
Swiss national, businessman, entrepreneur, non-executive member; no material business relations are maintained with the Highlight Group.

Other (corporate) activities and interests:
President of the Board of Directors of Mythen Center AG, Schwyz, Switzerland
President of the Board of Directors of Mythencenter Immobilienverwaltung AG, Schwyz, Switzerland
President of the Board of Directors of my-regiomarkt, Schwyz, Switzerland
President of the Board of Directors of Alpicana AG, Ingenbohl, Switzerland
President of the Board of Directors of RC Holding AG, Ingenbohl, Switzerland

Dr. Erwin Conradi
member of the Board of Directors since 2008
German national, industrial engineer, entrepreneur, non-executive member; no material business relations are maintained with the Highlight Group.

Other (corporate) activities and interests:
Supervisory Board of EM.Sport Media AG, Ismaning, Germany
Chairman of the Supervisory Board of Mang Medical One AG, Essen, Germany
Managing Director of Mang Medical One Holding GmbH, Essen, Germany
Chairman of the Supervisory Board of MSG Systems AG, Ismaning, Germany
President of the Board of Directors of Sensile Medical AG, Hägendorf, Switzerland

Martin Hellstern
member of the Board of Directors since 2004
Swiss national, businessman, entrepreneur, non-executive member;
no material business relations are maintained with the Highlight Group.

Other (corporate) activities and interests:
Board of Directors of CineStar SA, Lugano, Switzerland
Board of Directors of Atlantic Cinema AG, Lugano, Switzerland
Board of Directors of Praesens Film AG, Zurich, Switzerland
Board of Directors of AVO Auto- und Metallverwertung Ostschweiz AG, Schwarzenbach, Switzerland
Board of Directors of Wiederkehr Recycling AG, Waltenschwil, Switzerland
Board of Directors of Atlantis Investment AG, Wil, Switzerland
Board of Directors of M.H. Movie Holding AG, Glarus, Switzerland
President of the Swiss Cinema Association, Berne, Switzerland
Board of Directors of Atlantic Immobilien & Investment AG, Zurich, Switzerland
Board of Directors of Stella-Movie SA, Comano, Switzerland

3.2. Election and tenure

The Board of Directors comprises at least three members who are generally elected at the ordinary shareholders' meeting for the period of one year. Re-election is possible at all times.

3.3. Internal organization

3.3.1. Constituent meeting and allocation of duties

The Board of Directors is responsible for supervising, monitoring and overseeing management activities. It is the Company's highest body and is self-constituting. It appoints the Chairman, the Vice Chairman and the Secretary. It issues the code of conduct, which was last amended on August 28, 2007.

3.3.2. Meetings of the Board of Directors

The Board of Directors meets at least once a quarter. Resolutions are passed with an absolute majority of the votes present. In the year under review, the Board of Directors met a total of five times.

3.3.3. Committees

By way of resolution dated June 2, 2005, the Board of Directors established an audit committee comprising Bernhard Burgener (Chairman), René Camenzind and Martin Hellstern.

At its meeting on June 2, 2005, the Board of Directors resolved to establish a compensation committee comprising René Camenzind, Martin Hellstern and Bernhard Burgener (Chairman) to decide on matters concerning compensation for the Board of Directors and management.

3.4. Allocation of duties

The allocation of duties on the Board of Directors is governed in the code of conduct dated August 28, 2007.

3.5. Management information and supervision instruments

The Highlight Group's management information system is structured as follows: The financial statements (income statement, balance sheet and cash flow statement) for the individual subsidiaries are prepared on a quarterly basis. These figures are consolidated and condensed per segment and for the Group. At the same time, the figures are compared with the previous year and the budget. The Chief Financial Officer informs the Board of Directors regularly of the Company's business performance and trends in the relevant business indicators. A Group-wide internal control system (ICS) was implemented and documented. The Internal Audit ensures the periodic evaluation and maintenance of the ICS in all equity interests and tests its effectiveness. External controlling instruments are provided by the auditors.

4. MANAGEMENT

The following disclosures were correct as of December 31, 2008.

4.1. Members of management

4.1.1. Group management

Bernhard Burgener, Delegate of the Board of Directors

Swiss national, responsible for Group strategy, established Rainbow Home Entertainment AG (formerly Rainbow Video AG), Pratteln, in 1983. Shareholder since 1994, Chairman of the Board of Directors until 2008, Delegate of the Board of Directors since 2008.

Martin Wagner, Vice Chairman of the Board of Directors, Head of Legal Affairs & Compliance

Swiss national, responsible for all the Group's legal affairs, partner and business attorney in an international law firm in Basel, advises various listed companies in Switzerland and abroad.

Dr. Ingo Mantzke, member of the Board of Directors, Chief Investor Relations Officer

German national, responsible for investor relations at the Highlight Group, previously CFO and Director of Deutsche Börse Group, a member of the Highlight Group's Board of Directors since February 1999.

Peter von Büren, Managing Director, Chief Financial Officer, Head of IT and Human Resources

Swiss national, businessman, many years of management experience at the Highlight Group, a member of the management of Rainbow Home Entertainment AG since 1994.

Dr. Paul Graf, Managing Director, Head of Mergers & Acquisitions and Secretary of the Board of Directors

Swiss national, businessman, previously Managing Director of electronics at Ciba Specialty Chemicals, with the Highlight Group since July 2000.

4.1.2. TEAM (Sports- and Event-Marketing)

Thomas Klooz, CEO

Swiss national, lawyer, from 1985 until 1992 legal advisor and Vice President at ISL Marketing AG, then lawyer in Zurich, later counsel for business & legal affairs and Managing Director at TEAM.

Frank Leenders, Managing Director Event Operations

Dutch national, lic. oec. MBA, from 1992 until 2001 Marketing Manager and Director Television with TEAM, after which Director Sports Rights Acquisitions with STREAM Television in Italy; since October 2002, he has been back with TEAM, initially as Managing Director Business Development, and today as Managing Director Event Operations.

Tom Liston, Managing Director Marketing

British national, he attended business school in England, was engaged in sports marketing activities in Saudi Arabia and with ISL Marketing AG in Lucerne; since 1992, he has been with TEAM, today in his function as Managing Director responsible for the Marketing division.

Simon Thomas, Managing Director Television

New Zealand national, attorney and MBA, he worked as a lawyer in the UK, from 1995 until 1997 he was Manager Legal with TEAM and after that Marketing Manager with NIKE Australia as well as Manager Football Operations and Senior TV Manager with the Organization Committee of the Summer Olympics in Sydney; since 2001 he has been back at TEAM, today as Managing Director Television.

David Tyler, Managing Director Business Affairs

British national, lawyer, from 1995 until 1997 he worked as a lawyer with Bird & Bird in London and since 1997 he has been with TEAM as Manager Legal and Director Legal, today as Managing Director Business Affairs.

4.1.3. Rainbow Home Entertainment (Film segment)

Franz Woodtli, Managing Director of Rainbow Home Entertainment

Swiss national, businessman, at Rainbow Home Entertainment AG since 1985, Managing Director in charge of video/DVD since 1999, many years of management experience within the Highlight Group and a member of the Management Board of Constantin Film AG since 2004.

4.1.4. Constantin Film (Film segment)

The Management Board is the top executive body of Constantin Film AG. It comprises Bernhard Burgener (CEO since January 1, 2009), Hanns Beese (CFO), Martin Moszkowicz (Production) and Franz Woodtli (Home Entertainment).

Please refer to Constantin Film AG's annual report for further information and details.

4.2. Further corporate activities and interests

None.

4.3. Management contracts

There are no management contracts with third parties.

5. COMPENSATION, SHARES AND LOANS

The Board of Directors oversees the compensation paid to members of the management bodies. The compensation committee established by the Board of Directors determines the amount of compensation paid to members of management, who in turn determine the compensation payable in the individual operative units.

Please refer to Constantin Film AG's annual report for information on its compensation and remuneration policies.

5.1. Compensation for the Board of Directors

Of the eight members, three are executive members. In the year under review, total compensation came to CHF 5.257 million (previous year: CHF 5.122 million) and was paid to eight people. This includes fees and expenses (see notes to the financial statements of Highlight Communications AG, note 7).

5.2. Allocation of shares in the year under review

In the year under review, no shares were allocated to the Board of Directors or management.

5.3. Shareholdings

As of December 31, 2008, the Directors held the following shares in the Company:

	Shares	Share in capital
Bernhard Burgener	1,616,153	3.42 %
René Camenzind	628,715	1.33 %
Martin Hellstern (M.H. Movie Holding AG)	200,000	0.42 %
Dr. Ingo Mantzke	100,000	0.21 %
Antonio Arrigoni	–	0.00 %
Dr. Erwin Conradi	–	0.00 %
Werner E. Klatten	–	0.00 %
Martin Wagner	–	0.00 %

5.4. Options

There are currently no option programs.

5.5. Additional fees and compensation

None.

5.6. Loans to directors

In the period under review, no loans were granted to any Directors.

5.7. Maximum total compensation

The member of the Board of Directors with the highest total compensation in the year under review received a sum of CHF 2.233 million (previous year: CHF 2.390 million) (see notes to the financial statements of Highlight Communications AG, note 7).

6. SHAREHOLDERS' RIGHTS

6.1. Restrictions on voting rights, voting by proxy

6.1.1. All restrictions on voting rights

There are no restrictions on voting rights. At the Annual General Meeting, there is one vote per share held. All shareholders may vote by proxy at the Annual General Meeting.

6.1.2. Statutory rules on participation in the Annual General Meeting

The provisions of the Swiss law of obligations apply.

6.2. Statutory quorum

The statutory provisions apply.

6.3. Procedure for convening the Annual General Meeting

The provisions of the Swiss law of obligations apply.

6.4. Agenda

The provisions of the Swiss law of obligations apply.

6.5. Registration in the share book

The shares issued by Highlight Communications AG are bearer shares and are therefore not registered.

7. CHANGE OF CONTROL AND DEFENSE MEASURES

7.1. Duty to bid

A party acquiring shares in the Company is not required to lodge a public bid pursuant to Sections 32 and 52 of the Federal Act on Stock Exchanges and Stock Trading.

7.2. Change-of-control clauses

The shares in Team Holding AG are encumbered by a call option in favor of UEFA. This call option may be exercised if a person or group acquires Highlight shares accounting for more than 50 % of the voting rights. The option price comprises the inherent value of the shares on the date on which the option is exercised plus projected earnings until the expiry of the agency agreement with UEFA relating to the UEFA Champions League.

8. AUDITORS

8.1. Duration of auditor mandate

The office of auditor for Highlight Communications AG is held for a period of one year subject to a resolution passed by the shareholders. PricewaterhouseCoopers AG in Lucerne (PwC) audited our annual financial statements for the year ending December 31, 2001, for the first time. Mr Bruno Häfliger is the auditor in charge for fiscal year 2008.

8.2. Auditing fees

A sum of TCHF 150 was accrued for auditing services of PricewaterhouseCoopers in fiscal 2008, and TCHF 70 were paid. Additional fees of TCHF 123 were invoiced by Pricewater-houseCoopers AG for assistance with and the preparation of projects (incl. taxes) relating to the AG and the Group.

9. INFORMATION POLICY

As a listed company and a member of the Prime Standard, the Highlight Group is subject to the strict stock market rules issued by Deutsche Börse AG. This includes compulsory quarterly reporting, the issue of an annual report as well as the publication of ad hoc bulletins.

These documents are distributed via defined channels and issued on demand. In addition, the website at www.highlight-communications.ch is kept continuously updated and includes all key information and references to media reports.

Publications are available from the IR department, which will also accept requests for inclusion in the distribution list. This is also possible via the Company's website.

Twofold recognition:
Director Caroline Link and actress Karoline Herfurth were awarded the Bavarian Film Prize for “One Year ago in Winter”.

In 2008, the Highlight Group increased its stake in Constantin Film AG to 97.83 %. The remaining shares are to be acquired through a squeeze-out process in the current fiscal year.

HIGHLIGHT STOCK

Financial crisis triggers global slump in stock prices

2008 will be remembered as one of the darkest years in capital market history. Negatively impacted by the financial crisis and growing fears of recession, prices on stock markets around the world experienced their hardest crash since 1974. According to the calculations of the rating agency Standard & Poor's, total investor losses in October alone amounted to USD 5.8 trillion – an unprecedented loss of value. Over the year as a whole, the market capitalization of the companies listed on the 52 stock exchanges around the world plummeted by more than USD 28 trillion.

These enormous losses were triggered by a single event in 2007, the repercussions of which nobody could have foreseen: In the middle of July, the US investment bank Bear Stearns was forced to close two of its hedge funds owing to insolvency. The funds had been valued at USD 1.5 billion at the end of 2006. They both lost their entire value by speculating in subprime mortgage loans as real estate prices suddenly nosedived after rising steadily for years. On the other hand, the number of borrowers who could no longer pay their installments rose rapidly.

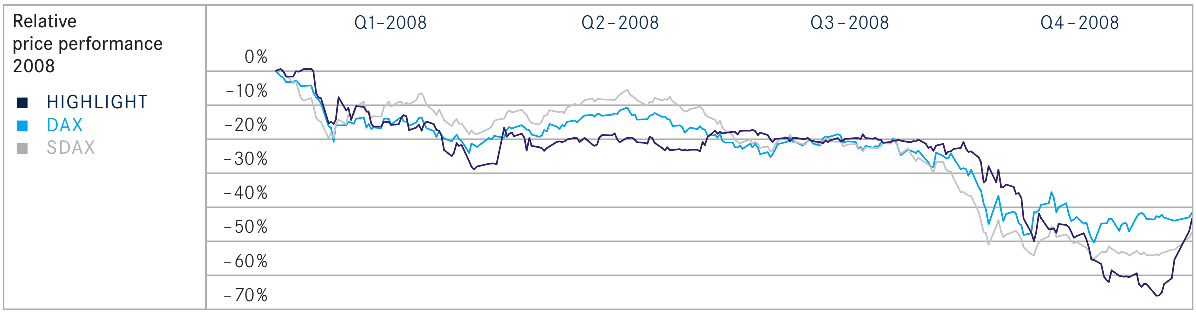
This subprime crisis was the initial spark in a chain reaction that continued to grip more and more financial institutions as it accelerated. Other hedge funds had to be liquidated and several mortgage banks, especially those geared towards the subprime segment, were forced to file for insolvency. However, even some of the major US investment companies reported losses worth billions of dollars. Merrill Lynch alone posted impairments of USD 8.4 billion as of the end of 2007.

However, this was only the beginning: In the middle of March 2008, the collapse of Bear Stearns was only averted by a financial injection by JPMorgan Chase & Co. and the Federal Reserve Bank of New York. The mortgage banks Fannie Mae and Freddie Mac, that had together issued almost half of all US mortgages with a combined loan volume of USD 5.3 trillion, then came under financial pressure in the middle of August. This prompted the US government to announce their nationalization – and thereby the assumption of risks – by the American state at the start of September.

The global financial markets were then rocked in mid-September by the unexpected failure of the fourth-largest US investment bank Lehman Brothers, which filed for bankruptcy after several failed rescue attempts. This move triggered a total loss of confidence and the transfer of money between banks (interbank market) ground to a halt.

As a result, the investment bank Merrill Lynch, which was by now also facing serious financial difficulties, was only able to save itself by seeking refuge with Bank of America. Shortly afterwards, Morgan Stanley and Goldman Sachs – the last two independent investment banks on Wall Street – announced their conversion into normal commercial banks. The largest US savings bank Washington Mutual collapsed under the weight of the financial crisis and was acquired by JPMorgan Chase & Co. in a bail-out.

At the end of September, the crisis then swept visibly into Europe. In the form of the German real estate and state financer Hypo Real Estate, a DAX company was caught in the maelstrom for the first time. The survival of Hypo Real Estate was eventually assured only by a rescue package backed by the financial industry and the German government. The folding of the financial service providers Fortis and Dexia was also only prevented by government intervention in the Benelux nations.



The only hope of enduring stability on the capital markets came from ambitious government aid programs. The US government, for example, devised a USD 700 billion emergency plan for the traumatized financial sector. The heads of state of the 15 countries in the euro zone and the UK also agreed on billions of euro in aid to help stem the flow of the crisis. The UK alone provided around EUR 640 billion to rescue distressed banks while the German government's aid package amounted to EUR 480 billion.

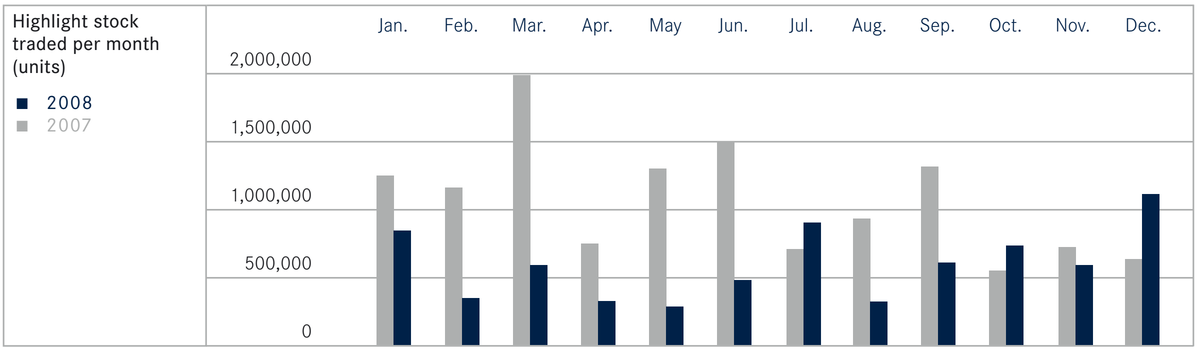
Switzerland also passed a comprehensive program to stabilize its finance system. The Swiss Federal Council, National Bank and the Swiss Federal Banking Commission agreed amongst others to support Switzerland's largest banking group UBS, which has suffered most in Europe from the financial crisis. The government approved an injection of around CHF 6 billion and the Swiss National Bank provided cover of around CHF 63 billion for securities at risk.

Overall, the measures coordinated and resolved make up the biggest rescue operation in economic history. However, even these efforts failed to prevent the financial crisis from leaving ever deeper scars in the real economy from the middle of 2008. The effects of this (sales slumps, production cut-backs, redundancies, etc.) were first seen in the US and then in Europe and Japan. This development was exacerbated further by drastic changes in currency values.

As a result of this turbulence, share prices around the world went into a downswing on a broad front. On December 31, 2008, for example, the US Dow Jones Industrial Average Index closed at 8,776 points, having lost almost 34 % of its value over the year. The Japanese Nikkei Index posted an even worse performance with trading ending more than 42 % down, the biggest loss in its 58-year history.

The leading European stock market indices experienced their hardest slump for six years in 2008. The Euro Stoxx 50, which tracks the price performance of the 50 largest companies in the euro zone, lost almost 45 % of its value – a figure matched by the French CAC 40, which was down by around 43 %. The UK's FTSE 100 performed significantly better with losses of only 32 % while Austria's ATX lost ground heavily, crashing by more than 61 %. This development reflects the close economic link between Austria and Eastern Europe, which suffered correspondingly higher risk deductions under the weight of the financial crisis and economic problems in countries such as Romania, Bulgaria and Hungary.

The Swiss Market Index (SMI) ended the year at 5,535 points, down almost 35 %, with the biggest losses mainly being posted by financial securities such as Credit Suisse (–58 %) and UBS (–72 %). Trading on the German DAX closed at 4,810 points, a decline of more than 40 % over the year. The performance was even worse on the SDAX, which includes Highlight's stock. The small cap index lost 20 % in the third quarter alone and saw a total loss over the year as a whole of around 46 %, closing at 2,801 points.



Highlight stock price stamped by negative market climate

Highlight's stock held its ground well for a long time in this turbulent market environment. After starting the new year at the previous year's closing rate of EUR 8.65 (December 28, 2007), the stock had already reached its highest level for the year of EUR 8.70 on January 14. As a result of the general downward trend on the stock market, the price then gradually slipped throughout the first quarter before reaching an interim low of EUR 6.22 by mid-March.

This was followed by a period of recovery, which saw the price of Highlight stock return to a level in the area of the EUR 7 mark where it hovered until the end of the third quarter. This trend was mainly propped up by the positive business performance of the Highlight Group, which was regularly reflected by significantly higher quarterly results.

In the fourth quarter, the Highlight stock did not escape from the overall decline of stock indices which all posted massive losses due to the global financial crisis. The continuing strong business performance of the Highlight Group was no longer acknowledged by the capital market or was drowned out by the general negative sentiment. Factors defining stock price developments in this period tended to be short-term decisions made by market players in response to a slew of revised downward forecasts for global economic development. On December 30, 2008, the Highlight stock closed XETRA trading at EUR 5.00. Over the year as a whole, it posted a loss of around 42 %, which was better than the performance on the SDAX itself but however disappointing.

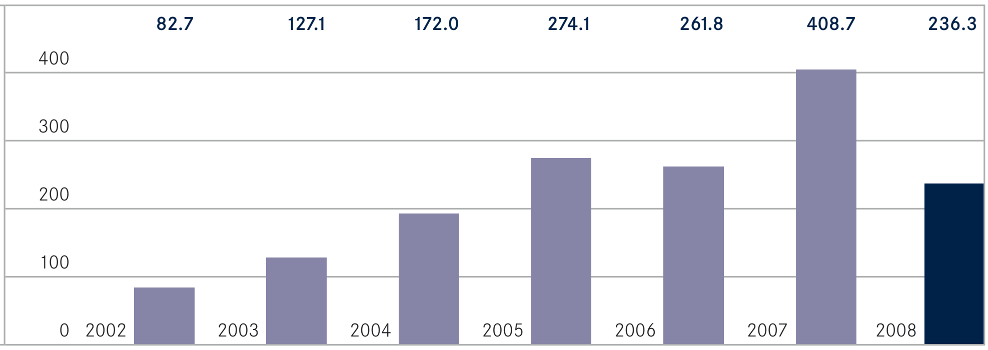
As a result of this price decline, the market capitalization of Highlight Communications AG was down to EUR 236.3 million as of the end of 2008 after EUR 408.7 million in the previous year. This is also true of the trading volume, which dropped to a total of 7.1 million shares in 2008 (previous year: 12.8 million), bringing it back to the level of 2006. This development was due to the fact that more than half of Highlight's stock is now no longer in free float and therefore is no longer traded on the exchange.

EM.Sport Media AG boosts stake significantly

EM.Sport Media AG has gradually increased its investment in Highlight Communications AG with a number of acquisitions in fiscal 2008. In the third quarter, in light of the combination of the two companies, EM.Sport Media AG specifically acquired larger packages from members of the Board of Directors and the management of the Highlight Group, who in turn assumed shares in EM.Sport Media (for further information please see "Important events and developments in the fiscal year").

As of December 31, 2008, EM.Sport Media AG held 47.31% of Highlight stock. Other significant shares in the Highlight Group were held by the Board of Directors, the Group's management and private and institutional investors. As of the end of the fiscal year, free float amounted to 47.34 % as per the index weighting of Deutsche Börse AG.

Development of Highlight market capitalization (in EUR mn)



Shareholdings of the Board of Directors and Group management

Board of Directors	Dec. 31, 2008[1)] Number of shares	Dec. 31, 2007 Number of shares
Werner E. Klatten, Chairman, non-executive member (non-executive member from May 30 to September 21, 2008, Chairman since September 22, 2008)	–	–
Bernhard Burgener, CEO, executive member (Chairman until September 21, 2008)	1,616,153	4,435,000
Martin Wagner, Vice Chairman, executive member	–	37,500
Antonio Arrigoni, non-executive member (since May 30, 2008, Managing Director and member of Group management until March 31, 2008)	–	7,000
René Camenzind, non-executive member	628,715	1,253,715
Dr. Erwin Conradi, non-executive member (since May 30, 2008)	–	–
Martin Hellstern, non-executive member	200,000	1,800,000
Dr. Ingo Mantzke, executive member	100,000	146,010
Group management		
Dr. Paul Graf, Managing Director	-	33,000
Peter von Büren, Managing Director	-	34,653

1) The transactions primarily relate to sales to EM.Sport Media AG.

Dividend distribution of CHF 0.17 planned

Despite the discouraging stock price performance, we would like our shareholders to participate in the positive operating developments at our Company, as we did in the last four years. After realizing earnings per share of CHF 0.65 in the past fiscal year, the Board of Directors will propose the distribution of a dividend of CHF 0.17 per share to the Annual General Meeting on June 5, 2009. Based on the closing price for the year for Highlight stock, the distribution would correspond to a dividend yield of 2.28 %.

Stock buy-back program successfully continued again in 2008

Since mid-2002, Highlight Communications AG has maintained an active stock buy-back program that is primarily used to finance acquisitions, to gain strategic investors or to stabilize the stock price in weaker market phases. In 2008, a total of 1,826,808 Highlight shares were acquired as a part of this program and 3,265,857 were placed with long-term investors. As of December 31, 2008, our Company held 759,803 treasury shares, equal to around 1.6 % of its issued capital. All the transactions in the current buy-back program can be viewed at all times on our website (www.highlight-communications.ch).

Focus on communication with the capital market

From the very beginning, the Highlight Group's strategy has been geared towards sustainably increasing its enterprise value. An essential element in supporting this strategy is ongoing and open communication with capital market participants. This is why we again provided our target group of financial analysts, fund managers and institutional investors with extensive information in the year under review in a large number of one-on-one meetings to aid their assessment of our current business situation and the future development of the Highlight Group.

We also again increased the number of direct contacts with lenders. Elements contributing to this included our regular road shows and presentations at major financial centers such as New York, London, Abu Dhabi, Milan and Dubai. Furthermore, we provided capital market participants with detailed insights into the positioning of our business segments in their respective market environments and the strategic orientation of the Highlight Group at the German Equity Forum – the most important investors' fair for small and medium-sized enterprises in Europe.

However, our main information instrument is still the Investor Relations page on our website. This is where we promptly publish all relevant information on the Company – in line with the principle of fair disclosure. This primarily means our quarterly and annual reports, press releases and ad hoc disclosures and notices of directors' dealings, which can either be read online or requested from us at any time in printed form free of charge. Users of our IR page also have access to research reports and ratings by financial analysts and investment companies. Our financial calendar provides the dates of the main events and publications of the year.

2008 stock data

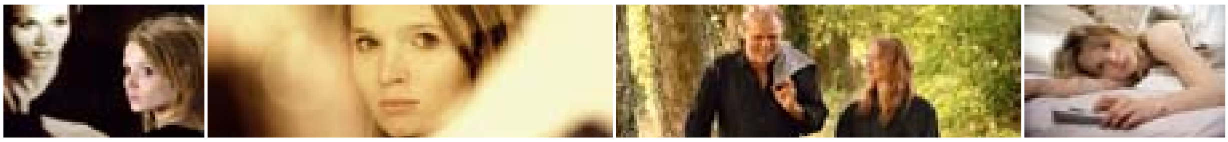
Number of shares	47,250,000	Stock class	Ordinary bearer shares
Nominal value per share	CHF 1.00	Market segment	SDAX
Securities code number (WKN)	920 299	ISIN	CH 000 653 9198
Ticker	HLG	Reuters ticker	HLGZ.DE
Traded at	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, XETRA		
High for the year (XETRA) January 14	EUR 8.70	Low for the year (XETRA) December 15	EUR 3.17
Year-end price	EUR 5.00	Market capitalization at year-end	EUR 236.3 mn
Earnings per share	EUR 0.41		

Analyst coverage of Highlight

DZ BANK	January 2008	Buy	Independent Research	August 2008	Accumulate
Equinet Institutional	April 2008	Buy	DZ BANK	November 2008	Buy
TradeCentre.de	April 2008	Buy	BHF-BANK	November 2008	Strong buy
Equinet Institutional	May 2008	Buy	Equinet AG	December 2008	Buy
Equinet AG	August 2008	Buy			

Big screen:
Sean Penn receives the Oscar® in the category "Best Actor" for his outstanding performance in the film "Milk", which was licensed by Constantin.

The Bernd Eichinger production "The Baader Meinhof Complex" was commercially the most successful German film started in 2008. A further three Constantin productions ranked among the 10 top-selling German cinema films.



Impressive drama about loss and a new beginning: “One Year ago in Winter”

REPORT ON THE HIGHLIGHT GROUP’S SITUATION

BUSINESS AND GENERAL CONDITIONS

BUSINESS ACTIVITY

As a strategic and financial holding company, Highlight Communications AG combines the two segments Film and Sports- and Event-Marketing.

In its Film segment, Highlight Communications AG and its subsidiaries hold a stake in the listed Constantin Film AG (December 31, 2008: 97.83 %). Together with its subsidiaries and equity interests, Constantin Film AG is the leading German producer and distributor of cinema, video and TV films. Constantin Film AG’s directly held foreign subsidiaries are involved in international in-house productions. In addition to own and co-productions, Constantin Film AG acquires the exploitation rights to third-party productions. As well as this, Constantin Film AG and its subsidiaries produce fictional and non-fictional products for TV stations.

Highlight Communications AG established its own distribution organization to exploit best its video rights for in-house and third-party titles. Distribution in Switzerland and Austria is carried out by the Rainbow subsidiaries, all of which are wholly-owned by Highlight Communications AG. Wholly-owned Highlight Communications (Deutschland) GmbH cooperates with Paramount Home Entertainment to cover the German market.

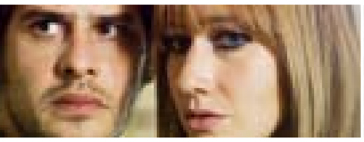
In its Sports- and Event-Marketing segment, Highlight Communications AG holds a stake in Team Holding AG (December 31, 2008: 80 % Highlight Communications AG, 20 % UEFA). As one of the leading sports and event marketing agencies worldwide, the TEAM group markets both the UEFA Champions League as its main project as well as the UEFA Cup from the quarter finals (comprehensively under the name UEFA Europa League from the 2009/10 season). Further attractive marketing projects for the TEAM group are the UEFA Super Cup, the Eurovision Song Contest, and the Vienna Philharmonic Orchestra.

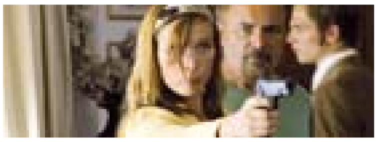
In the Film segment, the Highlight Group operates primarily in Germany, Switzerland and Austria. In the Sports- and Event-Marketing segment, the primary market is the whole European area.

GENERAL ECONOMIC CONDITIONS

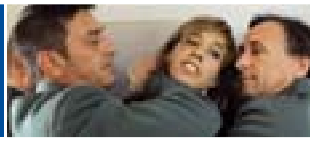
Global economy in downward trend

The way in which the global economy developed was very different in the two halves of the year. After the global economy started the year with continued robust growth, the economy cooled noticeably from the spring. Oil prices in particular slowed growth until the middle of the year, hitting one record high after the other. However, most economists still predicted a positive trend in the global economy at that time.





A dark chapter of German contemporary history: "The Baader Meinhof Complex"



Nonetheless, the entire second half of the year was characterized by the aftermath of the US real estate and financial crisis that spread more and more until it reached its first negative high point with the collapse of the Lehman Brothers investment bank in September. The outcome of this crisis was then also felt in the real economy in the fourth quarter of the year at the latest. Global collapses of new orders and capital expenditure together with fears of a massive reduction of lending led to, among other things, US gross domestic product suffering a year-on-year loss of 3.8% from October to December – the biggest in 27 years.

However, the International Monetary Fund (IMF) still calculated global growth of 3.4% from a one-year perspective that would again be carried by the emerging economies of Asia, Eastern Europe, and South America. The clear forerunner was the Chinese economy again, which grew by 9.0%, followed by a jump of 7.3% in India and 6.2% in Russia. In contrast, the performance of industrialized countries was much more modest. They were only able to feed off of the first half's positive growth in the second half. For example, the IMF put US economic expansion at only 1.1% and euro zone growth at 1.0%.

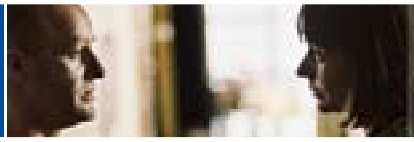
The German economy also slid into a deep recession in the fourth quarter of 2008. According to Federal Statistical Office (Destatis) calculations, German gross domestic product shrank by 2.1% – the sharpest fall since the reunification. Real growth was only 1.3% for the year as a whole, after gross domestic product increased 2.5% in the previous year. The situation was somewhat better in Austria, where preliminary figures for annual growth were 1.6%, based primarily on a strong first half of the year. The Swiss economy topped that somewhat with an estimated increase in gross domestic product of 1.9%. The downward momentum there also significantly increased in the second half of 2008. The decrease in capital investments had a particularly negative effect.

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE FILM SEGMENT

Our subsidiary Constantin Film's "five-pillar-strategy" again proved to be a proper step towards defending our position on a sustained basis as one of the most important German media companies in a highly competitive market in the preceding fiscal year. This strategy aims to offset sharp revenue fluctuations from the traditionally volatile cinema film business largely with revenues from other areas.

To this end, in 2003 Constantin began with a targeted widening of the business base and – in addition to the traditional areas of theatrical production and distribution – expanded to make the areas of license trading, TV service productions (particularly in TV entertainment) and the own exploitation of video and DVD rights through the existing Highlight distribution structure core businesses. Due to the continually changing requirements of the market, the strategy is implemented very flexibly and adapted on an ongoing basis.

Nightmarish film adaptation of a dangerous experiment: “The Wave”



Theatrical production

The central aim of Constantin’s production activities is to produce high-quality films with long-term prospects, both for the domestic and international markets. The profitability of individual productions, their best possible utilization through all stages of exploitation and the further development of the in-house film library are of primary importance. Only in this way can changes and postponements within the exploitation chain be absorbed with no major negative impacts.

Production volume increased again

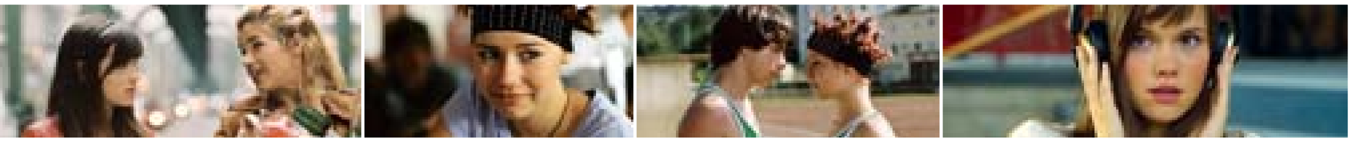
In 2008, Constantin again increased the high production level of previous years that made our subsidiary the market leader in the German-speaking film production sector. In the period under review, principal photography started on a total of ten own and co-productions for the German-speaking market and for three projects that are to be exploited internationally.

For instance, the first take of “Männersache”, the first feature film by and with star comedian Mario Barth, was completed at the beginning of June. This lively comedy is all about Mario Barth’s favorite subject: men and women living together. In addition to the three-time winner of the German Comedy Award, the film also stars Anja Kling and Dieter Tappert, aka Paul Panzer, who also co-wrote the script with Mario Barth. Principal photography was completed in mid-August; the German theatrical release was in mid-March 2009.

Principal photography started on Michael Bully Herbig’s live-action version of “Wickie und die starken Männer” at the beginning of August. A multi-million-selling book, comics and, in particular, the 78-part cartoon series first shown on ZDF in 1974 have made “Wickie” a massive cult figure over the past 35 years. The film, on which principal photography was finished in mid-November, is currently in post-production, and is set to reach German cinemas at the beginning of September 2009.

Shooting of the international Constantin co-production “Pope Joan”, directed by Sönke Wortmann, ran from the beginning of August to early November. This screen adaptation of the bestseller “The Legend of Pope Joan” by US author Donna W. Cross tells the legendary story of Johanna von Ingelheim, who, dressed as a man, reaches the highest echelons of the Roman Catholic Church and is even elected Pope. Johanna Wokalek takes the title role, with Hollywood star John Goodman and in-demand actor David Wenham playing the other lead roles. This expensive major production is to be released in Germany at the end of October 2009.

The first take of the English-language science fiction thriller “Pandorum” was completed in Potsdam-Babelsberg in mid-August. In the lead roles, Hollywood stars Dennis Quaid and Ben Foster are astronauts whose survival – and that of the entire human race – is under threat. The producers of the space adventure are Robert Kulzer, Jeremy Bolt and Paul W.S. Anderson, the successful trio behind the spectacular “Resident Evil” films. Principal photography for “Pandorum” was completed in mid-October, and the theatrical release in Germany is planned for the beginning of October 2009.



Spirited comedy about friendship and first love: “Freche Mädchen”

Constantin’s theatrical production year was rounded off in the autumn with the film adaptation of “Tannöd”, based on the multi-award-winning crime bestseller of the same name by Anna Maria Schenkel. The lead roles in this dark tale of a far-from-idyllic village community are filled by top-class actors Monica Bleibtreu, Julia Jentsch and Volker Bruch. The film realized by the successful Swiss director Bettina Oberli is set to reach German cinema screens in mid-November 2009.

TV service production

Against the background of the financial crisis, the onset of the recession and problems on the TV advertising market, cost management was intensified further in 2008 by private and public TV broadcasters alike. This development had a significant impact on budgets for TV service productions, primarily in the non-fictional sector. However, fictional service productions were also hit by funding cuts, resulting in sustained pressure for smaller production firms in particular.

Successful broadcasts with high market share

In this challenging market environment, Constantin’s TV service productions business area failed to reach the high revenues volume of previous years, and suffered a slight decline in income. Despite this, the service productions segment remained on target overall. A host of new projects were implemented and many productions generated pleasingly high ratings.

Top family entertainment was provided by the spectacular fantasy “Das Wunder von Loch Ness”, which Constantin’s equity interest Rat Pack made for Sat.1. Broadcast in February 2008, this film about the adventures of an 11-year-old boy by the legendary lake of Loch Ness achieved an outstanding market share of 17.4 % in the advertising-related target group. In addition, it received the Deutscher Fernsehpreis (German Television Prize) in the “Best Visual Effects” category for its impressive special effects.

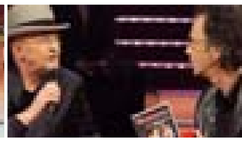
At the beginning of April, Bayerischer Rundfunk commissioned PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH – a joint venture between Constantin Film AG and Polyphon Film- und Fernsehgesellschaft mbH – to produce 200 further editions of the regional daily “Dahoam is Dahoam”. The format has already been successfully broadcast since October 2007 as part of Bayerischer Rundfunk’s early evening schedule. Principal photography for the second series started in August 2008.

For ZDF, the productions of Constantin’s majority equity interest MOOVIE – The art of entertainment included two star-studded feature films based on novels by bestselling author Johannes Mario Simmel. In September, the initial broadcast of “Und Jimmy ging zum Regenbogen” with Heino Ferch and Dennenesch Zoudé attracted an enthusiastic audience of 5.5 million viewers, which equates to a market share of 18.1%. “Gott schützt die Liebenden”, starring Iris Berben and Peter Simonischek, enjoyed similar success in December. Iris Berben also appeared in another TV highlight: the three-part series “Krupp – Eine deutsche Familie”, which was aired at the end of March 2009 on ZDF. This expensive major production tells the true story of what was once the most powerful German industrial dynasty.

Thrilling crime documentary with high viewing figures: “Lenssen und Partner”

The most successful courtroom show in Germany: “Richter Alexander Hold”

Best primetime family entertainment: “Happy Otto” and “Hit Giganten”



The afternoon and early evening series that Constantin Entertainment produces for Sat.1 have enjoyed continuous success in the TV entertainment area. This particularly applies to the crime documentaries “K11 – Kommissare im Einsatz” and “Lenssen und Partner” as well as the courtroom series “Richter Alexander Hold”, which was first broadcast in November 2001. The casting show “Bully sucht die starken Männer”, in which Michael Bully Herbig chose the cast for his cinema film “Wickie und die starken Männer”, was also a big hit with viewers. Finally, the primetime show “Happy Otto”, which was shown on RTL to mark the 60th birthday of Otto Waalkes and for which a new studio was specially built in the Coloneum in Cologne, achieved a top share of 21% in the target group.

Constantin Entertainment’s equity interests in Poland and Croatia also performed increasingly positively. For instance, a casting show based on “Germany’s next Topmodel” was broadcast in Croatia. It achieved an average market share of around 33% in the target group, well above the channel’s average. Two cookery shows geared towards the German formats “Das perfekte Dinner” and “Unter Volldampf” have also been on air in Croatia since September, with considerable success. Production of a new crime documentary series started in Poland.

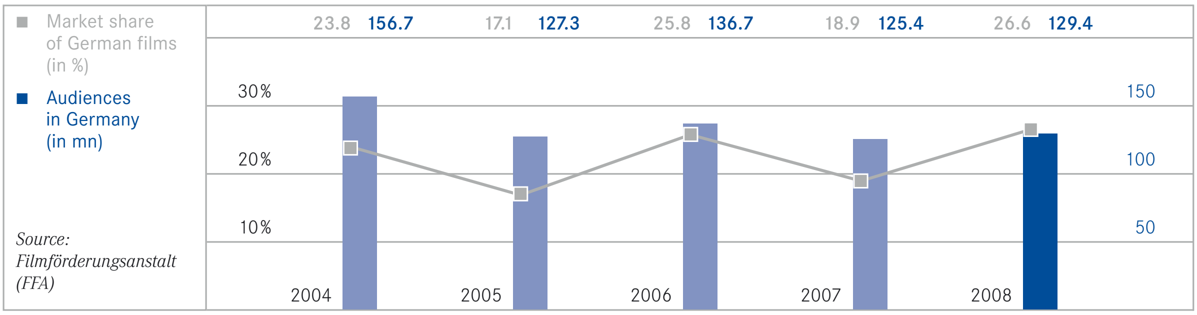
Theatrical distribution

Upward trend of international cinema markets continues

The theatrical industry again lived up to its reputation as a relatively crisis-proof sector in 2008. In the most important film markets in the world, the revenues of the previous year were at least matched and even beaten in many cases. Box office takings of around USD 9.6 billion were generated in the USA, a slight decrease compared with 2007. However, distributors enjoyed a record-breaking year. For the second time in a row, all six major studios managed to generate theatrical revenues of more than USD 1 billion – with 15 fewer film releases than in the previous year. In addition, as many as 25 films broke the magic box office barrier of USD 100 million. The year’s number one was the Warner title “The Dark Knight”, which raked in more than USD 530 million for the studio, making it the second most successful film of all time after “Titanic”.

The US productions performed even better at international level. With estimated income of USD 9.9 billion, the majors again improved on their strong prior-year earnings by more than 4%, setting a new record. The most successful title on foreign markets was “Indiana Jones and the Kingdom of the Crystal Skull”, which achieved box office takings of around USD 470 million, narrowly beating “The Dark Knight” (around USD 465 million). This development once again shows how important the territories outside North America are for the Hollywood studios.

In Europe, French cinema operators in particular enjoyed a healthy rise in admission figures of more than 6% to almost 189 million. With ticket prices unchanged from the previous year, this increase also boosted revenues, which reached around EUR 1.1 billion. This upward trend was mainly driven by the smash hit “Welcome to the Sticks”, which broke



all French records and attracted over 20 million viewers to the cinema. The heartwarming comedy was a significant reason why the market share of domestic productions, at just under 46 %, was higher than that of the US blockbusters (around 45 %) for the first time in many years.

Thanks to crowd-pullers such as “Mamma Mia!” and “James Bond 007: Quantum of Solace”, the UK cinema market also expanded. According to provisional calculations, audiences there were up by just under 3 % to around 167 million. Box office takings posted an even bigger increase, rising by 5 % year-on-year. However, the situation in Italy was much different. With ticket sales of just over 99 million, the number of cinemagoers fell slightly, whilst revenues declined sharply by almost 4 % compared with 2007.

Prior-year figures also exceeded in Germany

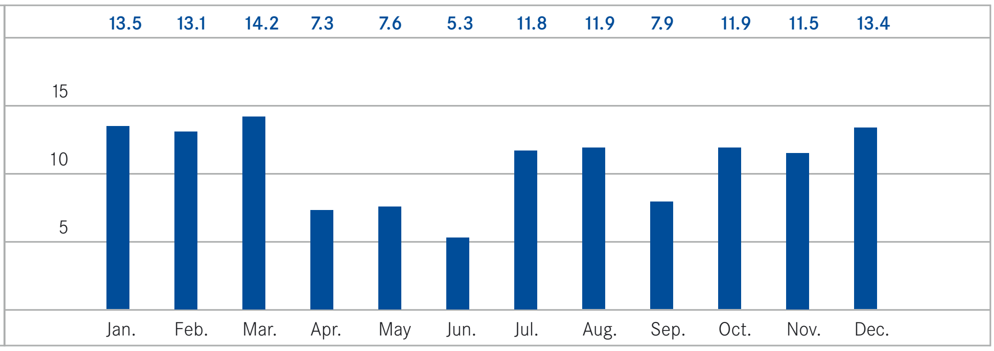
The German theatrical industry began to recover after a very weak 2007. Despite the financial crisis, a declining economy and the European Championship soccer tournament in the summer, according to analyses from the German Federal Film Board, the total number of cinemagoers was 129.4 million, more than 3 % up on the somewhat disappointing previous year. Thanks to an average increase in admission prices, industry revenues reached a volume of EUR 794.7 million, which equates to an increase of around 5 %.

This is an astonishing performance bearing in mind that hardly any sequels were released in the 2008 theatrical year, and not one blockbuster passed the five-million audience mark. However, this means that the improvement on the prior-year figures was achieved with a large number of films whose originality and diversity were clearly in tune with the public’s taste.

Indeed, a host of theatrical productions significantly exceeded expectations. This particularly applies to the film adaptation of the ABBA musical “Mamma Mia!”, which attracted enthusiastic audiences of around 4.2 million in Germany. More than 3.8 million tickets were sold for the spectacular action movie “Hancock”, and the two animated films “Kung Fu Panda” and “WALL • E” each attracted around 3.2 million visitors to cinemas.

However, one absolutely massive hit was a documentary film: the German-British co-production “Earth” fascinated just under 3.8 million viewers, leaving acclaimed Hollywood titles such as “The Dark Knight” and “Sex and the City – The Movie” trailing in its wake. Of all the films released in 2008, the biggest crowd-puller was surprisingly the animated comedy “Madagascar: Escape 2 Africa”, with around 4.8 million viewers. The declared favorite, the James Bond adventure “Quantum of Solace”, had to make do with second place with just under 4.7 million viewers, although it generated by far the best box office takings with more than EUR 31 million.

Box office admissions in Germany 2008 (in mn)



Source: Filmförderungsanstalt (FFA)

German productions at a record level

The year's actual winner was the German film industry, which made a crucial contribution to the overall success with high-quality productions, especially the Til Schweiger comedy "Keinohrhasen", which generated ticket sales of around 4.9 million last year alone and has attracted enthusiastic audiences of almost 6.3 million since its theatrical release in December 2007.

Overall, 33.9 million cinemagoers bought tickets for domestic films, which equates to a market share of 26.6% – the highest figure since 1991. Compared with the previous year, the market share of German productions was thus almost eight percentage points higher. In addition, 11 German films managed to attract more than a million visitors to cinemas – also a new post-unification record.

Domestic productions and co-productions with German involvement also had the edge in terms of the number of theatrical releases in 2008. Out of the 471 new releases, 185 – 11 more than in the previous year – came from Germany and only 154 from the USA. These figures clearly prove that the performance of the German theatrical industry is now heavily influenced by the success or failure of domestic productions.

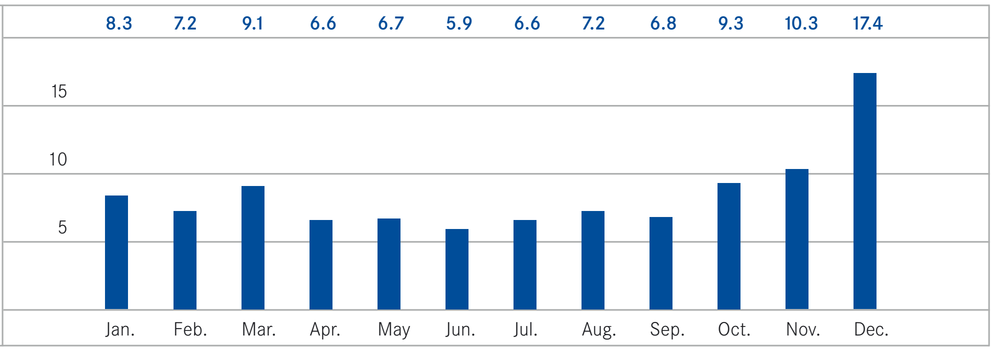
Constantin defends its top position amongst German independents

In the year under review, our subsidiary Constantin released 13 films in German cinemas, exactly the same number as in 2007. The nine own and co-productions and four licensed films attracted a total of almost 10 million visitors to German cinemas. In terms of the overall market, this equates to a highly respectable share of 8.4%. At the box office, Constantin generated a volume of over EUR 63.7 million (market share 8.3%), with four Constantin productions featuring in the top 10 of highest-grossing German cinema films. Consequently, our subsidiary has again confirmed its exceptional position amongst independent distributors in Germany.

With box office takings of EUR 17.4 million, the Bernd Eichinger production "The Baader Meinhof Complex" was the most commercially successful German film with a theatrical release in 2008. The gripping drama about the story of the Red Army Faction (RAF) starring Moritz Bleibtreu, Martina Gedeck and Johanna Wokalek fascinated over 2.4 million viewers. "The Baader Meinhof Complex" also scored at international level. After being nominated for a Golden Globe as best foreign film, it was also a candidate in the same category in the UK BAFTA awards and the prestigious Oscars®. Furthermore, Johanna Wokalek won a BAMBI award in the "Best Actress (National)" category in 2008 for her outstanding portrayal of terrorist Gudrun Ensslin.

The youth drama "The Wave", a production by the Constantin equity interest Rat Pack, enjoyed similar success. With more than 2.6 million viewers, the intense film adaptation of a real school project with devastating consequences achieved higher audience figures than any other German film released in 2008. At the prestigious German film prize ceremony, "The Wave" won a bronze award in the "Best Feature Film" category. In addition, talented young actor Frederick Lau was named best supporting actor at the same event.

DVD sales in Germany 2008 (in units mn)



Source: Gesellschaft für Konsumforschung (GfK)

The European Constantin co-production “Asterix at the Olympic Games” was also well-received by audiences. The third live-action film adaptation of the legendary comic book series, with a stellar cast of Gérard Depardieu, Clovis Cornillac and Alain Delon, attracted enthusiastic audiences of almost 1.6 million. With over a million visitors, the Constantin co-production “Freche Mädchen” also fully lived up to expectations. The screen adaptation of the multi-million-selling book of the same name featured such names as Anke Engelke, Celina Shirin Müller and heartthrob Wilson Gonzalez Ochsenknecht.

By far the most successful licensed film on Constantin’s distribution slate in 2008 was “Step Up 2: The Streets”. Spectacular dance sequences, lively rhythms and an attractive cast drew more than 900,000 viewers to German cinemas. This meant that the sequel to “Step Up” considerably outperformed the 2006 original. In contrast, the drama “One Year ago in Winter”, starring Karoline Herfurth, Josef Bierbichler and Corinna Harfouch, was not a hit, with audience figures of just over 180,000. Even so, the film received artistic recognition at the 2009 Bavarian film awards, where Oscar® winner Caroline Link was named best director and Karoline Herfurth received the best young actress award.

Home entertainment

Falling prices in the German DVD sell-through market

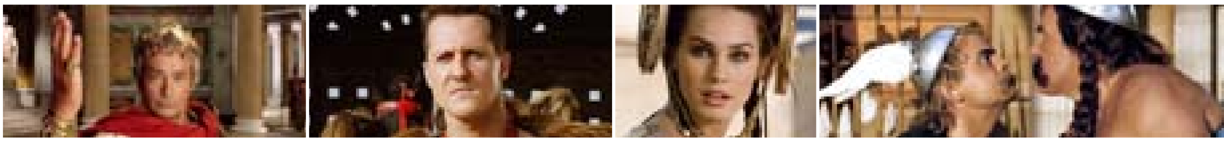
As in 2007, the international home entertainment market was characterized by very different developments. In the USA, providers sustained heavy losses for the first time after years of growth. Total revenues from sales and rentals of recorded media fell from USD 23.7 billion to USD 22.4 billion, a reduction of 5.5 %. DVD sales were hit the hardest, falling by 9 % year-on-year.

In contrast, the upward trend on the UK video market continued despite the collapse of the distribution company EUK, with DVD sales up by around 2 %. One pleasing aspect in both markets was that the still young DVD successor medium Blu-ray finally became established. In the USA, unit sales figures for the new format rose to 63.2 million – up 250 % on the previous year – and in the UK, a total of 3.7 million Blu-ray discs were sold, which equates to an increase of 380 %.

Market penetration by the high-definition format also continued in Germany, with significant increases. According to analyses by media control, Blu-ray disc sales totaled EUR 51 million in 2008. The prior-year revenues figure of EUR 16 million was thus exceeded by 220 %. As a result of this increase, the Blu-ray market share of the German retail sector was 4 % at the end of 2008.

However, this positive development was one of the few bright spots in a darkening market environment. In contrast to the theatrical industry, the German home entertainment providers were affected by the decline in consumer confidence, especially in the

Live-action film adaptation featuring celebrities: “Asterix at the Olympic Games”



fourth quarter of the year. Total revenues fell by 2.9 % compared with the previous year (EUR 1,603 million) to EUR 1,557 million. Even so, compared with cinema box office takings, the home entertainment segment generated twice as much in revenues, again demonstrating its supremacy as the strongest stage of film exploitation.

The DVD sell-through market suffered the biggest losses, with revenues down 5.4 % to EUR 1,242 million compared with 2007. This was due to a rapid fall in prices, which resulted from aggressive pricing by retail outlets. Low prices – even for top first releases – were more the rule than the exception in 2008. Nearly all the 50 top-selling new DVD releases cost less than EUR 10 when they went on sale. In this respect, it is not surprising that the average sale price for a DVD fell to EUR 12.26 from EUR 12.72 in the previous year.

In contrast, with regard to sales volumes, last year was a very pleasing one for the industry. With a total of 103.6 million units (DVD and Blu-ray), the record figure of the previous year (103.9 million) was almost reached again. Customer numbers (18.4 million active DVD buyers) and buying intensity (5.5 DVDs bought per customer) remained almost unchanged compared with 2007.

Downward trend in rental business slows down

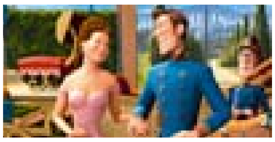
With a revenues volume of EUR 264 million, the income of German rental outlets was also down 3.6 % on the previous year (EUR 274 million). However, in view of the European Football Championship in June 2008, this decrease is to be regarded as moderate, as the Football World Cup in 2006 led to a heavy fall. The fact that the downward trend did not stop completely is once again due to the fact that the industry failed to stem the long-term loss of customers. After the number of rental customers fell to 9.1 million last year, it again fell by 9.9 % to 8.2 million in 2008. Not even a large-scale marketing campaign supported by the film industry made any difference.

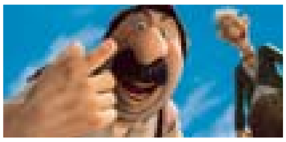
However, positive effects of the campaign were apparent in consumers’ rental intensity and propensity to spend. The number of transactions per rental outlet customer rose to an average of 13.2 – up 10.0 % on 2007 (12). Average spending per DVD rental customer also increased considerably by 6.7 % to EUR 32 (previous year: EUR 30).

Highlight Group continues to grow

The Highlight Group continued to extend its leading market position in the German-speaking region despite the economic downturn. With high-quality first releases and a large number of successful reissues, our Rainbow distribution companies managed to stabilize our market share in Austria and Switzerland at roughly 12 % respectively just under 17 %. In Germany, where we operate in conjunction with our sales partner Paramount Home Entertainment, we could stabilize our share of the DVD sell-through market at 10 %. On the rental market, we attained a joint market share of 14 %, compared with 11% in the previous year.

Most elaborate German CGI film of all time: “Lissi und der wilde Kaiser”





Our biggest-selling new release – the 3D animated comedy “Lissi und der wilde Kaiser” – went on sale back in March 2008. With more than 500,000 copies sold by the end of the year, the production of the multi-talented Michael Bully Herbig became the top-selling German-speaking CGI film of the year, claiming 11th place in the German sales charts.

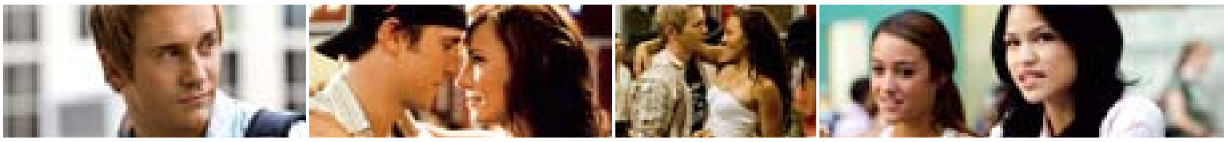
We enjoyed a similar sales success with Constantin’s own production “Resident Evil: Extinction”. After the spectacular thriller caused a stir at international box offices, unit sales of the home cinema version released in mid-February totaled roughly 300,000. The exhilarating dance film “Step Up 2: The Streets”, which we released at the beginning of September, also achieved very pleasing figures. With more than 180,000 copies sold to date, the licensed film repeated last year’s success of “Step Up”.

Other highlights of our releases were the Constantin co-production “Asterix at the Olympic Games”, which went on sale in mid-August. The adventures of the most famous Gaul duo in comic history were also warmly received by home cinema fans, with almost 150,000 units sold. Another highpoint was the legal thriller “Michael Clayton”, issued at the beginning of July and starring heartthrob George Clooney, which has sold more than 100,000 copies to date.

With the licensed film “War”, which went on sale in mid-May, we again impressively showed that feature film DVDs can still sell well without prior theatrical exploitation. By the end of 2008, almost 160,000 units of the action thriller with Hong Kong superstar Jet Li had been sold. In addition, “War” reached number 8 in the German rental charts, thus establishing itself as the year’s most successful straight-to-video release.

We enjoyed a special kind of success with the first release of the youth drama “The Wave”. Firstly, more than 200,000 copies have already been sold since it was released at the end of September. Secondly, the lavish premium edition won the industry prize “Video Champion 2008” in the “German Film” category. Following the two wins in the “Family Entertainment” section in 2006 and 2007, we have now won this award three times in a row.

Spectacular dancing and hot rhythms: “Step Up 2: The Streets”



License trading/TV exploitation

Acquiring film rights to international titles is getting harder by the year. Firstly, there is a general lack of high-quality productions, and secondly, particularly in 2008, the long writers’ strike in the USA and the global financial crisis served to exacerbate the acquisition business. Although trade with major blockbusters remains outstanding, films with smaller budgets are having increasing difficulty, as the American Film Market at the beginning of November 2008 showed.

On the TV exploitation side, there are clear indications of a rapid downward trend in the number of cinema films transmitted by the major German broadcasters in prime time in recent years. For example, a study commissioned by Blickpunkt:Film found that RTL has reduced feature film slots by around a fourth since 1995. The decrease was just under 50 % at ProSieben, Vox and ZDF, well over half at ARD and as much as two thirds at Sat.1.

There are various reasons behind this reduction. One of them is undoubtedly the constantly rising number of competing TV stations, including feature film channels such as Tele 5 and Das Vierte, which fill the entire evening schedule with cinema films. In addition, there are the pay-TV, video-on-demand and cable network operators who also offer attractive feature film packages. However, one significant factor is that the film exploitation chain has definitely extended. These days, DVDs are much more popular with consumers than rented videos were in the 1990s. As a whole, all the above-mentioned exploitation channels result in almost wall-to-wall availability of cinema films that – apart from a few notable exceptions like “Harry Potter” or “The Lord of the Rings” – significantly devalues television transmission.

Output framework agreement with ProSiebenSat.1 extended by another year

Under these challenging market conditions, Constantin again generated margin-boosting revenues from the licensing of TV rights in 2008. This primarily relates to the TV portion of global sales income for “Perfume – The Story of a Murderer”. Furthermore, the free-to-air and pay-TV rights for films such as “Fantastic Four”, “The White Massai”, “The Elementary Particles”, “Neues vom Wixxer”, “Siegfried”, “Der Räuber Hotzenplotz” and “Bridge to Terabithia” have been exploited.

Future exploitation in German pay-TV is largely safeguarded by the existing general licensing agreement with Premiere Fernsehen GmbH & Co. KG and Disney Channel, Germany. This agreement covers all Constantin own and co-productions whose principal photography started by December 31, 2008. In the free-to-air TV sector, Constantin’s subsidiary Constantin Film Verleih extended the general output agreement with ProSiebenSat.1 by a further year. Consequently, it now covers all own and co-productions on which shooting starts by December 31, 2009.

Sheer inspiration:
The best European football clubs, stadiums filled to capacity and global live transmissions are hallmarks of the UEFA Champions League.

The Highlight subsidiary TEAM has successfully pressed ahead with the sale of the commercial rights to the UEFA Champions League and the new UEFA Europa League for the 2009/10 to 2011/12 seasons.

A perpetual magnet for viewers: the UEFA Cup Final

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

Changing media landscape

Technological and commercial factors had a sustained impact on the media landscape in 2008. Due to the increasing possibility of access to audiovisual content, the Internet in particular is becoming the all-round entertainment medium. This ongoing convergence of media platforms is increasing the pressure on traditional television providers to transmit their content across all distribution channels. This is happening, for example, in the form of mobile offers that are enhanced with adapted formats of existing programs and transmitted using the increasingly common mobile broadband technologies.

Demand for premium content is rising

There are signs of a positive trend in demand for premium content in the sports and music sectors, despite the challenging economic conditions. The established TV broadcasters are faced with various challenges that they cannot overcome with their mostly conventional program content:

- Fragmentation of the TV market: The number of TV broadcasters has risen sharply in recent years, and the market share of traditional channel providers has fallen. Under pressure from their new TV and Internet competitors, they are finding it increasingly hard to maintain a clear station profile and retain viewers.
- Usage patterns of the younger target group: Among 16- to 24-year-old Europeans, the Internet has already overtaken television as the most commonly used medium. Instead of a fixed-time program schedule, this target group prefers to use the available audiovisual content at any time (on demand).
- Time-shift television: Hard drive recorders and IPTV functions enable viewers to consume content with a time shift and bypass advertising breaks, which results in lower advertising income for TV broadcasters.
- Technological advances: More than 20% of European households now have HD-ready TV sets, although high-definition content is still rare.

Against this backdrop, transmitting prestigious sporting events is virtually the only chance for many TV broadcasters to generate outstanding viewing figures on a long-term basis and thus secure or strengthen their market position. Live football matches from the UEFA Champions League and the new UEFA Europa League (successor competition to the UEFA Cup) provide a very good opportunity for this, as they guarantee consistently high viewing figures, including among younger target groups. With the high frequency of match days, the broadcasting station can also develop viewer loyalty and benefit from the positive image transfer of the formats.

As the broadcasting rights of both competitions are structured on a platform-neutral basis, the respective rights holder is free to choose whether to offer the matches via TV, the Internet or as a mobile service. An additional incentive stems from the fact that all UEFA Champions League matches will be produced in HD for the first time from summer 2009.

The same applies to the music sector, where top live events such as the Eurovision Song Contest and the New Year's Day Concert of the Vienna Philharmonic Orchestra are an essential part of the schedule for public sector TV broadcasters.

The annual highlight of European club football: the UEFA Champions League Final

Material value of sponsorship packages is becoming increasingly important

All forecasts for 2008 suggested that the global market for sponsorship rights would again post significant growth. According to estimates of leading market analysts IEG in January 2008, global spending on sponsorship was expected to increase from around USD 38 billion in 2007 to nearly USD 43 billion in 2008. With a share of around 69 %, sports sponsorship, particularly in the football sector, was to account for most of this spending. Auditors PricewaterhouseCoopers (PwC) also envisaged a similar development in their "Report on the global entertainment and media market 2008 – 2012", published in June 2008. In this report, PwC forecast a global rise in spending on sponsorship rights from USD 42.7 billion in 2007 to around USD 60 billion in 2012.

However, in view of the global economic downturn, as things stand it remains to be seen how this fact will impact on the investment behavior of sponsors. In future, sponsorship rights are highly likely to be examined much more intensely than before with regard to the return on investment. In this respect, the balance between real sponsorship rights (TV presenters, websites, perimeter and background advertising, tickets, hospitality access etc.) and virtual sponsorship rights (association rights, advertising rights etc.) is expected to shift in favor of real sponsorship rights. This means that the more material value a sponsorship package contains, the more attractive it is to potential interested parties. In this case, a sponsor has to invest much less in the effective "capitalization" of the sponsorship.

The sponsorship agreements of the UEFA Champions League and the future UEFA Europa League are based on this very concept. With both events, the focus is firmly on real sponsorship rights that enable the buyers to have a high return on investment. Thanks to its outstanding communication impact for the respective sponsors, these two premium football competitions are clearly set apart from the industry standard and are therefore well positioned, even in difficult times. The same applies in the music sector to the New Year's Day Concert of the Vienna Philharmonic Orchestra, which provides a high-quality communication platform with its exceptional position as a once-in-a-lifetime experience.

Successful marketing activity for the UEFA Champions League and the new UEFA Europa League

For our subsidiary TEAM, fiscal year 2008 was chiefly characterized by the sale of the commercial rights for the UEFA Champions League and the new UEFA Europa League for the 2009/10 to 2011/12 seasons. Despite the increasing grip of the financial and economic crisis as the year progressed, TEAM concluded deals on behalf of UEFA that met the ambitious requirements and, indeed, often exceeded them.

In TV marketing, TEAM concluded the extensive and complex tendering processes for allocation of the individual rights packages in the five European key markets relatively early. For instance, back in the spring, the existing partners ITV (free-to-air TV) and Sky (pay-TV) were awarded the contract for platform-independent media rights in England. The long-standing and successful collaboration with these two stations was therefore continued.

After this, the partnership with the German pay-TV station Premiere was also extended. Consequently, Premiere will continue to broadcast all UEFA Champions League matches on its pay-TV platform in future. The ProSiebenSat.1 Group won the free-to-air TV rights, with the agreement covering 17 UEFA Champions League matches and the top games from the UEFA Europa League. In the summer, the Spanish free-to-air TV rights for the UEFA Champions League and the UEFA Super Cup went to the public TV broadcaster TVE and the Federation of Regional Radio and TV Stations (FORTA). Mediapro acquired the pay-TV rights in Spain for its new pay-TV station GolTV.

Finally, the results of the tendering processes in the last two European top markets – Italy and France – were announced before the end of the year. In Italy, the public TV broadcaster RAI will continue to show a live game from Europe's top club competition on Wednesday evenings as well as match-day highlights on Tuesday and Wednesday evenings. The pay-TV platform Sky again acquired the satellite TV rights for all matches, and Mediaset once more won the contract for broadcasting the matches via digital-terrestrial pay-TV.

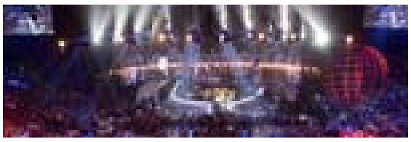
In France, the UEFA Champions League will also continue to be transmitted extensively by the proven partners TF1 and Canal plus. TF1 will show the week's top match exclusively on free-to-air TV, whilst all other games will be offered by the pay-TV station Canal plus. TEAM also sold the broadcasting rights in many other European countries. However, the high recognition level of the UEFA Champions League has also helped achieve good deals outside Europe, for example in many regions of Asia as well as Arabia and Africa.

In terms of sponsorship of Europe's top club competition, the proven marketing concept with six exclusive partners is to be continued. Here, TEAM has already finalized contracts with five sponsors – a very remarkable result in view of the extremely challenging market situation. UEFA has already announced the conclusion of contracts with two long-standing partners of the UEFA Champions League – the brewing group Heineken and the consumer electronics company Sony. Further deals are expected to be announced in the foreseeable future.

Professional operational handling of the most important European club football competitions

At operational level, the focus was primarily on professional handling of the knock-out phase of the 2007/08 UEFA Champions League season. The eagerly awaited climax of this competition then took place in mid-May in Moscow with the final between Manchester United and Chelsea FC. Media interest in this outstanding and dramatic match, which was eventually decided on penalties after extra time, was again extremely high. The print media alone was represented with 400 accredited journalists and 180 photographers, whilst 200 TV and radio commentators ensured global live reporting of the event.

However, the UEFA Cup Final, held on May 14 between Zenit St. Petersburg and Glasgow Rangers, also struck a chord worldwide. As in the last 10 years, the 2008/09 European club football season kicked off at the end of August with the UEFA Super Cup in Monaco. The draw to determine the groups in the UEFA Champions League for the new season, which started successfully in mid-September, was held the evening before the match. This is the 17th season in which TEAM has been responsible for marketing and organization of the commercial aspects of the UEFA Champions League on behalf of the European football association UEFA.



A TV tradition dating back more than 50 years: the Eurovision Song Contest

Record participation in the Eurovision Song Contest

In music marketing, TEAM's activities were initially focused on the Eurovision Song Contest, which our subsidiary has been responsible for marketing since 2004 as an exclusive partner of the European Broadcasting Union (EBU). This year, 43 countries – a new competition record – took part in the long-established event, which was held in mid-May in Belgrade and, for the first time, was held on three evenings (two semifinals and the final).

Public interest was again very high with a total of more than 100 million TV viewers and 2,000 journalists at the event. In particular, the live broadcast of the grand final received an outstanding response in many countries. Of particular note was the audience of around 9.4 million in Spain, representing a market share of more than 59 %. This success is sure to be continued in 2009 in Moscow, the next venue for the Eurovision Song Contest.

Innovative marketing concept for the Vienna Philharmonic Orchestra

The second main area of activity in the music sector was implementation of the marketing agreement with the Vienna Philharmonic Orchestra. The main focal point here was the sale of the TV and radio rights for the 2009 New Year's Day Concert. This classic, which was the first event in the long-term collaboration between TEAM and this outstanding orchestra, contained several milestones. Argentine-Israeli conductor Daniel Barenboim made his debut at the New Year's Day Concert, and for the first time ever a work by Joseph Haydn was performed at this event.

Also new was the presence of Rolex, the exclusive partner of the Vienna Philharmonic Orchestra signed up by TEAM, who supported the TV broadcast of the New Year's Day Concert as a presenting partner. This prime communication opportunity had never been offered before in the classical music sector. Last but not least, the number of countries where this concert was broadcast was increased to 72 worldwide (previously 54). 51 of these countries experienced the Vienna Philharmonic Orchestra live. This makes the New Year's Day Concert unique amongst music events.

A long-standing tradition:
The Vienna Philharmonic Orchestra has been performing its world-famous, much loved New Year's Day Concert for more than half a century.

The 2009 New Year's Day Concert was the first marketing project as part of the long-term collaboration between TEAM and the Vienna Philharmonic Orchestra. The classic concert was broadcast to 72 countries throughout the world.

IMPORTANT EVENTS AND DEVELOPMENTS IN THE FISCAL YEAR

EM.Sport Media AG acquires another 21% of Highlight Communications AG

On March 31, 2008, EM.Sport Media AG acquired an additional 5.33 million shares in Highlight Communications AG from KF 15 GmbH & Co. KG, Munich. Following the completion of this transaction on May 29, 2008, EM.Sport Media AG's stake in Highlight Communications AG increased by 11.3% from 26.3% to 37.6%. EM.Sport Media AG paid KF 15 GmbH & Co.KG EUR 34.9 million in cash for the shares plus 4.346 million in existing EM.Sport Media AG treasury shares.

In July 2008, EM.Sport Media AG acquired another 4.59 million Highlight Communications AG shares from Bernhard Burgener as well as other executive body members and executives at our Company. As part of this transaction, EM.Sport Media AG paid EUR 26.8 million in cash and approximately 3.7 million in existing treasury shares. EM.Sport Media AG's stake in Highlight Communications AG thus increased to 47.31%. Based on this level of equity interest, Highlight Communications AG has been fully consolidated in the EM.Sport Media AG financial statements since July 31, 2008.

Highlight aims for 100% stake in Constantin Film AG

In connection with increasing its stake in Highlight Communications AG, EM.Sport Media AG on June 25, 2008 published its voluntary public takeover bid to the shareholders of Constantin Film AG. In the run up to the announcement, Highlight Communications AG had irrevocably undertaken to acquire all Constantin shares purchased by EM.Sport Media AG as part of the bid.

In addition to the first regular acceptance deadline of July 25, 2008 and the additional automatic deadline of August 14, 2008, pursuant to section 39c of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG) Constantin shareholders had another deadline for tendering shares that ended at midnight on October 27, 2008. To the end of this period, the offer was taken up for a total of 299,862 Constantin shares. This represents a total of roughly 2.35% of the issued capital and voting rights in Constantin Film AG. Processing the shares from the last tender period transaction, including their transfer to Highlight Communications AG, took place on November 14, 2008. The Highlight Group has held 97.83% of Constantin Film AG since that time.

On December 2, 2008, Highlight Communications AG sent a squeeze-out demand to Constantin Film AG in accordance with section 327a (1) sentence 1 of the German Stock Corporation Act (Aktiengesetz – AktG) to also acquire the remaining Constantin shares in free float. This application is to be submitted for voting at the 2009 Annual General Meeting of Constantin Film AG.

Annual General Meeting resolves to expand Board of Directors

The shareholders of Highlight Communications AG made the following key resolutions at the Annual General Meeting on May 30, 2008:

- Distribution of a dividend of CHF 0.17 for fiscal year 2007, representing an increase of CHF 0.02 compared with the Board of Directors' proposal and the previous year.
- The Board of Directors' proposal to create authorized capital was approved. Highlight's Board of Directors was thus enabled to increase share capital quickly to realize equity interests, takeovers, etc.
- The long-standing members of the Board of Directors Bernhard Burgener, René Camenzind, Martin Hellstern, Dr. Ingo Mantzke and Martin Wagner were re-elected. Antonio Arrigoni, Dr. Erwin Conradi and Werner E. Klatten were also elected as new members of the Board of Directors as three representatives of Highlight's major shareholder EM.Sport Media AG.

Agreements with key executives extended early

On March 31, 2008, Constantin Film AG prematurely extended its producer contract with star producer Bernd Eichinger until March 31, 2014. The agreement was approved by Constantin's Supervisory Board and guarantees Mr Eichinger's production activities for the company on an exclusive basis, thus securing the long-term cooperation.

On June 12, 2008, Constantin Film AG's Supervisory Board announced its approval of the early extension of the agreement with the three Managing Directors of Constantin Entertainment GmbH. The agreements with Ulrich Brock, Onno Müller and Otto Steiner were thus extended to December 31, 2012. This additional long-term commitment on the part of the management will ensure the ongoing development of Constantin Entertainment GmbH in the future.

On November 19, 2008, Constantin Film AG also prematurely extended its Management Board contract with Martin Moszkowicz to December 31, 2013. Mr Moszkowicz has been part of the Constantin group since 1989 and assumed responsibility for the newly-created Management Board Film and Television segment effective January 1, 2009.

Bernhard Burgener assumes responsibility as CEO of Constantin Film AG and EM.Sport Media AG

On May 8, 2008, Constantin Film AG announced that its CEO Fred Kogel had extended his contract due to expire on June 13, 2008 until the end of the year. He left this position effective December 31, 2008 at his own request. Beginning in 2009, he will be available to the company initially for a period of two years as an advisor, especially in the areas of TV production and license trading. Bernhard Burgener assumed the position of CEO of Constantin Film AG on January 1, 2009, at the same time resigning his position as the Chairman of the company's Supervisory Board as of December 31, 2008.

At EM.Sport Media AG's ordinary Annual General Meeting on July 9, 2008, the company's shareholders approved the planned personnel changes in the management bodies. Werner E. Klatten, who has led EM.Sport Media AG since 2001, was elected to the company's Supervisory Board effective September 1, 2008. His successor as CEO was Bernhard Burgener. Mr Burgener left his position on the Supervisory Board of EM.Sport Media AG effective August 31, 2008.

Werner E. Klatten, who was elected by the Annual General Meeting of Highlight Communications AG on May 30, 2008 to the company's managing body, was given the function as Chairman of the Board of Directors at the Board of Directors' meeting on September 22, 2008. Bernhard Burgener, who held that office since 1999, has been Delegate of the Board of Directors (CEO) since that time. This laid the foundation for a unified and efficient management structure as part of the integration of EM.Sport Media AG, Highlight Communications AG and Constantin Film AG.

CONTROL PARAMETERS AND PERFORMANCE INDICATORS

The primarily objective of the Highlight Group is the sustainable increase of the enterprise value. A value management system was developed and introduced to plan, manage and control business operations. The key parameters are the profit from operations (EBIT) and the operating margin (EBIT margin) calculated as the ratio of EBIT and revenues. Other key parameters are the Highlight shareholders' portion of net consolidated earnings and the return on equity (ratio of Highlight shareholders' portion of net consolidated earnings to equity).

Non-financial performance indicators additionally drive the company's success and result from the requirements of the Group's business model.

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

RESULT OF GROUP OPERATIONS

Highlight Group exceeds forecasts

Despite the economic and financial crisis, the Highlight Group concluded the 2008 fiscal year with very positive results. Both Group revenues and earnings per share were above the forecast figures. Profit from operations rose to a record CHF 55.2 million, while net consolidated earnings attributable to Highlight shareholders almost reached the previous year's level at CHF 29.8 million.

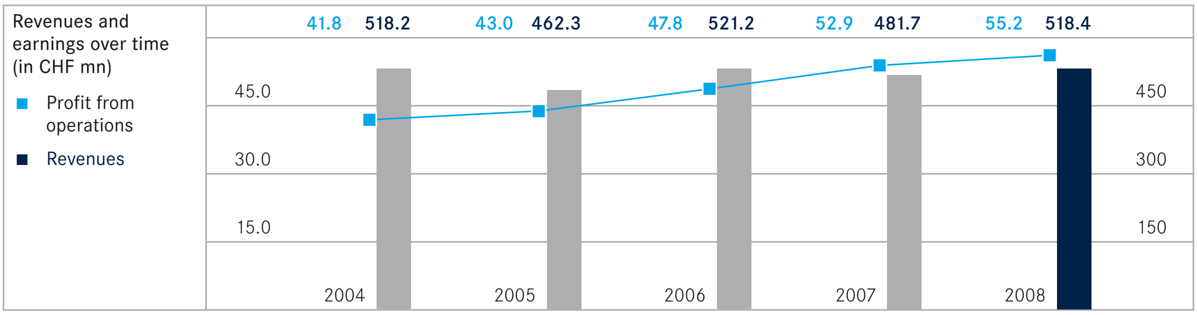
Significant jump in Group revenues

In the past fiscal year, the Highlight Group generated revenues of CHF 518.4 million, representing an increase of CHF 36.7 million or 7.6 % in comparison with the previous year (CHF 481.7 million). This increase is mainly due to license income, which improved by 36.4 % to CHF 150.6 million (previous year: CHF 110.4 million). This includes income from licensing TV rights of cinema films to broadcasters, which was significantly higher than the previous year's figure. This income (which includes the licensing of "Perfume - The Story of a Murderer", "The White Massai" and "Siegfried", among others) is only realized upon the expiry of the statutory or contractual holdback period (pay-TV: 15 to 18 months after theatrical release, free TV: 24 to 32 months).

License income also includes revenues from theatrical distribution, which were slightly below the previous year's level despite Constantin's strong own and co-productions such as "Asterix at the Olympic Games", "The Wave" or "The Baader Meinhof Complex". The decisive factor for the decline was that the performance of licensed films in 2008 (with the exception of "Step Up 2: The Streets") did not meet expectations.

With an increase of 9.8 % to CHF 127.0 million (previous year: CHF 115.7 million), sales income, which represents marketing activities in the home entertainment business area, was also very positive. The sales increase is mainly based on the DVD/Blu-ray new releases of Constantin cinema hits "Resident Evil: Extinction", "Lissi und der wilde Kaiser", "Asterix at the Olympic Games" and "The Wave". Straight-to-video releases such as "War" and "Fearless" also contributed to this effect.

In contrast, service income that includes revenues from the Sports- and Event-Marketing segment and the TV service production business area recorded a drop of 5.8 % to CHF 240.8 million (previous year: CHF 255.5 million). This decline is due to increasing pressure on TV stations' margins on one hand and to the fact that fewer TV movies were produced in general on the other. Income from service production in 2007 was also heavily impacted by the three-part event "Afrika, mon amour".



New record in profit from operations

On the cost side, Group expenses rose by CHF 35.2 million or 8.1% to CHF 467.5 million in comparison to the previous year (CHF 432.3 million). The most significant increases were for material and license expense (CHF 3.1 million), personnel expense (CHF 6.5 million) and for amortization and impairments (CHF 28.3 million). Contrary to these increases, other operating expense declined by CHF 2.8 million.

Due to the fact that cost increase was lower overall than revenues growth, profit from operations rose by 4.3 % to a new record figure of CHF 55.2 million (previous year: CHF 52.9 million).

Net consolidated earnings of Highlight shareholders almost at previous year's level

In terms of the financial result in the year under review, there was a loss totaling CHF 10.3 million (previous year: CHF 7.2 million). This includes non-liquidity related write-downs in the amount of about CHF 10.7 million, of which approximately CHF 8.1 million is attributable to the around 7.6 % equity interest in EM.Sport Media AG.

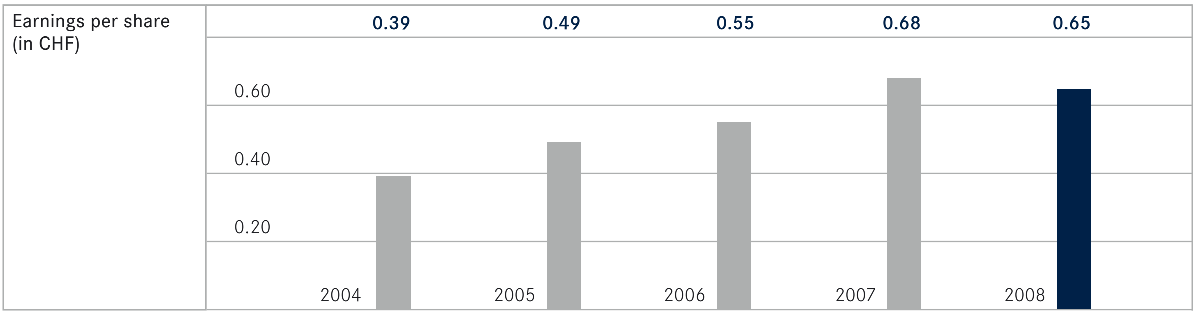
Despite these non-recurring factors, the Highlight Group – after tax deductions of CHF 12.1 million – reports net consolidated earnings of CHF 32.5 million for 2008, which is only 3.8 % below the previous year's figure (CHF 33.8 million). CHF 2.7 million of these earnings (previous year: CHF 3.1 million) is for minority interests and CHF 29.8 million for the shareholders of Highlight Communications AG. The Highlight shareholders' profit share therefore almost reached 2007's record level again (CHF 30.7 million). This also means that the earnings per share of CHF 0.65 (previous year: CHF 0.68) were almost identical for the year under review.

RESULT OF SEGMENT OPERATIONS

Varying development in the segments

The Film segment realized revenues totaling CHF 442.0 million in the year under review, exceeding the previous year's level by 9.8 % (CHF 402.4 million). The segment result rose from CHF 21.5 million to CHF 28.7 million, representing an improvement of 33.5 %. The basis for this development was the significant increase in revenues from licensing TV rights of cinema films as well as the marketing success in the home entertainment business area. In contrast, income from theatrical distribution remained slightly under the previous year's figure.

In the Sports- and Event-Marketing segment, service income decreased by 3.8 % from CHF 79.3 million to CHF 76.3 million. The segment result fell by CHF 4.7 million to CHF 33.3 million compared with the previous year (CHF 38.0 million). This development is mainly a result of more unfavorable exchange rates compared to the previous year and due to necessary investments in connection with the sale of commercial rights to the UEFA Champions League and to the new UEFA Europa League for the 2009/10 to 2011/12 seasons.



NET ASSETS SITUATION

Lower total assets compared with prior year

Total assets of the Highlight Group were CHF 639.9 million as of December 31, 2008, representing a decline of CHF 50.6 million on the previous year (CHF 690.5 million). Significant decreases on the asset side of the balance sheet occurred in film assets (CHF –53.7 million) and in cash and cash equivalents (CHF –13.0 million), while other financial assets increased by CHF 19.3 million in the year under review.

Film assets decrease due to exploitation

Investments in film assets in the year under review amounted to CHF 116.9 million, which is an increase of 3.5 % over the previous year (CHF 113.0 million). The main investments of 2008 were production costs for “Pope Joan”, “Pandorum”, “Wickie und die starken Männer”, “Vorstadtkrokodile” and “Männersache”. After deducting amortization of license rights of CHF 141.1 million (previous year: CHF 112.1 million), film assets amounted to CHF 247.6 million as at December 31, 2008 (previous year: CHF 301.3 million). CHF 197.4 million (previous year: CHF 227.8 million) of this related to in-house productions and CHF 50.3 million (previous year: CHF 73.5 million) to third-party productions. The decrease in both areas is a result of amortization on films in exploitation that outweighed additions in the year under review.

Significant reduction in liability items

Significant decreases in liabilities on the balance sheet primarily related to current liabilities. Trade accounts payable and other liabilities fell by CHF 8.6 million, other current provisions by CHF 5.2 million and advance payments received by CHF 40.2 million. Moreover, non-current financial liabilities were reduced by CHF 16.0 million.

Adjusted equity ratio improves to 26.3 %

Equity (including minority interests) increased significantly in comparison to the figure at the end of last year (CHF 83.0 million) by CHF 15.2 million to CHF 98.2 million as at December 31, 2008. Since total assets are now lower, the calculated equity ratio improved from 12.0 % to 15.3 % at the current time. After netting cash and cash equivalents with financial liabilities and film assets with advance payments received, the adjusted equity ratio as at December 31, 2008 was 26.3 % (previous year: 22.4 %). For more detailed information we refer to the consolidated statement of changes in equity schedule in the consolidated financial statements (pages 66 and 67).

FINANCIAL SITUATION

Net debt on previous year’s level

The Highlight Group had cash and cash equivalents of CHF 187.5 million as of December 31, 2008 and thus recorded a decrease of CHF 13.0 million in comparison with the previous year (CHF 200.5 million). This level of cash and cash equivalents is offset by current and non-current financial liabilities of CHF 304.8 million (previous year: CHF 317.0 million). This results in net debt of CHF 117.3 million, which only changed slightly in comparison to the previous year (CHF 116.5 million).

The Highlight Group achieved a net cash inflow from operating activities of CHF 148.5 million and thus a decrease of CHF 41.7 million in comparison with the previous year (CHF 190.2 million). Significant factors for this development were changes in net current operating assets especially in inventories and receivables (CHF –14.9 million) as well as in liabilities (CHF –30.4 million).

Net cash outflow for investing activities increased in comparison to the previous year by CHF 13.6 million to CHF 146.7 million. A key factor in this were transactions with financial assets, which led to a cash outflow of CHF 27.4 million (previous year: CHF 16.5 million) in net terms in the year under review. Financing activities led to a net cash inflow of CHF 1.9 million, while a net outflow of CHF 37.5 million was recorded in the previous year.

External and internal sources of financing ensure liquidity

As external sources of financing, the Highlight Group uses credit facilities with variable interest rates; these were partially utilized. They are credit relationships that generally have remaining terms of less than one month.

As internal sources of financing, there are principally only inflows from operating activities. Due to the present level of cash and cash equivalents and credit facilities available, the Highlight Group was in a position to fulfill its payment obligations at all times during the year under review.

Rising interest rates could have a negative impact on the result of operations, financial and net assets situation of the Highlight Group as it relies heavily on external finance. Hence, the interest rate risk is monitored and managed very precisely.

PERSONNEL REPORT

As of December 31, 2008, the Highlight Group employed a staff of 705 (673 as at December 31, 2007). Of this number, 173 employees (previous year: 167) worked in Switzerland, 520 (previous year: 494) worked in Germany and 12 (previous year: 12) worked in Austria. Employees on non-permanent, project-related contracts have been included in this total figure if the remaining term of their contracts was at least six months on the reporting date.

The Board of Directors is responsible for Group management contracts. A Compensation Committee was established to determine individual compensation. Most of its members are non-executive members of the Board of Directors. The Compensation Committee sets out the structure of the remuneration system for Group management and reviews this on a regular basis. The criteria for establishing an appropriate remuneration are primarily the duties of the respective member, his personal performance, the performance of all members of Group management as well as the Company’s economic situation, taking the competitive environment into account.

EVENTS AFTER THE BALANCE SHEET DATE

Fred Kogel, who was CEO of Constantin Film AG until December 31, 2008, was appointed to the company's Supervisory Board on January 15, 2009 by the Munich Local Court and elected as the new Chairman by the Supervisory Board members on January 26, 2009. Mr Kogel therefore succeeds Bernhard Burgener, who has been CEO of Constantin Film AG since January 1, 2009.

At an extraordinary General Meeting of EM.Sport Media AG on January 28, 2009, one of the shareholders' resolutions was to rename the company to "Constantin Medien AG". This name change takes into account the expansion of the media group's range of activities after the ongoing combination with Highlight Communications AG and Constantin Film AG.

NOTES ON KEY TRANSACTIONS WITH RELATED PARTIES

"Related parties" within the meaning of IAS 24 primarily applies to the members of the Board of Directors and the Group management of Highlight Communications AG, the Company's shareholders, who have a controlling and significant influence, as well as associated companies and joint ventures.

Remuneration 2008 (TCHF)	Basis remuneration	Variable remuneration	Remuneration as committee member	Social security and pension provisions	Total
Werner E. Klatten, Chairman, non-executive member	156	–	50	4	210
Bernhard Burgener, Delegate, executive member	1,310	450	198	275	2,233
Martin Wagner, Vice Chairman, executive member	930	331	108	234	1,603
Dr. Ingo Mantzke, executive member	405	261	10	124	800
Antonio Arrigoni, non-executive member	150	61	10	31	252
René Camenzind, non-executive member	–	–	50	4	54
Dr. Erwin Conradi, non-executive member	–	–	50	3	53
Martin Hellstern, non-executive member	–	–	50	2	52
Total Board of Directors	**2,951**	**1,103**	**526**	**677**	**5,257**
Group management (consisting of two Managing Directors)	786	365	30	219	1,400
Total Group management	**786**	**365**	**30**	**219**	**1,400**

In fiscal year 2008, Werner E. Klatten received compensation for consultancy in the amount of TCHF 156, which is shown under basis remuneration.

Revenues and other operating income of TCHF 1,160 (previous year: TCHF 406) generated in fiscal year 2008 by the Highlight Group with PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH are primarily the result of the service production “Dahoam is Dahoam”. As of December 31, 2008, trade receivables amounted to TCHF 61 (December 31, 2007: TCHF 399) and prepayments received amounted to TCHF 442 (December 31, 2007: TCHF 611).

In addition, other operating income of TCHF 397 was generated with EM.Sport Media AG in the year under review. This is the result of licensing the rights to use the name “Constantin”. As of December 31, 2008, trade receivables of TCHF 399 (December 31, 2007: TCHF 0) are reported.

For further information, we refer to the notes to the consolidated financial statements (note 11).

RISK REPORT

As a holding company, Highlight Communications AG is dependent on the development of its subsidiaries. The Company’s future development is characterized by opportunities and risks to varying degrees and taken into account in an ongoing risk management and controlling system. This system aims to recognize possible risks to the continued existence of the Company as a going concern at an early stage in order to introduce appropriate countermeasures.

INDUSTRY-SPECIFIC RISKS IN THE ACQUISITION AND EXPLOITATION OF FEATURE FILMS

Effects of financial crisis on sales markets remain unclear

Success in the distribution of in-house and third-party titles is dependent on a large number of industry-specific risks. Their probability of occurrence and the resulting effects on the financial state and earnings of the Highlight Group are difficult to estimate. The risks can occur as a result of a changed market situation on the part of the exploiters of rights in the area of cinema, video/DVD and TV. In this way, changes to the media laws and the advertising market as well as the structure of forms of TV broadcasting (pay-TV, TV on demand) can influence the exploiter’s selection of films and TV broadcasters’ program schedule and purchasing policy.

Changes in consumer behavior and consumer taste can also cause market adjustments by the rights exploiters. Finally, the strong trend of concentration with TV channels could lead to changes in the sales markets. The trend of concentration is strengthened by the initial tendencies towards digital distribution over the Internet. Online shops have been active for some time. However, they have only generated marginal revenues. With the increasing widespread availability of sufficient bandwidth for downloading and streaming, these forms of distribution will become more attractive. The first big players are starting to work on this market. Here, a competitor to pay-TV in particular can emerge in the medium to long-term.

In terms of marketing, the Highlight Group has been working directly with TV broadcasters since 2004; the home entertainment market is also worked with directly. As a result of this expanded value chain, the risks increase for the Highlight Group on the one hand. However, on the other hand the opportunities for earnings increase considerably. In this area, the Highlight Group benefits from good connections its subsidiary Constantin has with TV broadcasters as well as synergy effects realized within the Group.

The exact effects of the financial and economic crisis on the cinema and home entertainment sales markets remain to be seen. However, one has to assume that these markets could shrink. Both sectors are heavily dependent on the success of individual films, thus the resulting effects on the Highlight Group cannot be foreseeable ahead of time. The TV sales market is expected to suffer due to a fall in advertising expenditure, which might impact the Highlight Group's revenues volume.

Purchasing markets are being impacted by a strong trend to concentration. Whereas independents merely produce and are dependent on sales partners for marketing, the majors possess their own worldwide distribution channels in addition to their film studios. Furthermore, the emergence of new competitors and the resultant increase in competitive pressure is likely to lead to an impairment of the market situation. In this context, it must be mentioned that the majors are increasingly purchasing German productions and thus positioning themselves as competitors for local products on the purchasing market.

Increasing levels of piracy can lead to significant declines in revenues. The rise in illegal copies could have the effect of reducing the number of cinemagoers and lowering proceeds from home entertainment and TV exploitations of films. The raising of viewers' awareness and the expansion of legal Internet content as well as the support of various interest groups are measures which the Highlight Group has already taken. These measures, together with rigorous prosecution of offenders, have made an important contribution to the fight against piracy in 2008.

OPERATING RISKS FOR IN-HOUSE PRODUCTIONS

Partial advance financing of production budgets necessary

Own and co-productions of cinema and TV films as well as their marketing are cost-intensive and involve financial risks. The production costs of an average German cinema film are between EUR 3 million and EUR 7 million; international films can be a multiple of this. Part of these costs must be financed in advance by the Highlight Group because the respective budget cannot be covered by co-production contributions and funds from film grants. Due to the large amount of funds required for a production, the partial or complete failure of individual film projects could have significant disadvantages on the business situation, financial state and earnings of the Group.

In addition, there can be budget overruns during the production of a film; the costs of this are borne by the Group. Thanks to experience in the production of films, the Highlight subsidiary Constantin has generally managed to cover production costs with the exploitation revenues in the past. Furthermore, Constantin kept film production within the time and financial planning and largely avoided the occurrence of unplanned costs or provided protection against these with appropriate insurance. However, the Highlight Group cannot provide a guarantee that it will only realize successful film projects in the future.

For TV productions, similar formats are produced worldwide. This results in the risk of format rights disputes in the industry which also affect the Highlight Group, which is why it has taken appropriate precautionary measures.

For two Constantin Film AG in-house productions there are legal disputes with an external distributor. However, Constantin Film AG and its legal advisors concur that no utilization is threatened from these disputes.

In the area of non-fictional service productions, there are risks from the dependence on a single station and its future alignment. The entire TV industry must also cope with the difficult market environment arising from massive drops in advertising budgets as a consequence of the financial crisis. This can mean that the Highlight Group's income from TV service productions will be less in the current fiscal year.

OPERATING RISKS IN SPORTS- AND EVENT-MARKETING

Higher latent default risks in rights marketing

In the Sports- and Event-Marketing segment, risks may arise from the TEAM group's dependence on a major customer such as UEFA, but previous success and the positioning of the company in the market as well as the targeted strategic orientation towards the European Football Association qualifies this situation. The mandate from UEFA to market the commercial rights of all 205 games of the new UEFA Europa League starting with the 2009/10 season is a further sign of the established relationship with UEFA.

The shares in Team Holding AG, in which UEFA has a 20% stake, are encumbered by a call option. This option may be exercised if a person or group acquires Highlight shares accounting for more than 50% of the voting rights. In this case, UEFA would be within its rights to acquire the 80% share that Highlight Communications AG has in Team Holding AG for a set price.

The effects of the financial crisis on rights marketing are still unclear at the current time. Although all of the broadcasting and sponsorship rights for the UEFA Champions League and the new UEFA Europa League were given to long-standing partners, it cannot be ruled out that private TV providers or sponsors might experience financial difficulties leading to payment defaults.

FINANCIAL RISKS

Derivative financial instruments hedge interest and currency risks

The material financial instruments used by the Highlight Group include – with the exception of derivative financial instruments – bank overdrafts, bank loans, trade payables and other financial liabilities. The objective of these financial instruments is financing the Group's operating activities. The Group possesses financial assets such as trade receivables, cash and cash equivalents and other financial assets which result directly from its operating activities.

In addition, the Highlight Group deploys derivative financial instruments in a targeted manner. These instruments are used primarily to hedge against currency risks which result from the Group's operating activities and its sources of funding. The Group's business and financing activities expose it to a variety of financial risks. The most significant financial risks for the Group result from changes in foreign currency exchange rates, interest rates, liquidity as well as credit standing and solvency of the Group's counterparties.

For details of the Highlight Group's financial risks, we refer to the notes to the consolidated financial statements (note 7).

REPORT ON OPPORTUNITIES

OPPORTUNITIES IN THE FILM SEGMENT

The Highlight Group reaffirmed its solid market position on the purchasing market even in a difficult market environment and achieved high awareness levels through its subsidiary Constantin Film AG. In the future it will also be in a position to adapt flexibly to changed competitive environments. However, there is no guarantee that changed competitive environments or possible pay disputes will not have an unfavorable effect on the business situation, financial state and earnings of the Company.

At the end of 2006, the German Federal Film Fund (DFFF), initiated by Federal Government Commissioner for Culture and the Media Bernd Neumann, was established. This makes funds totaling EUR 180 million available to refund production costs for films which fulfill certain criteria up to the end of 2009. Mr Neumann has already announced that the DFFF will be extended beyond 2010, which will also have a positive effect on the film production landscape in Germany.

In the TV service production business area, Highlight subsidiary Constantin will increase its expansion efforts abroad and drive forward distribution at additional channel providers. These measures will reduce existing dependency on one hand and at least partially offset the likely decline in this area on the other.

OPPORTUNITIES IN SPORTS- AND EVENT-MARKETING

Due to the TEAM group's renewed marketing success in the sale of commercial rights to the UEFA Champions League and the new UEFA Europa League for the 2009/10 to 2011/12 seasons, there are good prospects arising from the continued close cooperation with the European Football Association. The same applies to the existing exclusive marketing partnerships with the Vienna Philharmonic Orchestra and the European Broadcasting Union (Eurovision Song Contest). Additional events will be marketed only after a careful selection process and consulting with UEFA.

FORECAST

GENERAL ECONOMIC ENVIRONMENT

Deep global recession expected

Significant recessions in key economies and the ongoing effects of the financial crisis will strongly impact the global economy in the current year and bring growth to a virtual standstill. The International Monetary Fund (IMF) in particular considers the global economy in the worst crisis since the Second World War and even fears it will slide into deflation. Against this backdrop, the IMF's end of January forecast saw 2009 global growth of only 0.5 % – the lowest figure since 1945.

According to the IMF, the cautious lending policy currently in place at banks will lead to a sharp decline in investment propensity in all sectors of industry and may also cause private consumption to fall. For this reason, the IMF predicts a decline in gross domestic product of all large industrialized nations by an average of 2.0 %. It forecasts negative growth of 1.6 % for the US, 2.0 % for the euro zone, and as high as 2.6 % for Japan.

The IMF's economic outlook for Germany is similarly grim, as the world's largest exporter will be impacted disproportionately high by the decline and therefore must expect gross domestic product to move down by 2.5 %. In contrast, forecasts for Switzerland look relatively good: In mid-December 2008, the Swiss Expert Group forecast a drop in gross domestic product of only 0.8 % for the whole of 2009 with negative development primarily impacting the export sector and corporate investments.

FILM SEGMENT

Constantin's distribution slate has great potential

In the theatrical distribution business area, the film slate 2009 of our subsidiary Constantin currently consists of 14 titles. Of these, the youth comedy "Die wilden Hühner und das Leben" already had a successful start at the end of January, attracting 280,000 visitors to cinemas in its opening weekend alone. Thus, the third and last part of the series based on the cult books by Cornelia Funke had the best theatrical release of the whole trilogy.

The gripping film "Milk" licensed by Constantin hit German cinemas in mid-February. This biographical drama on Harvey Milk, the charismatic leader of the American civil rights movement, was nominated for a total of eight Oscars® including the top category of "Best Film". In contrast, the first film by and with Mario Barth, "Männersache", promises to be a special comedy event. After setting a world record with his stage show of 70,000 audience members at the Olympic Stadium in Berlin, this German star comedian is now setting new standards in film. As early as five weeks before the film was due to start at the middle of March, more than 20,000 preview tickets were sold Germany-wide.

There are definitely more highlights to be expected in the Fall. This is mainly due to the new Michael Bully Herbig comedy "Wickie und die starken Männer" scheduled to play in theaters starting at the beginning of September. The first live-action film adaptation of the exciting "Wickie" adventures should attract more than just younger audiences. At the end of October, the major production "Pope Joan" comes to the German big screen. The film adaptation of the bestselling novel by Donna W. Cross stars Johanna Wokalek in the title role plus top-class actors like the Hollywood stars David Wenham and John Goodman.

Continued high production volume

In the theatrical production business area, Constantin will realize around 14 German and two international own and co-productions. Among other films, Constantin will shoot an autobiography of Bushido, one of the most successful German rap stars, for the German market. It tells the story of a Berlin musician of Tunisian descent who goes from a school dropout with no apparent future to a multi-millionaire in just a few years.

The screen adaptation of the Hape Kerkeling bestseller "Ich bin dann mal weg" is also expected to find a large following of fans. In it, the comedian describes his arduous pilgrimage on the legendary Camino de Santiago trail. The book on which the film is based sold more than three million copies in Germany alone and remained number one on the best seller lists for almost 100 weeks. Similar is true for the new Bernd Eichinger production "A Minute's Silence", a film adaptation of the book of the same name by Siegfried Lenz. The story of an unusual love between a high school student and his English teacher is scheduled to come to German theaters in 2010.

In the TV service production business area, the Constantin subsidiary Constantin Television GmbH is planning to continue the successful daily "Dahoam is Dahoam" for Bayerischer Rundfunk. In addition, various other projects are in preparation, such as the thriller "Whiteout" after the best-selling novel by Ken Follet. The Constantin subsidiary MOOVIE – The art of entertainment is planning a further episode of the crime series "Franziska Luginsland" with Katja Flint in the leading role on behalf of ZDF as well as another TV film. In the entertainment area, a further series of "Hit Giganten" is to be realized in the current year. The realization of the new reality show "Extrem Schön! Letzte Hoffnung OP" is also on the agenda, among others.

Success in home entertainment with new releases and catalog titles

Home entertainment will again especially benefit from new releases of Constantin cinema hits on DVD and Blu-ray. This relates primarily to the Bernd Eichinger production "The Baader Meinhof Complex", which was a real blockbuster for sales for us in mid-March. Unit sales figures were also encouraging for "Bangkok Dangerous", an action-packed licensed film we released straight to video in mid-January.

Furthermore, we are counting on our steadily growing library. It will become increasingly important in the future because the video exploitation rights of a large number of catalog titles will gradually revert to Constantin. This includes films such as "The House of the Spirits" or "Smilla's Sense of Snow", which have only appeared on VHS so far and can now be re-released on DVD or Blu-ray.

SPORTS- AND EVENT-MARKETING SEGMENT

Focusing on big events

In the current fiscal year, the activities of our subsidiary TEAM will initially be focused on completing the commercial rights sale for the UEFA Champions League and the UEFA Europa League. Despite the strained global economic situation and the challenging market conditions, the high requirements are expected to be met as both football competitions remain attractive TV formats that promise high viewing figures.

In operational terms, the main focus of attention is the second half of the season in European club football and preparations for the two annual highlights: the UEFA Cup Final on May 20 in Istanbul and the grand final of the UEFA Champions League on May 27, 2009 in Rome. Furthermore, plans for the 2009/10 season, which begins in August, are already underway. In this season, as well as handling the 145 UEFA Champions League matches, TEAM will also be responsible for professional commercial implementation of the 205 UEFA Europa League matches for the first time – definitely a big and exciting challenge.

In the music sector, the next chapter in the long history of the Eurovision Song Contest is on the agenda in Moscow in May. There is a keen sense of anticipation as to how the adapted voting system, which is split 50:50 between a newly introduced jury voting method and the audience televoting used since 2004, will affect the choice of winner. TEAM again has the bank Raiffeisen International on board as a presenting partner of the event.

In the collaboration with the Vienna Philharmonic Orchestra, TEAM is already preparing for the next major event: the orchestra's "Summer Night Concert", which will be held on June 4 in the park of the famous Schönbrunn palace in Vienna. As with this year's New Year's Day Concert, the Vienna Philharmonic Orchestra will also be conducted by Daniel Barenboim at what is the world's biggest open-air event in classical music. With free admission, more than 100,000 spectators are expected to attend, and millions more can watch on TV in more than 40 countries.

HIGHLIGHT GROUP

Additional growth expected

Due to the positive prospects in both segments, the Highlight Group is well prepared for controlled and profitable growth in the current fiscal year as well. We expect additional impulses from the combination of our Company with Constantin Film AG and EM.Sport Media AG under the umbrella of the new Constantin Medien AG.

Based on the current outlook and nearly stable exchange rates (CHF/EUR), it can be assumed that the Highlight Group will realize consolidated revenues of between CHF 490 million and CHF 510 million and earnings per share of between EUR 0.42 and EUR 0.44 in fiscal year 2009. This reflects an increase in earnings of roughly 10 % compared to the guidance 2008.

Pratteln, March 2009

The Board of Directors

Please note that actual results can differ significantly from prospects of expected developments, if the assumptions made for forward-looking statements prove to be inapplicable. Material assumptions made by the Highlight Group relate to the success of individual films in the cinema and on video as well as to financial expectations and risks.

Course set:
In Moscow, the venue for this year's Eurovision Song Contest, the participating countries were drawn in two semifinals.

With a record number of participants from 43 countries, the live TV transmission of the 2008 Eurovision Song Contest again achieved top viewing figures in Europe. TEAM has been marketing this traditional event since 2004.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2008 of Highlight Communications AG, Pratteln

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2008

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2008	Dec. 31, 2007
Non-current assets			
In-house productions		197,370	227,792
Third-party productions		50,257	73,479
Film assets	5.1	247,627	301,271
Other intangible assets	5.2	962	1,190
Goodwill	5.2/5.3	21,657	22,469
Tenants' fixtures		1,017	479
Other equipment, plant and office equipment		5,073	5,116
Tangible assets	5.4	6,090	5,595
Investments in associated companies and joint ventures	5.5	6,919	7,905
Non-current receivables	5.8	4,101	1,775
Other financial assets		319	505
Deferred tax assets	5.14	1,224	7,202
		288,899	**347,912**
Current assets			
Inventories	5.6	4,406	4,204
Trade accounts receivable and other receivables	5.9	102,385	99,031
Receivables due from joint ventures		61	399
Other financial assets	5.7	56,010	36,526
Tax receivables	5.11	663	1,939
Cash and cash equivalents	5.13	187,459	200,508
		350,984	**342,607**
Total assets		**639,883**	**690,519**

The notes on page 70 – 137 are an integral part of the consolidated financial statements.

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2008	Dec. 31, 2007
Equity	5.15		
Subscribed capital		47,250	47,250
Treasury stock		–760	– 2,199
Capital reserves		– 48,521	– 40,010
Other reserves		– 4,466	9,142
Retained earnings		68,416	28,422
Shareholders' interests		29,777	30,681
Equity attributable to the shareholders		91,696	73,286
Minority interests		6,549	9,725
		98,245	**83,011**
Non-current liabilities			
Financial liabilities	5.19	7,510	23,482
Other liabilities	5.18	50	50
Pension provisions	5.20	860	725
Provisions	5.22	427	–
Deferred tax liabilities	5.24	6,135	6,809
		14,982	**31,066**
Current liabilities			
Financial liabilities	5.19	297,295	293,546
Advance payments received		79,359	119,556
Trade accounts payable and other liabilities	5.17	131,636	140,153
Provisions	5.21	14,241	19,429
Tax provisions	5.23	4,125	3,758
		526,656	**576,442**
Total equity and liabilities		**639,883**	**690,519**

The notes on page 70 – 137 are an integral part of the consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2008

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Revenues	6.1	**518,376**	**481,669**
Other operating income	6.2	**4,350**	**3,537**
Expense for licenses, commissions and materials		–72,143	–56,150
Expense for services purchased		–137,232	–150,133
Material and license expense	6.3	**–209,375**	**–206,283**
Salaries		–70,285	–64,864
Social security, retirement benefit costs and other social personnel expense		–10,329	–9,205
Personnel expense	6.4	**–80,614**	**–74,069**
Amortization and impairments on film assets	5.1	–141,144	–112,090
Depreciation/amortization and impairments on other intangible assets and tangible assets	5.2/5.4	–2,802	–3,245
Goodwill impairments	5.2	–	–227
Depeciation/amortization and impairments	6.5	**–143,946**	**–115,562**
Other operating expense	6.6	**–33,614**	**–36,385**
Profit from operations		**55,177**	**52,907**

The notes on page 70 – 137 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Earnings from investments in associates and joint ventures	6.7	**–321**	**–15**
Interest and similar income		2,417	2,061
Gains from changes in the fair value of financial instruments		381	10
Total financial income	6.8	2,798	2,071
Interest and similar expenses		–5,466	–6,073
Losses from changes in the fair value of financial instruments		–10,682	–2,045
Total financial expenses	6.9	–16,148	–8,118
Foreign currency result	6.9	3,046	–1,119
Financial result		**–10,304**	**–7,166**
Earnings before taxes		**44,552**	**45,726**
Income taxes		–6,373	–7,393
Deferred taxes		–5,697	–4,575
Taxes	6.10	**–12,070**	**–11,968**
Net consolidated earnings		**32,482**	**33,758**
thereof minority interests		2,705	3,077
thereof shareholders' interests		29,777	30,681

(CHF)	Note	2008	2007
Earnings per share	6.11		
Earnings per share attributable to shareholders, basic		0.65	0.68
Earnings per share attributable to shareholders, diluted		0.65	0.68

The notes on page 70–137 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2008

Highlight Communications AG, Pratteln

(TCHF)	Subscribed capital	Treasury stock	Capital reserves
Balance as of January 1, 2007	**47,250**	**–1,150**	**–28,045**
Reclassification of previous year's net consolidated earnings	–	–	–
Acquisition of treasury shares	–	–1,760	–
Sale of treasury shares	–	711	
Dividend payments	–	–	–
Dividend payment to minority interests	–	–	–
Change in minority interests	–	–	–11,965
Impairment of associates not affecting net income	–	–	–
Foreign currency translation differences	–	–	–
Revaluation of assets	–	–	–
Net consolidated earnings	–	–	–
Balance as of December 31, 2007	**47,250**	**–2,199**	**–40,010**
Balance as of January 1, 2008	**47,250**	**–2,199**	**–40,010**
Reclassification of previous year's net consolidated earnings	–	–	–
Acquisition of treasury shares	–	–1,827	–
Sale of treasury shares	–	3,266	–
Dividend payments	–	–	–
Dividend payment to minority interests	–	–	–
Change in minority interests	–	–	–8,511
Impairment of associates not affecting net income	–	–	–
Foreign currency translation differences	–	–	–
Revaluation of assets	–	–	–
Net consolidated earnings	–	–	–
Balance as of December 31, 2008	**47,250**	**–760**	**–48,521**

The notes on page 70–137 are an integral part of the consolidated financial statements.

Other reserves	Retained earnings	Shareholders' interests	Equity attributable to the shareholders	Minority interests	Total equity
8,878	**23,106**	**25,775**	**75,814**	**11,795**	**87,609**
–	25,775	-25,775	–	–	–
–	-20,178	–	-21,938	–	-21,938
–	7,000	–	7,711	–	7,711
–	-6,818	–	-6,818	–	-6,818
–	–	–	–	-1,759	-1,759
25	–	–	-11,940	-3,615	-15,555
–	-463	–	-463	–	-463
3,335	–	–	3,335	298	3,633
-3,096	–	–	-3,096	-71	-3,167
–	–	30,681	30,681	3,077	33,758
9,142	**28,422**	**30,681**	**73,286**	**9,725**	**83,011**
9,142	**28,422**	**30,681**	**73,286**	**9,725**	**83,011**
–	30,681	-30,681	–	–	–
–	-16,695	–	-18,522	–	-18,522
–	33,604	–	36,870	–	36,870
–	-7,586	–	-7,586	–	-7,586
–	–	–	–	-1,837	-1,837
–	–	–	-8,511	-3,350	-11,861
–	-10	–	-10	–	-10
-13,442	–	–	-13,442	-694	-14,136
-166	–	–	-166	–	-166
–	–	29,777	29,777	2,705	32,482
-4,466	**68,416**	**29,777**	**91,696**	**6,549**	**98,245**

CONSOLIDATED CASH FLOW STATEMENT 2008

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Net consolidated earnings		32,482	33,758
Deferred taxes		5,697	4,575
Income taxes		6,373	7,393
Financial result (without foreign currency result)		13,350	6,048
Earnings from investments in associates and joint ventures	6.7	321	15
Depreciation/amortization and impairments	5.1/5.2/5.4	143,946	115,562
Gain/loss from disposal of fixed assets	5.4	5	–22
Other non-cash items		–1,104	–
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities		–14,913	–9,409
Decrease (-)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities		–30,396	44,482
Interest paid		–5,321	–6,349
Interest received		2,814	2,018
Taxes paid		–5,737	–9,899
Taxes received	5.11	1,002	2,006
Cash flow from operating activities		**148,519**	**190,178**
Payments for acquisition of companies/shares in companies		–	–266
Payments for intangible assets	5.2	–459	–654
Payments for film assets		–116,858	–112,974
Payments for tangible assets	5.4	–2,993	–2,888
Payments for financial assets		–56,174	–18,505
Dividend payments/capital repayments from associates		510	–
Proceeds from disposal of intangible assets (sale of film assets)		405	–
Proceeds from disposal of tangible assets		46	163
Proceeds from disposal of financial assets		28,847	2,000
Cash flow for investing activities		**–146,676**	**–133,124**

The notes on page 70–137 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Payments for acquisition of treasury shares	5.15	–18,522	–21,938
Proceeds from sale of treasury shares	5.15	36,870	5,134
Payments for acquisition of minority interests		–12,915	–16,978
Repayment of current financial liabilities		–79,315	–
Proceeds from issuance of current financial liabilities		85,579	4,495
Dividend payments (including dividend payment to minority interests)		–9,837	–8,166
Cash flow from/for financing activities		**1,860**	**–37,453**
Cash flow for the year		**3,703**	**19,601**

Cash and cash equivalents at the beginning of the year	5.13	200,508	176,444
Changes due to currency translation differences		–16,752	4,463
Cash and cash equivalents at the end of the year	5.13	187,459	200,508
Change in cash and cash equivalents		**3,703**	**19,601**

The notes on page 70–137 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2008

Highlight Communications AG, Pratteln

1. General information about the Group

As the ultimate parent company, Highlight Communications AG is based at Netzibodenstrasse 23 b, Pratteln, Switzerland.

The Company is listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The Highlight Group's operations encompass the two segments Film and Sports- and Event-Marketing.

The activities of Constantin Film AG and its subsidiaries as well as Rainbow Home Entertainment AG and Rainbow Home Entertainment GmbH are chiefly combined in the Film segment.

The Sports- and Event-Marketing segment encompasses the activities of Team Holding AG, a holding company, which is 80 % owned by Highlight Communications AG and whose main project is the marketing of the UEFA Champions League via its subsidiaries. Further marketing projects include, among others, the UEFA Cup (from the quarter finals), the UEFA Super Cup and the Eurovision Song Contest.

Adjustment of the classification used in the consolidated financial statements

Because of the consolidation of Highlight Communications AG and its subsidiaries in the consolidated financial statements of EM.Sport Media AG for the first time, Highlight Communications AG has adjusted the classification used in its balance sheet, the profit and loss account, the statement of changes in equity and the cash flow statement. Despite these adjustments, there is comparability of the annual financial statements with the previous period, since the previous year's figures were also adjusted to the new structure.

The annual financial statements are compiled in Swiss francs (CHF), which is the ultimate parent company's functional and reporting currency. Amounts are stated in thousand Swiss francs (TCHF), unless indicated to the contrary.

The consolidated financial statements of the Highlight Group were adopted by the Board of Directors of Highlight Communications AG on March 27, 2009 and require approval from the Annual General Meeting on June 5, 2009.

2. Preparation

2.1 Application of International Financial Reporting Standards

The consolidated financial statements of Highlight Communications AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the provisions of the Swiss Commercial Code to be applied in addition and comply with Swiss law. All those IFRS/IAS and SIC/IFRIC whose application is mandatory as at December 31, 2008 have been observed. The consolidated financial statements are based on historic costs with the exception of certain items such as financial assets as well as other financial instruments. As described in the accounting principles below, these are reported at fair value.

A list of the subsidiaries and joint ventures included in the consolidated financial statements is to be found in these notes to the consolidated financial statements. The effects of subsidiaries and associated companies being consolidated for the first time are presented in the section "Disclosures on the scope of consolidation" (see note 3).

The profit or loss account (following also called "income statement") was prepared using the total cost method.

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies corresponding to their commercial activities.

Preparation of the consolidated financial statements in accordance with IFRS demands that management makes certain estimates and assumptions, which influence the income, expenses, assets, liabilities and contingent liabilities reported at the time they are accounted for. These estimates and assumptions are based on the best possible judgement by management based on past experience and other factors, including estimates of future events. Estimates and judgments are continually evaluated. Changes to estimates are required if the circumstances on which the estimates are based have changed or new information and additional findings are available. Such changes are recognized in the reporting period in which the estimate is modified. More detailed disclosures on the basis of estimates are explained separately under the respective balance sheet item.

2.2 Standards and interpretations applied for the first time

The Group applied the new and revised IFRS standards and interpretations listed below for the first time in the fiscal year. The application of these standards and interpretations had no impact on the Group's assets, financial state and earnings. However, they led to additional disclosures in some cases.

IAS 39/IFRS 7	Financial Instruments: Recognition and Measurement/Financial Instruments: Disclosures (Amendment)
IFRIC 11, IFRS 2	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14, IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IAS 39/IFRS 7 – Financial Instruments: Recognition and Measurement/Financial Instruments: Disclosures (Amendment)

Against the background of the current financial crisis, the IASB published an amendment to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures, on October 13, 2008. The amendment takes account of current developments on financial markets and is supposed to rectify existing differences between US GAAP and IFRS with regard to the classification of certain financial instruments to the effect that these no longer result in any distortion of competition.

The amendment was published in the Official Journal of the European Union on October 16 and came into effect the day after publication. The changes are to be applied retrospectively to July 1, 2008.

IFRIC 11, IFRS 2 – Group and Treasury Share Transactions

Under this interpretation, agreements by which employees are granted rights to a company's equity instruments are to be accounted for as share-based remuneration transactions with settlement in equity instruments, if the company acquires the instruments from a third party or the shareholders provide the requisite equity instruments. Application of the interpretation is mandatory for reporting periods starting on or after March 1, 2007.

IFRIC 12 – Service Concession Agreements

IFRIC 12 deals with the accounting for and measurement of obligations and rights resulting from so-called service concession agreements in the operator's financial statements. Application of the interpretation is mandatory for reporting periods starting on or after January 1, 2008

IFRIC 14, IAS 19 – The Asset Ceiling in Defined Benefit Plans, Minimum Funding Requirements and their Interaction

IFRIC 14 deals with the question that arises as part of the so-called "asset ceiling" as to whether and to what extent refunds of contributions or future reductions in contributions are available to the company. Application of the interpretation is mandatory for fiscal years starting on or after January 1, 2008.

2.3 Standards, revised standards and interpretations which have been published but are not yet applied

The Group has also refrained from applying the following standards, revised standards and interpretations prematurely:

IFRS 3	Business Combinations (Revision)
IAS 27	Consolidated and Separate Financial Statements (Revision)
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements (Revision)
IAS 23	Borrowing Costs (Revision)
IFRIC 13	Customer Loyalty Programmes
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners

The following amendments or addenda to standards were not applied prematurely either. A large part of these amendments are the result of the IASB's annual improvement process.

IFRS 2	Share-based Payment (Amendment)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendment)
IAS 1	Presentation of Financial Statements (Amendment)
IAS 16	Property, Plant and Equipment (Amendment)
IAS 19	Employee Benefits (Amendment)
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance (Amendment)
IAS 23	Borrowing Costs (Amendment)
IAS 28	Investments in Associates (Amendment)
IAS 31	Interests in Joint Ventures (Amendment)
IAS 32	Financial Instruments: Presentation (Amendment)
IAS 36	Impairment of Assets (Amendment)
IAS 38	Intangible Assets (Amendment)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendment)

IFRS 3 – Business Combinations (Revision) and IAS 27 – Consolidated and Separate Financial Statements (Revision)

The new IFRS 3 leads to changes in accounting for the residual figure for "goodwill", in particular, (option of applying the so-called "full goodwill model" or the previous "partial goodwill model"), the depiction of step acquisitions (re-measurement of existing tranches affecting profit and loss), the calculation of acquisition costs (directly attributable costs associated with the acquisition are generally expensed immediately) as well as changes to individual areas of the recognition and measurement of identifiable assets and liabilities. The amended standard is to be applied prospectively to corporate acquisitions where the date of acquisition falls within fiscal years starting on or after July 1, 2009.

The new IAS 27 will lead, in particular, to changes with regard to transactions with minorities as well as the losses to be assigned to minorities in the consolidated financial statements. In principle, shares retained in future are to be measured at fair value and credited to the income statement in the case of transitional consolidations. The amended standard is to be applied to fiscal years starting on or after July 1, 2009.

IFRS 8 – Operating Segments (Revision)

This standard demands disclosure of information on the Group's operating segments using the so-called "management approach". Accordingly, operating segments are parts of a company whose operating income is regularly monitored by a key decision maker and which constitute the basis for deciding on the allocation of resources and measurement of results. Application of the standard is mandatory for reporting periods starting on or after January 1, 2009. The Highlight Group is currently investigating the impact of the standard on the presentation of the Group's assets, financial state and earnings.

IAS 1 – Presentation of Financial Statements (Revision)

The revised version of IAS 1, Presentation of Financial Statements, must be applied for the first time to reporting periods starting on or after January 1, 2009. Earlier application is permissible. The new version of the standard provides for changes to the titles of components of the financial statements. One of the important material changes compared with the earlier version of the standard lies in the fact that all income and expenses including income and expenses recorded in equity without affecting profit or loss now have to be shown as part of a "statement of comprehensive income".

IAS 23 – Borrowing Costs (Revision)

The amended IAS 23, Borrowing Costs, will abolish the option available under the current standard to expense borrowing costs, which can be directly allocated to a qualifying asset, immediately. These borrowing costs have to be capitalized as costs of acquisition or manufacture on application of the revised IAS 23. The revised standard is to be applied to borrowing costs relating to qualified assets, capitalisation of which started on or after January 1, 2009.

The Highlight Group already capitalises borrowing costs, which can be directly allocated to a qualifying asset. Accordingly, this amendment has no impact on the consolidated financial statements of Highlight Communications AG.

IFRIC 13 – Customer Loyalty Programmes

Under IFRIC 13, award credits, which are granted to customers as part of sales transactions and which can be used in future to obtain reduced or free goods and services (“awards”) (e.g. bonus points or air miles) are to be accounted for as so-called multiple element revenue transactions as defined in IAS 18.13. Application of IFRIC 13 is mandatory for reporting periods starting on or after July 1, 2008.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 16 makes clear that only the risk resulting from changes in the exchange rate between the functional currency of the foreign operation and the functional currency of a parent company (but not the presentation currency in the consolidated financial statements) may be the object of hedging instrument. Application of the interpretation is mandatory for fiscal years starting on or after October 1, 2008. Application of the interpretation is to be effected prospectively.

IFRIC 17 – Distributions of Non-Cash Assets to Owners

The interpretation regulates the accounting for a liability to distribute non-cash assets, which is to be recognized at the time from which the distribution is no longer at the discretion of the company. This dividend commitment is to be recognized at the fair value of the net assets to be transferred. The difference between the dividend commitment and the carrying amount of the asset to be transferred is to be recognized in profit or loss. The interpretation is to be applied for the first time in the reporting period of a fiscal year starting on or after July 1, 2009.

IFRS 2 – Share-based Payment (Amendment)

The changes to the standard relate to the definition and treatment of “vesting conditions” as well as the definition and treatment of “non-vesting conditions”. The changes also address the treatment of “cancellations” of a commitment by a party other than the company. Application of the changes to the standard is mandatory for the first time to fiscal years starting on or after January 1, 2009.

IFRS 5 – Non-current Assets held for Sale and Discontinued Operations (Amendment)

With regard to the classification of all a subsidiary’s assets and debts held for sale, if there is a plan to sell the controlling share in this subsidiary, it is made clear that this plan must also fulfil the criteria of IFRS 5.6 to 5.8.

In addition, relevant information on the discontinued operations is to be disclosed, if the subsidiary earmarked for sale constitutes a discontinued operation for the purposes of IFRS 5. Application of the amendments to the standard is mandatory for fiscal years starting on or after July 1, 2009.

IAS 1 – Presentation of Financial Statements (Amendment)

The amendment is part of IASB’s annual improvement process and aims to make clear that it is not mandatory to show financial instruments in the “held for trading purposes”, in particular, derivatives, in the balance sheet as current assets or current liabilities. Application is compulsory for fiscal years starting on or after January 1, 2009.

IAS 16 – Property, Plant and Equipment (Amendment)

The addendum to the standard regulates the fact that for property, plant and equipment, which is initially held for leasing purposes as part of ordinary business activity and is to be routinely sold following the leasing, the regulations of IFRS 5 are not applicable. This property, plant and equipment is to be reclassified as inventories at its carrying amount. The amendment is to be applied to fiscal years starting on or after January 1, 2009.

IAS 19 – Employee Benefits (Amendment)

The IASB has decided that a change to the extent to which benefit commitments depend on future salary increases counts as a curtailment. A further amendment to IAS 19 aims to make clear that negative past service cost will arise if the cash value of the benefit-oriented commitment is reduced. There are also changes with regard to the calculation of earnings from plan assets.

The new regulations are to be applied to changes to benefit commitments, which occur on or after January 1, 2009.

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance (Amendment)

The new regulation (applicable from January 1, 2009) relates to benefits from a government loan, where the interest rate is below the market rate. Interest rate benefits of this kind are also to be taken into account as a grant.

IAS 23 – Borrowing Costs (Amendment)

The definition of borrowing costs was adjusted. It was made clear that the effective interest rate stipulated in IAS 39 is also applicable to the calculation of interest expense for the purposes of IAS 23. Application of the new regulation is mandatory for fiscal years beginning on or after January 1, 2009.

IAS 28 – Investments in Associates (Amendment)

The IASB has decided that after application of the equity method an (additional) impairment, which the investor records with regard to its investment in the associate, is not to be allocated to assets (including goodwill), which are included in the carrying amount of the investment. If the recoverable amount increases in periods after the impairment is recorded, the investment must be written up accordingly. The new regulations are applicable to fiscal years starting on or after January 1, 2009.

IAS 31 – Investments in Joint Ventures (Amendment)

To avoid additional disclosures in addition to those required by IAS 32 and IFRS 7, the disclosures required in principle by IAS 31 for shares, which are accounted for at fair value through profit or loss in accordance with IAS 39, Financial Instruments: Recognition and Measurement, are cancelled. However, the particular disclosures required under IAS 31 for joint ventures remain in force. Application of the amendment is mandatory from January 1, 2009.

IAS 32 – Financial Instruments: Presentation (Amendment)

On February 14, 2008, the IASB published the amendment to IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements: Puttable Instruments and Obligations Arising on Liquidation. The amendment contains new regulations on accounting for financial instruments with holders' cancellation rights and instruments, which lead to an obligation in the wake of a liquidation. Application of the amendments is mandatory from January 1, 2009.

IAS 36 – Impairment of Assets (Amendment)

If the impairment test is carried out on the basis of the "fair value less costs to sell" concept using a discounted cash flow method, the same disclosures are to be made as when using the value in use concept. Application of the amendments is mandatory from January 1, 2009.

IAS 38 – Intangible Assets (Amendment)

The amendment to IAS 38 requires that expenses for advertising and sales promotion materials are recorded at the time at which the company has access to these materials or services.

A further addendum to IAS 38 leads to the fact that performance dependent amortization may be used under certain circumstances if it leads to lower cumulative depreciation compared with straight-line depreciation. This was previously only possible in very rare exceptional cases.

Application of the amendments is mandatory from January 1, 2009.

IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items) (Amendment)

The addenda to IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items, were published on July 31, 2008. In them the IASB explains the preconditions under which inflation risks can be hedged as an underlying transaction as part of hedging transactions, as well as the option of using options as a hedging instrument to secure one-sided risks. The amendments are applicable retrospectively for fiscal years starting on or after July 1, 2009.

The Highlight Group is currently investigating the impact of the standards and interpretations on the presentation of the Group's assets, financial state and earnings but is currently not assuming that they will have any material impact.

3. Disclosures on the scope of consolidation

There were the following changes (acquisitions, start-ups and first-time consolidations) to the scope of consolidation in fiscal year 2008:

Constantin Film AG (acquisition of minority interests)

The stake in Constantin Film AG was increased by a further 2.60 % to 97.83 % through various purchases in the period under review. The acquisition is accounted for under the "economic entity concept", which leads to it being presented in equity without affecting profit or loss.

On June 25, 2008, EM.Sport Media AG published the documentation for its voluntary, public takeover bid to the shareholders of Constantin Film AG, Munich, to acquire the ordinary bearer shares of Constantin Film AG in return for payment of the volume-weighted average price of EUR 18.31 per share established by the Federal Financial Supervisory Authority (BaFin).

The voluntary public takeover bid was connected with the increase in the EM.Sport Media AG shareholding in the Highlight Group to 37.6 %, which at this time held a stake of 95.48 % of the shares in Constantin Film AG. Highlight Communications AG had made an undertaking to EM.Sport Media AG not to accept the takeover bid for its Constantin shares. It was also agreed between the parties that EM.Sport Media AG would sell on all Constantin shares in Highlight Communications AG acquired as part of the takeover bid at a takeover price of EUR 18.31, so that no Constantin shares would remain with EM.Sport Media AG from the voluntary takeover bid.

The bid for a total of 299,862 Constantin shares or 2.35 % of Constantin's share capital was accepted by the end of the vesting period pursuant to section 93c of the German Securities Acquisition and Takeover Act (WpÜG) on October 27, 2008. EM.Sport Media AG transferred these Constantin shares to Highlight Communications AG in return for payment of EUR 18.31 per Constantin share. As a result, Highlight Communications AG's stake in Constantin Film AG has risen to around 97.8 % and the free float has fallen to around 2.2 %.

In its letter dated December 2, 2008, Highlight Communications AG made a squeeze-out request to Constantin Film AG with the instruction to take all the measures needed for the next Constantin Film AG Annual General Meeting to be able to adopt a transfer resolution in accordance with section 327a paragraph 1 clause 1 of the German Companies Act (AktG). Constantin Film AG is planning to put the application by Highlight Communications AG to a vote at the planned ordinary Annual General Meeting on April 21, 2009.

Constantin Entertainment Turkey TV Prodüksiyon Ltd. Sirketi

On May 26, 2008, Constantin Entertainment GmbH (share of the capital 99.97 %) and Constantin Film Produktion GmbH (0.03 %) established Constantin Entertainment Turkey TV Prodüksiyon Ltd. Sirketi. The company has been consolidated in the consolidated financial statements of Highlight Communications AG from this date. Income from Constantin Entertainment Turkey TV Prodüksiyon Ltd. Sirketi in the period under review amounts to TCHF –222.

Pluto Home Entertainment AG

On January 1, 2008, Pluto Home Entertainment AG was merged with Rainbow Home Entertainment AG. Since this date, Pluto Home Entertainment no longer appears in the Highlight Group's scope of consolidation.

Deconsolidations

As in 2007, there were no deconsolidations in the fiscal year 2008.

Overview of fully consolidated companies

	Activity	Country	Subscribed capital		Share in capital*	Voting rights of the respective parent company
Team Holding AG	Sports marketing	CH	CHF	250,000	80 %	80 %
Team Football Marketing AG	Exploitation of sports licenses	CH	CHF	6,340,000	76.21 %	100 %
T.E.A.M. Television Event And Media Marketing AG	Marketing of sports and cultural events	CH	CHF	200,000	80 %	100 %
KJP Holding AG	Holding company	CH	CHF	100,000	100 %	100 %
Rainbow Home Entertainment AG	Distribution	CH	CHF	200,000	100 %	100 %
Highlight Communications (Deutschland) GmbH	Marketing	DE	EUR	256,000	100 %	100 %
Constantin Film AG	Film production and distribution	DE	EUR	12,742,600	97.83 %	97.83 %
Constantin Script & Development GmbH	Acquisition and development of content	DE	EUR	26,000	97.83 %	100 %
Constantin Media GmbH audiovisuelle Produktionen	Acquisition and development of content	DE	EUR	26,000	97.83 %	100 %
Constantin Film Produktion GmbH	Film and TV production	DE	EUR	105,100	97.83 %	100 %
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	97.83 %	100 %
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	97.83 %	100 %
Constantin Film Development Inc.	Acquisition and development of content	US	USD	530,000	97.83 %	100 %
Constantin Production Services Inc.	International film production	US	USD	50,000	97.83 %	100 %
DoA Production Ltd.	International film production	GB	GBP	1,000	97.83 %	100 %
Resident Evil Mexico S. DE R.L. DE C.V.** (Mexico LLC)	International film production	MX	MXN	3,000	97.83 %	100 %
Constantin Film International GmbH	International film production	DE	EUR	105,000	97.83 %	100 %
Constantin Pictures GmbH	International film and TV production	DE	EUR	25,000	97.83 %	100 %
Constantin Entertainment GmbH	TV entertainment production	DE	EUR	200,000	97.83 %	100 %
Constantin Entertainment Polska Sp. z o.o.	TV entertainment production	PL	PLN	50,000	78.26 %	80 %
Constantin Entertainment U.K. Ltd.	TV entertainment production	GB	GBP	95,000	97.83 %	100 %
Constantin Entertainment Croatia d.o.o.	TV entertainment production	HR	HRK	20,000	97.83 %	100 %
Constantin Entertainment Turkey TV Prodüksiyon Ltd. Sirketi***	TV entertainment production	TR	TRY	400,000	97.83 %	100 %
Olga Film GmbH	Film and TV production	DE	EUR	603,000	93.45 %	95.52 %
bob Film GmbH	Film and TV production	DE	EUR	25,000	93.45 %	100 %
MOOVIE – The art of entertainment GmbH	Film and TV production	DE	EUR	104,000	49.89 %	51 %
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	49.89 %	51 %
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	49.89 %	51 %
Constantin Film Verleih GmbH	License trading and theatrical distribution	DE	EUR	250,000	97.83 %	100 %
Classic Media Werbeagentur GmbH	Advertising and event marketing	DE	EUR	105,000	97.83 %	100 %
Constantin International B.V.	License trading	NL	EUR	18,151	97.83 %	100 %
Constantin Music Verlag GmbH	Exploitation of music rights	DE	EUR	70,000	97.83 %	100 %
Constantin Music GmbH	Exploitation of music rights	DE	EUR	25,000	88.05 %	90 %
Königskinder Music GmbH	Record label and music producer	DE	EUR	50,000	48.92 %	50 %
Constantin Propaganda GmbH	License trading	DE	EUR	100,000	97.83 %	100 %
Resident Evil Productions LLC****	International film production	US	USD	100	n/a	n/a
Rainbow Home Entertainment GmbH	Distribution	AT	EUR	363,364	100 %	100 %

* *direct and/or indirect share held by the Group*
** *50 % of the company are held by Constantin Film Produktion GmbH, another 50 % are held by Constantin Film International GmbH*
*** *0.03 % are held by Constantin Film Produktion GmbH*
**** *the company is included in consolidation under SIC 12*

Overview of non-consolidated companies

The following eleven subsidiaries (previous year: eleven) are individually and collectively of subordinate importance for providing a fair view of the Group's assets, financial state and earnings. Accordingly, they are not consolidated by Highlight Communications AG:

	Country	Subscribed capital		Share in capital
Société Nouvelle Torii S.A.R.L.*	France	EUR	247,577	97.83 %
Greenland Film Production A.B.*	Sweden	SKR	100,000	97.83 %
Smilla Film A.S.*	Denmark	DKR	500,000	97.83 %
Constantin Music Publishing US Inc.*	US	USD	1,000	97.83 %
She's French LLC**	US	USD	1,000	97.83 %
Impact Pictures LLC**	US	USD	1,000	49.89 %
Impact Pictures Ltd.***	Great Britain	GBP	1,000	49.89 %
The Dark Film Ltd.****	Great Britain	GBP	100	49.89 %
Sheep Ltd.****	Isle of Man	GBP	2,000	49.89 %
Constantin Entertainment Adria d.o.o.*****	Croatia	HRK	20,000	97.83 %
T.E.A.M. UK******	Great Britain	GBP	1	80.00 %

* *share held by Constantin Film Produktion GmbH, Germany*
** *share held by Constantin Pictures GmbH, Germany*
*** *share held by Impact Pictures LLC, United States of America*
**** *share held by Impact Pictures Ltd., Great Britain*
***** *share held by Constantin Entertainment GmbH, Germany*
****** *share held by T.E.A.M. Television Event And Media Marketing AG, Switzerland*

The non-consolidated investments are reported at a carrying amount of TCHF 0. The companies are currently inactive and not engaged in any operative business. The approximate market value is the carrying amount.

Overview of joint ventures

The following joint venture is included in the consolidated financial statements at equity:

	Country	Subscribed capital		Share in capital
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	Germany	EUR	100,000	48.92 %

A detailed presentation of the assets, liabilities and net earnings for the period of the joint venture is to be found under note 5.5.

Overview of associates

The following associates are included in the consolidated financial statements at equity:

	Country	Subscribed capital		Share in capital
BECO Musikverlag GmbH	Germany	EUR	25,565	48.92 %
Escor Casinos & Entertainment SA*	Switzerland	CHF	12,375,000	24.97 %

* *including the treasury shares held by Escor Casinos & Entertainment SA the share capital amounts to 27.50 %*

A detailed presentation of the assets, liabilities, revenues and net earnings for the period of associates is to found in note 5.5.

4. Description of the accounting policies applied

4.1 Methods of consolidation

All significant subsidiaries are included in the consolidated financial statements in their entirety. Subsidiaries are defined as entities which Highlight Communications AG controls directly or indirectly. Control means the power to govern the financial and operating activities and to derive benefits from these. This is usually the case if Highlight Communications AG possesses more than 50 % of the voting rights or potential voting rights of an entity either directly or indirectly.

Special purpose entities are included in the consolidated financial statements if the Group controls them on the basis of the nature of its relationship with them.

In accordance with IFRS 3, capital is consolidated for the first time by netting off the acquisition cost of the investment with the subsidiary's newly measured pro rata equity at the time it is acquired. At the same time, assets and liabilities are recognized at fair value. Remaining differences on the assets side are capitalized as goodwill, which must be subjected to an impairment test every year. Any resulting impairment is expensed in the income statement. Any difference on the liabilities side resulting from the capital consolidation is – after a further reassessment – shown as income in its entirety in the year it accrues.

Joint ventures, i.e. companies, which the Group runs jointly with partners, are consolidated using the equity method.

The equity method is used to measure investments in companies in which Highlight Communications AG holds between 20 % and 50 % of the voting rights or on which it exercises significant influence in some other way (associates and at equity investments). Investments are recorded at their acquisition cost at the time of acquisition. Any possible goodwill detected is recorded in the figure for the investment and not accounted for as separate goodwill. The results of associates are absorbed into the Group pro rata and allocated to the carrying amount of the investment. Dividends paid by associates reduce the figure for the investment. The provisions of IAS 36 are applied to the determination of impairments if there are objective indications of an impairment. Changes reported directly in equity of the associate are recorded to the amount of the share and presented in the statement of changes in equity.

Intra-group balances, liabilities and transactions with associates resulting in unrealized gains and losses are eliminated in line with the Group's interest in the associate.

Companies are deconsolidated in accordance with IAS 27 if there is no longer any possibility of being controlled by the Group. Deconsolidation is depicted as the disposal of all assets attributable to the subsidiary including goodwill and liabilities as well as differences from currency translation. Expenses and income accrued to this date continue to be taken into account in the consolidated financial statements.

The impact of intra-group transactions is eliminated. Receivables and liabilities between fully consolidated companies are netted off. Inter-company profits are eliminated, if they are material. Intra-group income is netted off with corresponding expenses.

Minority interests constitute a share of net income and net assets, which are not to be attributed to the Group. Minority interests are shown separately in the consolidated income statement and the consolidated balance sheet. They are shown separately in the consolidated balance sheet within equity but separately from the equity attributable to the parent company's equity.

The acquisition of shares in subsidiaries that are already fully consolidated is recognized using the economic entity method, i.e. the difference between the purchase price and pro rata net assets is recorded in equity.

4.2 Currency translation

Functional currency

For the majority of the Group entities, the functional currency is the local currency. Those Group entities where their local currency is not the currency used in the economic environment in which they primarily operate use a functional currency that differs from the local currency.

Measurement of transactions in foreign currency

Monetary assets and liabilities are translated at the rate on the balance sheet date. Transactions in currencies, which are not in the functional currency of the respective Group entity, are recorded by the entities using the exchange rate applicable on the transaction date.

Gains/losses from the settlement of these transactions as well as gains/losses from the translation of monetary credit balances and liabilities are recognized in the income statement. Gains/losses from qualified cash flow hedges and monetary items classified as a net investment in a foreign entity constitute an exception to this. These gains/losses are recognized in equity.

Foreign currency translation in the Group

The balance sheets of foreign Group entities, which do not account in Swiss francs and which are independent entities, are translated in accordance with the functional currency concept at the mid-rate on the balance sheet date while income statements and the cash flow statement are translated at annual average exchange rates. Any resultant translation differences as well as differences from foreign currency translation in previous years are recognized in equity without affecting profit or loss.

For foreign entities that are not independent units, the functional currency is the currency of the Group parent. Cash items are recognized at balance sheet rates, while non-cash items are recognized at historic rates. The resulting foreign currency translation differences are recognized in the income statement.

When a foreign Group entity is sold, the cumulative translation differences of that entity are recognized in the income statement via its own funds as part of the gain or loss on sale.

Exchange rates

		Rates at balance sheet date		Annual average rates	
		2008	2007	2008	2007
Euro	(EUR)	1.48880	1.65610	1.58742	1.64280
US dollar	(USD)	1.05610	1.12530	1.08311	1.20020
Canadian dollar	(CAD)	0.86430	1.14740	1.01917	1.12060
Pound sterling	(GBP)	1.52860	2.25460	2.00056	2.40080

Balance sheet date rates are based on the official mid-rate on the final trading day in the fiscal year.

4.3 Segment reporting

The segmentation criteria applied by the Group for segment reporting are primarily based on the business segments and secondarily on geographic segments. The Group's income and risks are largely dependent on products manufactured by the Group and services it provides and less dependent on the geographical location of its entities. This is reflected in the management and organizational structure as well as the Group's internal reporting.

The Group's business segments and geographical segments are determined on the basis of the organizational units that report to the Group. The Group consists of the Film and Sports- and Event-Marketing segments. Certain Group management functions are shown under the central holding functions. These include actual Group management, Corporate Finance, Investor Relations, Controlling, Legal, Group Accounts, Internal Audit, Corporate Communication and Human Resources.

The Group's geographical segments were determined on the basis of the geographical location of its entities and shared features of the economic environment.

4.4 Film assets

Film assets include acquired rights to third-party productions (i.e. films produced outside the Group) as well as the production costs of films produced within the Group (own and co-productions) and the cost of developing new productions. The acquisition of rights to third-party productions normally encompasses cinema, video/DVD and TV rights. In-house productions also include non-genuine service productions exploited by the Group.

Film assets are recognized on the basis of US-GAAP rules. Acquisition costs for third-party productions include minimum guarantees. The individual payments of the minimum guarantee are recognized as a prepayment and capitalized as film assets on delivery and acceptance of the material.

In-house productions are carried at production cost. Release costs are not capitalized but are expensed when incurred. Release costs include the costs arising from the exploitation of the film, e.g. including press and marketing costs. The production costs for film copies are capitalized and expensed when the related cinema revenues are received. Directly attributable financing costs are capitalized.

For film rights (both third-party and in-house production) a units of delivery depreciation method is used which shows the consumption of the exploited film rights as a factor of the revenues which can be achieved. This method is known as the "individual film forecast method". Subsequently, amortization for a film in a given period is calculated on the basis of the quotient of the "revenues generated from the film during the period divided by the estimated remaining total income of the film multiplied by its residual carrying amount". The revenues used as a basis for calculating the amortization charges include all income generated by the film. In determining amortization in relation to video revenues, these are eliminated of video costs. The maximum period for estimating revenues is ten years.

The estimate of total revenues is reviewed at the end of each quarter and, if necessary, adjusted. The quotient for the amortization charge for the period is determined on the basis of any (adjusted) total revenues. An impairment test is performed for each film. If the acquisition costs or carrying amount plus any related release costs for a film are not covered by the estimated total revenues, the value of the film in question is written down on the basis of the impairment test. Estimated long-term revenues are discounted by a weighted average rate of 3.6 % to calculate the impairment. Estimated revenues can be significantly influenced by a number of factors including market acceptance and likely revenue from the film. The Highlight Group examines and revises revenue forecasts and depreciation expenses upon any changes to previous forecasts occurring.

Capitalized costs for the development of new projects (particularly rights to scripts) are regularly reviewed to determine whether they can still be used as a basis for film productions. If, three years after the costs of a project have been capitalized for the first time, there is still no commencement date scheduled for the production or the sale of the rights, the costs are written off in full. In the event of an indication of premature impairment, this is recognized accordingly.

4.5 Other intangible assets

In essence, this category contains IT programs. The calculation of amortization is based, in principle, on the ordinary useful life (IT programs) of three years.

4.6 Goodwill

Goodwill is stated at acquisition cost. Goodwill results from the difference between acquisition costs and the pro rata fair values of the identifiable assets, liabilities and contingent liabilities acquired at the time of acquisition.

Goodwill is allocated to cash generating units, which are individual companies at Highlight Group level.

In accordance with IAS 36, goodwill is tested for impairment once a year and more frequently if there are indications of impairment.

4.7 Tangible assets

Tangible assets comprise tenants' fixtures, technical equipment and machinery, vehicles, other equipment, plant and office equipment as well as advance payments made and plant under construction.

Tenants' fixtures are measured at acquisition costs less scheduled depreciation based on a useful life of between 5 and 27.5 years. Technical equipment, vehicles, IT equipment as well as office furniture and equipment are measured at their acquisition costs less scheduled depreciation or impairments. Scheduled depreciation is effected on a straight-line basis over the normal useful lives of between 3 and 13 years. Repairs and maintenance expenses are recognized and expensed at the time they are incurred. More extensive renovation or fixtures are capitalized. Renovations are also written down over the anticipated useful lives mentioned above. On disposal, acquisition costs and the associated cumulative depreciation are booked out; any gains or losses accruing are recognized in the income statement in the fiscal year.

4.8 Impairment of non-financial assets

In accordance with IAS 36, an impairment test is carried out annually for goodwill at cash generating unit level and for intangible assets with an indeterminate useful life and more frequently if there are indications of impairment.

An impairment test is carried out in accordance with IAS 36 for other intangible assets and tangible assets, if there are indications of a possible impairment.

Indications of impairment include, for example, a marked fall in the asset's market value, significant changes in the corporate environment, substantial evidence of obsolescence or a change to anticipated income. The calculation of the recoverable amount, which is the higher of fair value less costs to sell or its value in use, provides the basis for the impairment test. If the recoverable amount is determined on the basis of value in use, this will be based on the relevant cash flows. If the recoverable value is less than the carrying amount, it must be written down. Goodwill write-downs are shown in the income statement in the item "impairment of goodwill", impairments on tangible assets or other intangible assets in the corresponding item for depreciation/amortization.

The calculation of the recoverable amount takes account of management's estimates and assumptions over five years. A residual value is calculated from the fifth year. The estimates and assumptions are based on premises, which reflect the most recent information available. The amounts occurring may differ from original expectations because of developments outside the Company's sphere of influence which deviate from these assumptions and lead to a restatement of the carrying amounts.

In the case of intangible assets, except goodwill, and tangible assets, reversal of any impairment carried out in previous period is to be taken into account if the reasons for the impairment no longer apply. It is recognized in the income statement but only up to the theoretical amortized costs.

4.9 Inventories

Service productions under development

Scripts for service productions under development are included in inventories (cf. note 4.22 long-term service production).

Merchandise

Merchandise, consisting of DVDs in particular, is recognized at cost or the net amount realizable in accordance with the lower of cost or market value principle (sales oriented, loss-free measurement). The net amount realizable is the estimated sale price in the ordinary course of business minus distribution costs. Purchase or production cost is determined by the first-in first-out (FIFO) method.

4.10 Assets held for sale

Non-current assets (or a disposal group) are classified as held for sale and measured at the lower value of the carrying amount or fair value less costs to sell if their carrying amount is released in essence through a sale and not through continued commercial use. Classification as “held for sale” requires that the relevant criteria of IFRS 5 are met.

4.11 Financial instruments

Available-for-sale financial assets

This item primarily comprises financial assets, which cannot be allocated to any other category under IAS 39. They are measured at fair value. Subsequently, they are measured at market value, namely the stock exchange price on the balance sheet date. If no market value is available, the fair value is established with the help of comparable market transactions. Any gain or loss resulting from the valuation is recognized directly in equity. If the fair value of an equity instrument cannot be reliably determined, it will be measured at amortized cost. The income statement will not be effected until financial assets of this kind are booked out and the equity item released. By contrast, impairments are recognized in the income statement.

If an available-for-sale asset is impaired, an amount recognized in equity of the difference between acquisition costs (minus any settlement and amortization) and the current fair value, minus any impairment of this financial asset previously recognized in income is transferred to the income statement.

Reversal of any impairment of available-for-sale equity instruments is not recognized in the income statement.

Foreign exchange differences of monetary items are presented in the income statement whereas foreign exchange differences on non-monetary items are presented in equity.

Management classifies financial assets when they are acquired and checks whether the criteria for the classification are met at regular intervals. All purchases and sales of financial assets are recognized on the day of trading. Acquisition costs include transaction costs.

Held-to-maturity financial assets

Financial assets held to maturity are non-derivative financial investments with fixed or at least determinable payment amounts and fixed maturities which the Group intends to hold to maturity and is in the position to do so. As of December 31, 2008, like the previous year, there were no held-to-maturity financial assets.

Loans and receivables

Financial instruments allocated to this category are accounted for at amortized cost using the effective interest rate method. This item also encompasses investments in operationally active shelf companies.

Current trade accounts receivable and other trade accounts receivable are stated at acquisition cost. Non-interest bearing cash receivables with a term of more than one year are discounted. In accordance with IAS 18, the net worth of the transaction is shown in revenues in the present consolidated financial statements.

If there are doubts about the recoverability of receivables, customer receivables are stated at the lower recoverable amount. The carrying amounts shown correspond more or less to current market values.

In addition, flat-rate individual valuation allowances are created for receivables in different risk classes. Historic default rates are established for these classes. The receivables in question are then adjusted by the average default rate.

Financial assets at fair value through profit and loss

The category of financial assets at fair value through profit and loss includes in principle financial assets held for trading and financial assets which are valued on initial recognition at fair value. Financial assets are classified as held for trading if they are purchased for sale in the near future. Derivatives are also classified as held for trading with the exception of derivatives relating to financial guarantees or designated and effective as a hedge (hedge accounting).

Financial assets may be designated as financial assets at fair value through profit and loss on initial recognition if

- this eliminates or substantially reduces mismatching which would arise from the recognition of assets otherwise undertaken or the recognition of gains and losses from different accounting policies.
- the assets are part of a group of financial assets, which are controlled according to a documented risk management strategy and its performance is evaluated on the basis of fair value.

They are measured at fair value. Realized gains and losses from changes in the current market value of financial instruments are shown in the income statement when they are incurred.

They are subsequently valued at current market value, which equates to the stock exchange price on the balance sheet date. If no current market valuation is available, a fair value is established using methods of valuation. The method of valuation includes using the most recent arm’s length transactions between knowledgeable and willing parties, comparison to the fair value of another, basically identical financial instrument, the analysis of discounted cash flow and the use of the method of valuation.

4.12 Hedge accounting

In principle, the Group uses derivative financial instruments to hedge foreign currency fluctuations when buying film rights in foreign currencies. Essentially, the purchase of film rights in USD is involved. The foreign currency risk arises from the fact that income from exploiting these rights accrues solely in EUR.

At the beginning of hedge, both the hedging relationship and the Group’s risk management objectives and strategies with regard to the hedging are formally established and documented. The documentation includes the determination of hedging instruments, the hedged item and the nature of the risk hedged and a description of how the Company determines the effectiveness of the hedging instruments in compensating risks from changes in the fair value of the hedged item.

The hedging instruments are plain vanilla instruments (currently solely forward contracts).

Such hedging relationships are judged highly effective with regards to obtaining compensation for risks from changes in the fair value. They are continually evaluated in order to see if they actually were effective during the whole reporting period for which the hedging relationship was defined. The dollar-offset method is used to establish their effectiveness.

For the purposes of accounting for hedging relationships, hedging instruments are classified as a hedge of the fair value, if it involves hedging the risk from a change in the fair value of an asset or liability accounted for or for an off-balance sheet firm commitment (fair value hedges). In this case off-balance sheet commitments for purchasing film rights are involved. Foreign currency fluctuations lead automatically to the price of film rights fluctuating. Since income from the exploitation of these rights is exclusively in euros, these fluctuations will have a direct impact on the gross income from a film.

Derivative financial instruments are carried as assets if their fair value is positive and as liabilities if their fair value is negative. The fair value of forward exchange contracts is linked to valuations by banks. The valuations are calculated by the banks with which the transactions are concluded. Since plain vanilla instruments are involved, the Company does not request valuations from additional banks.

Outstanding hedged items are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives are recognized at fair value at the time of contract conclusion. Subsequent measurement is also carried out at fair value.

Outstanding hedged items are also recognized at fair value and subsequently measured at fair value. The gain or loss from the revaluation of the derivative or the hedged item is recognized under production costs. Ineffectiveness is recognized in the form of a basis adjustment.

Deviations between the results from hedging instruments and the results from hedged items are the result of ineffectiveness within the framework of fair value hedge accounting.

Effectiveness indicates the degree at which the fair value changes in the hedging instrument (resulting from the hedged risk) offset the fair value changes in the hedged item.

Effectiveness is estimated by comparing previous changes to the fair value of the hedged item, which are attributable to the hedged risk, with previous changes to the fair value of the hedging instrument. The current results from hedging relationships range between 80 % and 125 %.

4.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, deposits held at call with banks and term deposits with banks and other financial institutes. These are only recognized as cash and cash equivalents if they can be converted at any time into cash and cash equivalents of an amount capable of being determined in advance, are exposed to only minor fluctuations in value and have an original maturity of three months or less as of the date of acquisition.

4.14 Liabilities

Liabilities comprise long and short-term financial liabilities (liabilities to credit institutions), trade accounts payable, advance payments received and other liabilities. They are recognized as liabilities at amortized acquisition cost. Longer-term liabilities at low interest rates or interest-free are stated, if the interest effect is material, at net present value on acquisition and interest is added for each period until maturity.

Liabilities under outstanding invoices are shown as deferred income and accruals or as trade accounts payable.

4.15 Pension provisions

Pension provisions encompass both defined benefit and defined contribution post-retirement plans. The most important post-retirement benefit plans are in Switzerland. Virtually all employees in Switzerland are members of a benefit plan based on the Swiss defined-contribution system which exceeds the minimum requirements specified by Swiss law. Contributions are paid by the individual companies and employees. The employees' contributions are defined as a percentage of their assessable annual salary and deducted on a monthly basis. The amounts deducted from salaries to cover the post-retirement benefits vary according to age. The benefits cover old-age pensions, invalidity benefits, benefits in the event of death and benefits for surviving dependants. Pursuant to IAS 19, these pension plans are fundamentally subject to the rules for defined benefit plans.

The amount of pension provisions is established on the basis of actuarial opinions. The actuarial valuation of defined benefit retirement and similar obligations within the provisions for pensions and similar commitments is based on the projected unit credit method. Because of the application of the projected unit credit method, future obligations are measured on the basis of the pro rata claims to benefit acquired at the balance sheet date.

The measurement method includes actuarial assumptions as to the discount factor for calculating the present value of obligations, the projected future development of salaries and pensions and the long-term expected return of plan assets. The discount factors are based on market yields of blue-chip industrial bonds. The most recent actuarial opinion for the Highlight Group was issued on December 31, 2008.

Actuarial gains and losses, which include differences between assumptions and actual figures and remeasurement effects within the actuarial assumptions, are distributed in the income statement over the expected working lives of active employees if such gains and losses exceed the corridor (10 % of the greater of assets or retirement benefit obligation).

The provision shown in the balance sheet matches the extent of the obligation less the market value of the plan assets and unrecognized actuarial gains and losses. With the defined contribution plans, the Company pays contributions to government or private pension schemes on a statutory or contractual and/or voluntary basis. On payment of the contributions, the Company has no additional benefit obligations. The payments made are expensed immediately in the respective year.

In addition, the TEAM group maintains a support foundation for its management staff, organized as a so-called savings institute. The foundation holds a share in the capital of Team Football Marketing AG. The dividend income of Team Football Marketing AG is added to the savings deposits of the members of management. There were no contributions charged to the income statement.

4.16 Other provisions

Pursuant to IAS 37, provisions take account of all discernible obligations to third parties, which originated in the past and where it is possible that settlement of the obligation will lead to an outflow of resources. A reliable estimate of the amount of the obligation is also required.

Provisions are measured at the amount of the anticipated outflow of resources that is most likely to occur. Long-term provisions are stated at the present value of the anticipated outflow of resources, calculated using the current market interest rate, if the interest effect is material.

Possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or obligations whose amount cannot be reliably estimated are disclosed as contingent liabilities. Contingent assets are not capitalized but – similar to contingent liabilities – disclosed if an economic benefit is likely for the Group.

4.17 Advance payments received

As a basic rule, revenues in the Film segment are recognized on the date on which the license commences or on which the licensee is able to exploit the film rights. If payments from licensees are received before the time of revenue recognition, these are posted as advance payments received.

4.18 Borrowing costs

Borrowing costs for the production of qualifying assets are capitalized in the area of film production under the alternative treatment permitted by IAS 23. In principle, borrowing costs for non-qualifying assets are recognized as expense in the period in which they are incurred.

4.19 Deferred taxes

Deferred taxes for temporary differences between the carrying amounts and the tax valuations of assets and liabilities as well as for tax loss carryforwards are established for the consolidated financial statements. Deferred tax assets from deductible temporary differences and tax loss carryforwards are only shown to the extent that it can be assumed with sufficient probability that the respective company can achieve sufficient taxable income to make use of the loss carryforwards in future.

In accordance with IAS 12.47, deferred taxes for temporary differences in the individual financial statements are established on the basis of tax rates, which apply in the individual countries on the realization date or are applicable in future.

Deferred tax assets and deferred tax liabilities are netted if they relate to the same tax debtor/creditor, relate to the same type of tax and offset each other in the same fiscal year. Deferred tax claims and tax liabilities arising in the individual consolidated companies are netted.

Accounting for tax items often requires estimates and assumptions which may deviate for the subsequent actual tax charge.

Deferred taxes on items recognized direct in equity are not recognized in the income statement but are also recognized through equity.

4.20 Equity

Bearer shares in circulation are classified as equity. As soon as the Group acquires treasury shares, the paid cash price including attributable transaction costs for the relevant shares is deducted from equity. If treasury shares are sold or issued, the cash price received is attributed to equity.

Transactions with minority interests are treated as transactions with treasury shares. In this way, all payments for the acquisition or disposal of minority interests are posted as equity. Any differences to the corresponding minority interests reported in the balance sheet are settled by the capital reserves (economic entity model).

4.21 Revenue recognition

Group revenues are derived from services rendered and sales invoiced to third parties excluding value-added tax and minus merchandise returns.

In the case of cinema films, revenues are recognized as of the theatrical launch of the film. The amount of the revenues is directly related to the number of film visitors. In line with standard practice in the industry, the film rental reported by the cinema operator to the distributor is recognized as the distribution component of the total cinema proceeds. Film rentals are calculated on the basis of a percentage of the box office takings.

Income from service productions is determined using the percentage of completion method in order to recognize the share of total revenues in the reporting period (cf. note 4.22 long-term service production).

Revenues arising from licenses for TV (pay/free) rights are recognized as of the date on which the license takes effect, generally 18–32 months after the commencement of movie exploitation. With this form of exploitation of film rights, revenues are realized upon the expiry of the contractual holdback period. Accordingly, they are realized as of the date on which the applicable license becomes available.

With respect to global distribution, the Group generally receives a minimum guarantee for the exploitation rights sold (cinema, video/DVD, TV rights). These are allocated to the various revenue types. Allocation is carried out on the basis of historical figures in accordance with corporate planning at the following general rates: 25 % for cinema rights, 15 % for video/DVD rights and 60 % for TV rights. The corresponding revenues are recognized as follows: movie revenues upon cinema release in Germany, video/DVD revenues six months after cinema release, TV revenues 24 months after cinema release. Revenues from global distribution sales without any minimum guarantee are recognized upon the royalty settlements being received from the licensees.

For the Group's own video/DVD exploitation, revenues from video cassettes and DVDs sold are recognized as of release. Revenues arising from licenses for video/DVD rights are recognized as of the date on which the license takes effect.

Income received for services which are provided over a certain time period and for which the customer is periodically charged are recognized over the period in which the service is provided.

Dividend income is recognized in the fiscal year in which the right to receive the payment arises.

4.22 Long-term service production

In accordance with IAS 11, service productions are recognized using the percentage of completion method (POC) if the requisite preconditions are met. Total contract revenue and costs relating to this are recognized in income according to the stage of completion, provided the earnings of a service production can be determined reliably.

In determining the stage of completion, the method of physical completion is used for dailies and weeklies and for TV films and event shows, the cost-to-cost method. Sufficient certainty with regard to earnings from a service production when determining the stage of completion with the cost-to-cost method is usually achieved at the time the rough cut version is accepted.

If the result of the stage of completion cannot be reliably determined, revenue recognition is only undertaken at the level of the costs already incurred and likely to be covered by corresponding income (zero profit method). This occurs to the amount of contract costs and therefore without a share of profits. If the uncertainties no longer exist at a later point in time, so that earnings from service productions can be estimated reliably, pro rata profits are realized according to the stage of completion.

Service productions in production are recognized in the amount of the difference from realized revenues and invoices as a net figure on the assets or liabilities side under receivables or liabilities in the balance sheet. Scripts for service productions under development are reported in inventories.

4.23 Leases

In leases where the Group is the lessee, leased items are capitalized and a lease liability of the same amount is recognized on the liabilities side if economic ownership of the leased item is to be ascribed to the lessee (finance lease). Under IAS 17, this is essentially the case if the lessee bears all the opportunities and risks associated with ownership of the leased item. In these cases, the leased item is capitalized at fair value at the start of the lease or, if lower, at the present value of the minimum lease payments. The corresponding lease liabilities are shown under non-current financial liabilities in the balance sheet. The interest component of the lease payment is recognized in the financial result over the term of the lease. As of December 31, 2008, like the previous year, there were no finance leases where the Group is the lessee.

If economic ownership is to be ascribed to the lessor (operating lease), the leased item is accounted for in the lessor’s financial statements. Lease payments in connection with operating leases are recognized as other operating expenses in the income statement over the term of the lease.

4.24 Public sector grants

Project promotion

With these loans, a distinction is made between project and distribution loans as contingently repayable loans and reference funds or project film promotion in accordance with Federal Government Commissioner for Culture and Media (BKM) (German Federal Film Fund: DFFF) rules.

Project promotions as a contingently repayable loan

Project film promotions are provided in the form of a contingently repayable interest-free loan in accordance with the requirements of the Film Promotion Act and/or the relevant regional promotions (rules of the Bavarian Film Promotion Fund ("FFF Bayern") for example). These are repayable as soon as or if the producer's income from a film exceeds a certain amount.

They are public sector grants for assets. In the balance sheet, they are offset against the carrying amount of the film assets which will not have to be repaid with sufficient certainty.

The amount which is not repayable with sufficient certainty can usually be determined at the time of release. In the event that it is determined at a later date that a further part of the loan is repayable, the carrying amount of the film asset is raised by this amount, with a liability being recognized for the corresponding obligation.

The grants are recognized as income using a reduced amortization charge of capitalized cost over the exploitation cycle of a film.

Project subsidies

Project subsidies are non-returnable subsidies which a producer is entitled to depending on the number of people who go to see the (subsidized) film in the cinema assessment for financing the project costs for a subsequent film. They are public sector grants for assets. The subsidies granted are offset in the balance sheet from the carrying amount of the subsidized film when filming on the subsequent film commences.

The grants are recognized as income using a reduced amortization charge of capitalized cost over the exploitation cycle of a film.

Project film promotion in accordance with BKM (DFFF) rules

Project film promotion in accordance with BKM (DFFF) rules are grants that do not have to be repaid and serve to refund the production costs of a cinema film after clearly defined requirements are fulfilled.

They are public sector grants for assets. Project film promotions granted are offset in the balance sheet against the carrying amount of the film no later than the film release. Prior to cinema release, these are capitalized as other receivables. At the same time, a deferred income and accruals item is shown under other liabilities.

The grants are recognized as income using a reduced amortization charge of capitalized cost over the exploitation cycle of a film.

Distribution loans

With these loans, a distinction is made between distribution loans as contingently repayable loans and reference funds as non-repayable subsidies.

Distribution loans as a contingently repayable loan

Distribution loans are provided in the form of a contingently repayable interest-free loan in accordance with the requirements of the Film Promotion Act and/or the relevant regional promotions (rules of the Bavarian Film Promotion Fund (FFF Bayern) for example). These are repayable as soon as or if the producer's income from a film exceeds a certain amount.

They are public sector grants for expenses already incurred. These are recognized as a reduction of release costs by the amount which is not repayable with sufficient certainty.

The amount which is not repayable with sufficient certainty can usually be determined at the time of release. In the event that it is determined at a later date that a further part of the loan is repayable, this is posted as an expense and the corresponding amount recognized as a liability.

The grants are recognized in income in the course of the periods which are necessary to recognize them with the corresponding release costs that they compensate.

Sales subsidies

Sales subsidies are non-repayable subsidies which a distributor is entitled to depending on the number of people who go to see the (subsidized) film in the cinema assessment for financing the release costs for a subsequent film.

They are public sector grants for expenses already incurred. The sales subsidies granted are recognized as a reduction of release costs at the time of the subsequent film's release.

The grants are recognized in income in the course of the periods which are necessary to recognize them with the corresponding release costs that they compensate.

5. Notes to individual items in the balance sheet

5.1 Film assets

The following table provides an overview of film assets:

(TCHF)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2008			
Balance at January 1, 2008	450,861	603,018	1,053,879
Currency translation differences	–22,209	–67,000	–89,209
Additions	18,246	98,540	116,786
Disposals	9,671	621	10,292
Balance at December 31, 2008	**437,227**	**633,937**	**1,071,164**
Accumulated amortization 2008			
Balance at January 1, 2008	377,382	375,226	752,608
Currency translation differences	–15,849	–44,480	–60,329
Amortization for the year	31,828	101,185	133,013
Impairment	2,875	5,256	8,131
Disposals	9,266	620	9,886
Balance at December 31, 2008	**386,970**	**436,567**	**823,537**
Acquisition and production costs 2007			
Balance at January 1, 2007	434,022	477,895	911,917
Currency translation differences	5,784	15,399	21,183
Impairment	16,816	113,194	130,010
Disposals	5,761	3,470	9,231
Balance at December 31, 2007	**450,861**	**603,018**	**1,053,879**
Accumulated amortization 2007			
Balance at January 1, 2007	338,283	298,761	637,044
Currency translation differences	3,092	9,613	12,705
Amortization for the year	39,738	66,077	105,815
Impairment	2,030	4,245	6,275
Disposals	5,761	3,470	9,231
Balance at December 31, 2007	**377,382**	**375,226**	**752,608**
Net carrying amounts December 31, 2008	**50,257**	**197,370**	**247,627**
Net carrying amounts December 31, 2007	**73,479**	**227,792**	**301,271**

When rights to scripts are written off in full, it is assumed that a disposal has taken place.

In fiscal year 2008, directly attributable financing costs of TCHF 491 (previous year: TCHF 3,447) were capitalized.

The Group obtains access to future film rights by concluding license contracts. Film purchasing and production preparations lead to future financial commitments valued at around CHF 51 million (previous year: CHF 35 million).

In the past fiscal year, the Highlight Group received project subsidies and project promotion loans of TCHF 27,291 (previous year: TCHF 24,057), which were deducted from the capitalized production costs. This was offset by repayments of project promotions amounting to TCHF 4,623 (previous year: TCHF 818).

5.2 Other intangible assets/changes in goodwill

As of December 31, 2008, other intangible assets comprise the following:

(TCHF)	Purchased intangible assets	Internally developed intangible assets	Total intangible assets	Goodwill
Acquisition and production costs 2008				
Balance at January 1, 2008	2,804	668	3,472	25,709
Currency translation differences	–258	–	–258	–1,140
Additions	459	–	459	–
Disposals	–	–	–	–
Balance at December 31, 2008	**3,005**	**668**	**3,673**	**24,569**
Accumulated amortization 2008				
Balance at January 1, 2008	1,614	668	2,282	3,240
Currency translation differences	–185	–	–185	–328
Amortization for the year	614	–	614	–
Impairment	–	–	–	–
Disposals	–	–	–	–
Summe 31. Dezember 2008	**2,043**	**668**	**2,711**	**2,912**
Acquisition and production costs 2007				
Balance at January 1, 2007	2,083	668	2,751	24,648
Currency translation differences	67	–	67	317
Additions	654	–	654	744
Disposals	–	–	–	–
Balance at December 31, 2007	**2,804**	**668**	**3,472**	**25,709**
Accumulated amortization 2007				
Balance at January 1, 2007	1,061	–	1,061	2,922
Currency translation differences	36	–	36	91
Amortization for the year	517	223	740	–
Impairment	–	445	445	227
Disposals	–	–	–	–
Balance at December 31, 2007	**1,614**	**668**	**2,282**	**3,240**
Net carrying amounts December 31, 2008	**962**	–	**962**	**21,657**
Net carrying amounts December 31, 2007	**1,190**	–	**1,190**	**22,469**

5.3 Goodwill

As part of the impairment test of goodwill in the Film and Sports- and Event-Marketing segments, future cash flows based on a detailed 5-year forecast of earnings were used for the calculation of value in use. Growth of 1.0 % was assumed for subsequent years. A discount rate of 9.0 % to 10.0 % (previous year: 8.5 % to 9.5 %) was used to calculate the present value. This interest rate was determined with the help of the risk premium method.

Following the above review, no impairment of goodwill was necessary. A test of the cash generating units using a discount rate of 11.0 % would not have resulted in any additional impairment loss on goodwill either. As of December 31, 2008, the reported figure consequently stands at TCHF 21,657. The respective carrying amounts of the goodwill to be allocated to a cash generating unit are shown below:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Rainbow Home Entertainment AG	2,399	2,399
Constantin Film Verleih GmbH	12,025	12,025
Olga Film GmbH	1,522	1,693
Constantin Entertainment GmbH	5,175	5,757
Constantin Entertainment Croatia d.o.o.	469	522
Others	67	73
Total	**21,657**	**22,469**

5.4 Tangible assets

As of December 31, 2008, tangible assets comprise the following:

(TCHF)	Tenants' fixtures	Other equipment, plant and office equipment	Total tangible assets
Acquisition and production costs 2008			
Balance at January 1, 2008	622	15,447	16,069
Currency translation differences	–68	–625	–693
Additions	687	2,306	2,993
Disposals	–	651	651
Balance at December 31, 2008	**1,241**	**16,477**	**17,718**
Accumulated depreciation 2008			
Balance at January 1, 2008	143	10,331	10,474
Currency translation differences	–19	–416	–435
Depreciation for the year	100	2,088	2,188
Disposals	–	599	599
Balance at December 31, 2008	**224**	**11,404**	**11,628**
Acquisition and production costs 2007			
Balance at January 1, 2007	479	13,752	14,231
Currency translation differences	15	102	117
Additions	128	2,760	2,888
Disposals	–	1,167	1,167
Summe 31. Dezember 2007	**622**	**15,447**	**16,069**
Accumulated depreciation 2007			
Balance at January 1, 2007	69	9,229	9,298
Currency translation differences	2	140	142
Depreciation for the year	72	1,988	2,060
Disposals	–	1,026	1,026
Balance at December 31, 2007	**143**	**10,331**	**10,474**
Net carrying amounts December 31, 2008	**1,017**	**5,073**	**6,090**
Net carrying amounts December 31, 2007	**479**	**5,116**	**5,595**

Gains of TCHF 3 (previous year: TCHF 39) and losses of TCHF 8 (previous year: TCHF 17) were generated from the sale of tangible assets in the financial year.

As at December 31, 2008 there were no obligations for the acquisition of tangible assets, as was the case in the previous year.

As at December 31, 2008 fire insurance values stood at TCHF 18,539 (previous year: Vorjahr: TCHF 16,006).

5.5 Investments in associates and joint ventures

As of December 31, 2008, there have been the following changes to investments in associates and joint ventures:

(TCHF)	2008	2007
January 1	7,905	7,880
Acquisition of associates	–	503
Share in net earnings	741	623
Impairment	–1,062	–638
Other changes recognized in equity	–10	–463
Dividend payments/capital repayments	–618	–
Currency translation differences	–37	–
December 31	**6,919**	**7,905**

For details on the result from investments in associates and joint ventures see note 6.7.

Associates

For updating associates, the annual financial statements as of December 31, 2007 were used for BECO Musikverlag GmbH. At Escor Casinos & Entertainment SA, the values of the annual financial statements as of December 31, 2008 were estimated.

The condensed financial statements comprise the following:

(TCHF)	Revenues	Net earnings	Total assets	Total liabilities
BECO Musikverlag GmbH	30	10	146	42
Escor Casinos & Entertainment SA	9,300	1,600	25,500	2,500

At the balance sheet date, the carrying amount of the investment in Escor Casinos & Entertainment SA amounted to TCHF 6,489 (previous year: TCHF 7,741), that in BECO Musikverlag GmbH to TCHF 86 (previous year: TCHF 91).

Joint Ventures

PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH is the Highlight Group's only joint venture. The financial statements as of December 31, 2008 were used as a basis for the "at equity" consolidation. The carrying amount of the investment amounts to TCHF 344 (previous year: TCHF 73).

The condensed balance sheet of the joint venture comprises the following:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Total assets	3,459	1,076
Total liabilities	2,771	931

The amounts in the income statement of the joint venture comprise the following:

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Revenues	14,816	4,338
Material expense	–13,791	–4,189
Other operating expense	–172	–176
Tax expense/income	–257	–
Net earnings	**596**	**–27**

The investment generated pro rata income of TCHF 298 (previous year: TCHF –13).

5.6 Inventories

As of December 31, 2008, inventories comprise the following:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Gross stock		
Unfinished goods, unfinished services	1,346	727
Video cassettes/DVDs	3,292	3,708
Total	**4,638**	**4,435**
Impairment		
Opening balance	231	228
Currency translation differences	–14	–
Depreciation/scrapping	15	–35
Impairment provisions	–	38
Total	**232**	**231**
Net stock	**4,406**	**4,204**

Unfinished goods and services relate to service productions under development.

5.7 Other financial assets

	Current assets		Non-current assets	
(TCHF)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Financial assets at fair value through profit or loss				
Property funds	–	–	319	505
Bonds	1,000	1,000	–	–
Fixed-term deposits with a term of more than 3 months	32,473	11,100	–	–
Derivative financial instruments	376	–	–	–
Total financial assets at fair value through profit or loss	**33,849**	**12,100**	**319**	**505**

(TCHF)	Current assets Dec. 31, 2008	Current assets Dec. 31, 2007	Non-current assets Dec. 31, 2008	Non-current assets Dec. 31, 2007
Available-for-sale financial assets				
Shares	22,161	24,426	–	–
Total available-for-sale financial assets	**22,161**	**24,426**	**–**	**–**
Total	**56,010**	**36,526**	**319**	**505**

As of December 31, 2008, Highlight Communications AG owns a 7.64 % (previous year: 5.52 %) share in the subscribed capital of EM.Sport Media AG. The stake is reported in the balance sheet at TCHF 22,161 (previous year: TCHF 24,426). In fiscal year 2008, the stake was written down through profit and loss by TCHF 8,074. In accordance with IAS 39, the investment was allocated to the "available-for-sale" financial assets category. The fair value was determined on the basis of the stock market price on the balance sheet date.

5.8 Non-current receivables

Receivables with a maturity of over one year are regarded as non-current receivables. There are non-current trade accounts receivable of TCHF 3,966 (previous year: TCHF 1,559) for the value added tax component of receivables due from TV stations. Other non-current receivables amounting to TCHF 135 (previous year: TCHF 216) are also carried.

Of the non-current receivables, TCHF 3,984 are denominated in EUR and TCHF 117 in CHF.

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Non-current receivables (nominal amount)	4,262	1,876
Discounting	–161	–101
Write-downs	–	–
Total non-current receivables	**4,101**	**1,775**

5.9 Trade accounts receivable and other receivables

As of December 31, 2008, trade accounts receivable and other receivables comprise the following:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Trade accounts receivable	35,307	54,216
Other receivables	67,078	44,815
Total trade accounts receivable and other receivables	**102,385**	**99,031**

Trade accounts receivable comprise the following as of December 31, 2008:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Trade accounts receivable (gross)	**41,876**	**62,597**
thereof third parties	*41,876*	*62,059*
thereof related parties	*–*	*538*
Total	**41,876**	**62,597**

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Write-downs		
Trade accounts receivable (gross)	41,876	62,597
Individual write-downs	–5,863	–6,649
thereof third parties	*–5,863*	*–6,649*
General provision	–706	–1,732
thereof third parties	*–706*	*–1,732*
Total	**35,307**	**54,216**
thereof third parties	*35,307*	*53,678*
thereof related parties	*–*	*538*

In the case of receivables that are not yet due and receivables that are up to 90 days overdue, the carrying amount approximates to the fair value. In the case of receivables that have been outstanding for longer, or if there are actual grounds for so doing, the figures are written down individually to adjust the carrying amount to the fair value.

Receivables that are due in one year or later are recognized under non-current receivables.

Write-downs on trade accounts receivable are undertaken based on current historical data as well as an individual evaluation due to the differing customer structures in the different areas.

There were the following changes to write-downs on trade accounts receivable in 2008 and 2007:

(TCHF)	2008	2007
Balance write-downs January 1	**8,381**	**11,574**
Currency translation differences	–720	297
Additions	604	883
Reversals	–222	–3,101
Usage	–1,474	–1,272
Balance write-downs December 31	**6,569**	**8,381**

Trade accounts receivable are in the following currencies:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
CHF	5,686	6,048
EUR	29,274	43,677
USD	88	4,470
Other	259	21
Total	**35,307**	**54,216**

The following table shows the maturities of trade accounts receivable:

(TCHF)	Carrying amount	Neither impaired nor overdue as of the closing date	(Days) less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
Dec. 31, 2008							
Trade accounts receivable	35,307	27,028	6,794	560	84	11	830
Dec. 31, 2007							
Trade accounts receivable	54,216	43,246	8,304	1,488	–	–	1,178

As at December 31, 2008, other receivables comprise the following:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Prepaid expenses	2,993	2,077
Other taxes	5,092	5,681
Advance payments made	149	3,215
Suppliers with debit balances	1,263	668
Receivables due from personnel	–	165
Other assets	57,581	33,009
Total	**67,078**	**44,815**

Primarily, sales tax receivables are recognized in other taxes.

As of December 31, 2008, other assets comprise the following:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
POC receivables	23,644	16,286
Receivables due from EM.Sport Media AG	399	–
Current loans	39	78
Public sector grants	25,146	13,376
Other	8,353	3,269
Total	**57,581**	**33,009**

Service productions with a credit balance vis-à-vis customers come to TCHF 23,644 (previous year: TCHF 16,286). Service productions with a negative balance amount to TCHF 112 (previous year: TCHF 6,242). These are reported in other receivables and other liabilities respectively.

In the year under review, contract revenue pursuant to IAS 11.39 amounted to TCHF 154,062 (previous year: TCHF 174,107).

The total of accrued costs for productions that have not yet been completed pursuant to IAS 11.40 and reported gains (less any reported losses) amounts to TCHF 57,182 (previous year: TCHF 60,706). Advance payments received come to TCHF 3,856 (previous year: TCHF 0) and retentions TCHF 17,301 (previous year: TCHF 0).

5.10 Receivables due from associates

As of December 31, 2008, there are no receivables due from associates (previous year: TCHF 0).

5.11 Tax receivables

Tax receivables comprise the following:

(TCHF)	Balance Jan. 1, 2008	Currency translation differences	Con-sumption	Reversal	Reclassi-fication	Addition	Balance Dec. 31, 2008
Domestic taxes	376	–	27	217	–	–	132
External taxes	1,563	–97	975	156	7	189	531
Total	**1,939**	**–97**	**1,002**	**373**	**7**	**189**	**663**

5.12 Assets held for sale and discontinued operations

The Highlight Group has no assets that must be accounted for as held for sale, neither has it any discontinued operations to report.

5.13 Cash and cash equivalents

This item contains cash in hand and deposits with financial institutions. On the balance sheet date, TCHF 4,623 (previous year: TCHF 0) was subject to a restriction on disposal.

Interest is payable on cash and cash equivalents at 0 to 5 % (previous year: 0.125 to 5.0 %).

5.14 Deferred tax assets

Deferred tax assets are comprised as follows:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Loss carryforwards	11,333	11,292
Film assets	9,661	2,741
Trade accounts receivable	15,750	500
Other financial assets	159	210
Inventories	12,306	5,174
Trade accounts payable	33	104
Other liabilities	204	2,226
Advance payments received	19,414	74,546
Other	81	261
Total	**68,941**	**97,054**
Netting with deferred tax liabilities	–67,717	–89,852
Deferred tax assets (netted)	**1,224**	**7,202**

Deferred tax assets are valued at the tax rates applicable in the individual country at the realization date or in future. They are to be viewed as long-term.

The Group has tax loss carryforwards not carried in the balance sheet totalling TCHF 1,879 (previous year: TCHF 84,000), on which no deferred tax assets have been created.

5.15 Equity

Changes in equity are shown in the statement of consolidated equity on pages 66 – 67.

Subscribed capital

As of December 31, 2008, the subscribed capital of the ultimate parent company, Highlight Communications AG, totalled CHF 47,250,000, divided into 47,250,000 bearer shares with a par value of CHF 1.00 per share. In the reporting period, a dividend of CHF 0.17 per share was paid out for fiscal year 2007.

Authorized capital 2008

On May 30, 2008, the Annual General Meeting established authorized share capital of CHF 12,750,000 and empowered the Board of Directors to execute a capital increase by issuing 12,750,000 bearer shares at CHF 1.00 each within a period of two years. A partial increase is permitted. No such capital increase has been implemented to date.

Treasury stock

As of December 31, 2008, the separately reported item for “Treasury stock” amounted to TCHF 760 (previous year: TCHF 2,199). The amount reflects the nominal capital of the treasury shares held. As of December 31, 2008, the number of treasury shares held stood at 759,803 (December 31, 2007: 2,198,852). In the year under review, 1,826,608 treasury shares (transaction value TCHF 18,522) were purchased and 3,265,857 treasury shares (transaction value TCHF 36,870) sold.

Stock options

In fiscal year 2003, Constantin Film AG decided to launch a stock option programme (SOP 2003). Under SOP 2003, options on a maximum of 600,000 shares could be issued up to November 30, 2008. No use was made of this opportunity up to November 30, 2008 when the term ended. Furthermore, there are no additional stock option programmes, which means that the Highlight Group no longer has any stock option programmes.

Capital reserves

As of December 31, 2008, the Group’s capital reserves stand at TCHF –48,521 in total (previous year: TEUR –40,010).

The increase in the investment in Constantin Film AG, Munich, Germany, from 95.23 % to 97.83 % led to a reduction in the capital reserves of TCHF 6,312 (previous year: TCHF 10,433). The other reductions amounting to TCHF 2,199 (previous year: TCHF 1,532) are the result of additional transactions involving minorities and supplementary purchase price payments for former minority interest owners of subsidiaries.

Other reserves

As of the balance sheet date, other reserves total TCHF –4,466 (previous year: TCHF –9,142). As of December 31, 2007, this item contained an unrealized gain of TCHF 166, which related to financial assets classified as available-for-sale assets. These are shares in EM.Sport Media AG. Neither an unrealized gain nor loss is recognized on the balance sheet date because of the impairment on these securities as of December 31, 2008. Other reserves contain translation differences of TCHF –4,466 as of December 31, 2008 (previous year: TCHF 8,976).

5.16 Summary of provisions and liabilities

Provisions and liabilities mature as follows as of December 31, 2008:

(TCHF)	less than 1 year	1 to 5 years	Total
Non-current liabilities			
Provisions	–	427	**427**
Pension provisions	–	860	**860**
Financial liabilities	–	7,510	**7,510**
Other liabilities	–	50	**50**
Deferred tax liabilities	–	6,135	**6,135**
Total	–	**14,982**	**14,982**
Current liabilities			
Financial liabilities	297,295	–	**297,295**
Advance payments received	79,359	–	**79,359**
Trade accounts payable	33,289	–	**33,289**
Other liabilities	98,347	–	**98,347**
Provisions	14,241	–	**14,241**
Tax provisions	4,125	–	**4,125**
Total	**526,656**	–	**526,656**

Provisions and liabilities mature as follows as of December 31, 2007:

(TCHF)	less than 1 year	1 to 5 years	Total
Non-current liabilities			
Provisions	–	–	–
Other liabilities	–	50	**50**
Pension provisions	–	725	**725**
Financial liabilities	–	23,482	**23,482**
Deferred tax liabilities	–	6,809	**6,809**
Total	–	**31,066**	**31,066**
Current liabilities			
Financial liabilities	293,546	–	**293,546**
Advance payments received	119,556	–	**119,556**
Trade accounts payable	41,063	–	**41,063**
Other liabilities	99,090	–	**99,090**
Provisions	19,429	–	**19,429**
Tax provisions	3,758	–	**3,758**
Total	**576,442**	–	**576,442**

5.17 Trade accounts payable and other liabilities

As of December 31, 2008, the item for trade accounts payable and other liabilities comprises the following:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Trade accounts payable	33,289	41,063
Other liabilities	98,347	99,090
Total	**131,636**	**140,153**

Trade accounts payable

In essence, the payables shown amounting to TCHF 33,289 (previous year: TCHF 41,063) are connected with licensing or services.

By and large, the vast majority of trade accounts payable are short-term, so that the carrying amount approximates to the fair value.

Trade accounts payable are in the following currencies:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
CHF	1,181	1,892
EUR	31,768	36,090
USD	48	3,065
Other	292	16
Total	**33,289**	**41,063**

Other liabilities

(TCHF)	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2007
Personnel expenses		27		6,096
Value-added tax liabilities		2,383		2,394
Other taxes	117		798	
Social security	373		678	
Other taxes and social security		490		1,476
Prepaid expenses		57,174		31,635
Suppliers with debit balances		43		28,434
Commissions and licenses		–		12,425
Current other loans		5,961		–
POC liabilities		112		6,242
Other current liabilities		32,157		10,388
Total		**98,347**		**99,090**

The liabilities for personnel expenses relate to obligations for bonuses, overtime and remaining leave. Other current liabilities include a figure of TCHF 82 owed to related parties. This consists of Constantin Film AG’s Supervisory Board remuneration of TCHF 45 payable to the members of the Board of Directors Bernhard Burgener and Martin Wagner as well as the Managing Director Paul Graf. There is also a liability in the form of a consultancy fee of TCHF 37 to Werner E. Klatten, Chairman of the Board of Directors.

5.18 Other liabilities (non-current)

On the basis of the agreements dated May 25 and September 26, 2005 concluded with Highlight Communications AG, UEFA has a 20 % holding in the subscribed capital of Team Holding AG. UEFA has undertaken to sell the shares to Highlight Communications AG at the original purchase price (TCHF 50) upon termination of the agreements or the UEFA Champions League agency contract. Initially, UEFA will only participate in new business with its share. As of the 2009/2010 season UEFA will participate in the profit in line with its share of the capital. This agreement has been placed on the balance sheet in accordance with the economic view stipulated by IFRS. As UEFA will not have full profit allocation rights until the 2009/2010 season and does not have unrestricted rights to its 20 % share in Team Holding AG, the agreement is not treated as profit participation for accounting purposes. Instead the annual share in earnings attributable to UEFA is carried as an expense in the consolidated financial statements. The share buyback obligation is recognized as an other liability under non-current liabilities.

The shares in Team Holding AG are encumbered by a call option in favour of UEFA. This call option may be exercised if a person or a group acquires Highlight shares accounting for more than 50 % of the voting rights. The option price comprises the inherent value of the shares on the date on which the option is exercised plus projected earnings until the expiry of the agency agreement with UEFA relating to the marketing of the UEFA Champions League.

5.19 Financial liabilities

Non-current financial liabilities

On the balance sheet date, non-current financial liabilities amounted to TCHF 7,510 (previous year: TCHF 23,482) and, in essence, comprise long-term commitments to acquire film assets and long-term commitments to acquire shares. In the previous year, this item also included a long-term loan owed to a financial institution of TCHF 11,000. Due to the interest and maturity structures, the carrying amounts are approximately the same as the fair value.

Non-current financial liabilities as of December 31, 2008 were TCHF 0 (previous year: TCHF 13,010) in Swiss francs and TCHF 7,510 (previous year: TCHF 10,472) in euro.

Current financial liabilities

At the balance sheet date, there were current financial liabilities to financial institutions of TCHF 297,295 (previous year: TCHF 293,546). As at the balance sheet date, the Group has free short-term credit facilities totalling TCHF 168,372 (previous year: TCHF 161,851).

The Constantin Group's credit facilities (production revolvers and license trading facilities) are secured by film rights of TCHF 247,627 (previous year: TCHF 301,271) carried as film assets and the resultant proceeds from exploitation as well as receivables of TCHF 29,523 (previous year: TCHF 36,123). The Highlight Communications AG credit facility of TCHF 113,000 (previous year: TCHF 128,000) is secured by shares in Constantin Film AG, EM.Sport Media AG and holdings of treasury shares. Please refer to the notes of the annual financial statements of Highlight Communications AG, note 1.

Financial liabilities are in the following currencies:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
CHF	79,500	79,015
EUR	195,521	181,103
USD	13,922	19,693
Other	8,352	13,735
Total	**297,295**	**293,546**

The effective interest rates on the balance sheet date are, according to currency:

	Dec. 31, 2008	Dec. 31, 2007
CHF	1.07% – 3.60%	1.85% – 3.59%
EUR	3.55% – 8.25%	4.55% – 7.80%
USD	1.70%	7.30%
Other	4.60%	6.76%

5.20 Pension provisions

The amount of the pension provisions and the associated expenses were determined by an independent expert. The projected unit credit method is used to calculate the pension provision.

Actuarial gains and losses are recognized in accordance with the corridor method.

The provision equates to the difference from the present value of the pension commitments (present value of defined benefit obligation – DBO) and commitments similar to pensions, the fair value of the plan assets and actuarial gains and losses that have not yet been recognized.

There were the following changes to the pension provision in fiscal year 2008:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Present value of retirement benefit obligation	27,409	22,329
Fair value of plan assets	20,897	19,275
Funded status	–6,512	–3,054
Actuarial losses (gains) not yet recognized	5,652	2,329
Balance sheet amount (liability)	**860**	**725**

The scope of the commitment has developed as follows:

(TCHF)	2008	2007
Present value of retirement benefit obligation as of January 1	**22,329**	**19,728**
Current service cost	2,730	2,730
Interest cost	814	730
Plan amendment	203	–
Benefits paid	–420	–1,144
Actuarial (gain) loss on obligations	1,753	285
Present value of retirement benefit obligation as of December 31	**27,409**	**22,329**

The plan assets have developed as follows:

(TCHF)	2008	2007
Fair value of assets as of January 1	**19,275**	**17,203**
Expected return on assets	675	602
Employee contributions	1,148	1,096
Employer contributions	1,854	1,767
Benefits paid	–420	–1,144
Actuarial gains/(losses) on assets	–1,635	–249
Fair value of assets as of December 31	**20,897**	**19,275**

The plan assets are divided among the individual investment categories as follows:

(in %)	2008	2007
Cash and cash equivalents	5.00	5.00
Bonds	15.40	18.50
Shares	11.90	15.80
Real estate	7.40	8.10
Other	60.30	52.60
Total	**100.00**	**100.00**

The “Other” item primarily includes the redemption values from foundations, for which assets cannot be broken down. In the fiscal year, actual income from the assets amounted to TCHF –960 (previous year: TCHF 353).

In fiscal year 2008, retirement benefit expenses comprised the following:

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Current service cost	2,730	2,730
Interest cost	814	730
Expected return on assets	–675	–602
Amortization of actuarial losses	65	156
Realized actuarial losses (gains)	–	–
Plan amendments	203	–
Employee contributions	–1,148	–1,096
Total	**1,989**	**1,918**
Other benefit plans	7	7
Expenditure on retirement benefit plans	**1,996**	**1,925**

Current service expenses, actuarial losses and/or gains and past service expenses are carried in the income statement as personnel expense and/or income, while expense incurred from the addition of accrued interest to anticipated pension commitments is carried as interest expense.

The calculation of the pension provision was based on the following assumptions:

	2008	2007
Interest rate	3.25%	3.25%
Expected return on plan assets	3.50%	3.50%
Pension trend	0.50%	0.50%
Salary trend	1.50%	1.50%
Fluctuation rate	n/a	n/a
Average life expectancy after pension (men)	17.90	17.56
Average life expectancy after pension (women)	21.85	21.15

The actuarial assumptions are made on the basis of BVG 2005 (previous year: EVK 2000).

As of December 31, 2008, experience adjustments comprise the following:

(TCHF)	2008	2007	2006	2005
Amount of obligation	27,409	22,329	19,728	18,960
Fair value of plan assets	20,897	19,275	17,203	17,197
Funded status	–6,512	–3,054	–2,525	–1,763
Plan liabilities experience adjustments	–868	598	152	–
Plan amendments DBO	–885	–883	–883	–692
Plan assets experience adjustments	–1,635	–249	–122	–685
Total	**–9,900**	**–3,588**	**–3,378**	**–3,140**

5.21 Provisions (current)

(TCHF)	as of Jan. 1, 2008	Currency translation differences	Consumption	Reversal	Addition	as of Dec. 31, 2008
Licenses (returns)	14,578	–35	317	14,247	11,221	**11,200**
Provisions for legal costs	4,351	–350	–	1,743	283	**2,541**
Other provisions	500	–	–	–	–	**500**
Total	**19,429**	**–385**	**317**	**15,990**	**11,504**	**14,241**

Provisions for licenses cover the risk of any returns of Blu-rays and DVDs sold and are based on an analysis of the contractual or statutory obligations as well as historical trends and the Group's own experience.

The vast majority of the provisions relate to pending legal disputes concerning possible format right violations by Constantin Entertainment GmbH in show and entertainment productions. The provision for legal costs was created to provide for various pending and threatened legal proceedings. In the year under review, allocations of TCHF 283 were made to provisions for pending legal disputes in connection with tenancy agreements and productions.

5.22 Provisions (non-current)

Non-current provisions have developed as follows:

(TCHF)	as of Jan. 1, 2008	Currency translation differences	Addition	as of Dec. 31, 2008
Provisions	0	–29	456	**427**
Total	**0**	**–29**	**456**	**427**

The item contains provisions for service anniversaries.

5.23 Tax provisions

(TCHF)	as of Jan. 1, 2008	Currency translation differences	Consumption	Reclassi-fication	Addition	as of Dec. 31, 2008
Domestic taxes	2,248	5	2,445	–	3,737	3,545
External taxes	1,510	–96	2,884	7	2,043	580
Total	**3,758**	**–91**	**5,329**	**7**	**5,780**	**4,125**

5.24 Deferred tax liabilities

Deferred tax liabilities as of December 31, 2008 comprise the following:

(TCHF)	Dec. 31, 2008	Dec. 31, 2007
Film assets	59,481	90,479
Trade accounts receivable	6,682	777
Other financial assets	838	–
Trade accounts payable	15	–
Other liabilities	2,446	356
Advance payments received	4,340	4,919
Other	50	130
Total	**73,852**	**96,661**
Netting with deferred tax assets	–67,717	–89,852
Deferred tax liabilities (netted)	**6,135**	**6,809**

5.25 Hedging instruments

As of December 31, 2008, foreign currency forwards were still outstanding as hedging instruments. The strict conditions for hedge accounting pursuant to IAS 39 in a cash flow hedge relationship as well as in a fair value hedge relationship are complied with. Hedging instruments still outstanding on the balance sheet date relate to rights purchases in USD and are expected to run until March 2009.

The nominal amount of all outstanding foreign currency forwards for hedging purposes equals TCHF 5,305 (previous year: TCHF 14,201). The total market price valuation of these transactions is TCHF –261 (previous year: TCHF –272). The value of the currency forwards is calculated as the difference between the forward rate on conclusion of the transaction and the market value of the forward as of the balance sheet date. Loans are measured as the difference between the price on the day the first tranche was borrowed and the market value at the balance sheet date (taking proceeds already paid into consideration).

In accordance with IAS 39, changes in market value of fair value hedges after deducting taxes are reported in the income statement in the amount of TCHF –278 (previous year: TCHF –269). As an opposing effect, the change in the valuation of the outstanding hedged item is recognized in the income statement for fair value hedges.

The market value of hedging instruments as of December 31, 2008 breaks down as follows:

		Dec. 31, 2008		Dec. 31, 2007
(TCHF)	Assets	Liabilities	Assets	Liabilities
Currency - cash flow hedges	–	–	–	–
Currency - fair value hedges	–	-261	–	-272
Total	–	**–261**	–	**–272**

6. Notes to individual items in the profit and loss account

6.1 Revenues

Revenues comprise the following:

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Sales	127,001	115,744
License income	150,600	110,406
Service income	240,775	255,519
Total	**518,376**	**481,669**

Please refer to the segment reporting in note 8 of the notes to the consolidated financial statements for a breakdown of revenues.

6.2 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Income from the reversal of provisions	1,580	728
Income related to other periods	322	767
Recharges	1,535	1,441
Income from rents and leases	492	96
Income from the disposal of non-current assets	–	39
Miscellaneous other operating income	421	466
Total	**4,350**	**3,537**

Income from the reversal of provisions originates primarily from the reversal of provisions for pending legal disputes.

Leasing income is the result of subletting office space.

Other operating income contains a large number of items, which cannot be allocated to the items mentioned separately; these include insurance compensation, marketing fees, compensation payments, supplier refunds and other reimbursement.

6.3 Material and license expense

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Costs for licenses, commissions and materials		
Licenses, commissions	1,200	1,200
Overages	1,632	2,512
Other cost of materials	69,311	52,438
	72,143	56,150
Costs for purchased services		
Production costs	125,838	135,071
Purchased services	11,394	15,062
	137,232	**150,133**
Total	**209,375**	**206,283**

Other cost of materials includes merchandise-related expense of TCHF 32,947 (previous year: TCHF 17,872), non-capitalized release costs of TCHF 27,153 (previous year: TCHF 24,407) and distribution and transport costs of TCHF 9,211 (previous year: TCHF 10,159).

Expense for services purchased of TCHF 137,232 (previous year: TCHF 150,133) comprise production costs of TCHF 125,838 (previous year: TCHF 135,071) and expense for services purchased of TCHF 11,394 (previous year: TCHF 15,062).

6.4 Personnel expense

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Salaries	70,285	64,864
Social security	6,892	6,177
Retirement benefit costs	1,996	1,925
Other social personnel expense	1,441	1,103
Total	**80,614**	**74,069**

6.5 Depreciation/amortization and impairments

Depreciation/amortization and impairments amounting to TCHF 143,946 (previous year: TCHF 115,562) includes amortization and impairments on intangible assets of TCHF 614 (previous year: TCHF 1,185) and depreciation on tangible assets of TCHF 2,188 (previous year: TCHF 2,060). Goodwill impairments amounted to TCHF 0 in the year under review (previous year: TCHF 227).

This item also includes license expense (amortization and impairments) on film assets of TCHF 141,144 (previous year: TCHF 112,090). Film rights (both third-party and in-house productions) are written down on the basis of the individual film forecast method. Accordingly, the write-downs for a film in a period are determined using the formula "revenues generated by the film in the period, divided by the film's estimated remaining total revenues and multiplied by the residual carrying amount of the film".

The revenues used as a basis for calculating the amortization charges include all income generated by the film. In the case of video revenues, external revenues less video costs are used to calculate depreciation/amortization. For film assets, the maximum period for estimating revenues is ten years. The estimate of the total revenues is reviewed at the end of each quarter and, if necessary, adjusted. The quotient for the amortization charge for the period is determined on the basis of any (adjusted) total revenues. An impairment test is performed for each film. If the acquisition costs or carrying amount plus any related release costs for a film are not covered by the estimated total revenues, the value of the film is written down on the basis of the impairment test. Estimated revenues can be significantly influenced by a number of factors including market acceptance and expected revenue from the film. The Group examines and reviews revenue forecasts and amortization expenses upon any changes to previous forecasts occurring.

The write-downs of film rights contain unscheduled write-downs of TCHF 8,131 (previous year: TCHF 6,275) resulting from adjustments to residual carrying amounts because of current sales estimates of TCHF 6,440 (previous year: TCHF 5,853) and the provision created for films not yet being exploited of TCHF 1,691 (previous year: TCHF 422).

The Group obtains access to future film rights by concluding license contracts. Film purchasing and production preparations lead to future financial commitments valued at around CHF 51 million (previous year: CHF 35 million).

6.6 Other operating expense

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007	Jan. 1 to Dec. 31, 2007
Rental	6,169		6,471	
Repair, maintenance	753		1,007	
Rental, repair and maintenance		6,922		7,478
Advertising and travelling expenses		4,537		7,679
Administrative expenses		14,548		14,953
Other personnel-related expenses		5,663		4,307
Vehicle costs		743		736
Losses from disposal of non-current assets		5		17
Other expenses		1,196		1,215
Total		**33,614**		**36,385**

Expense from rentals, repairs and maintenance relate to the costs of the current office buildings.

In addition to other costs, legal, consultancy and accountancy fees are carried under administrative expenses and include, inter alia, the costs for auditing the consolidated financial statements and the individual financial statements, tax consultancy fees and the costs of legal advice on questions of M&A projects and ongoing legal proceedings.

6.7 Earnings from investments in associates and joint ventures

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Associates		
Escor Casinos & Entertainment SA, Switzerland	–624	–2
BECO Musikverlag GmbH	5	–
Earnings from investments in associates	**–619**	**–2**
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	298	–13
Earnings from joint ventures	**298**	**–13**
Earnings from investments in associates and joint ventures	**–321**	**–15**

The earnings from the associate Escor Casinos & Entertainment SA are made up of the pro rata profit of TCHF 438 (previous year: TCHF 636) and a value adjustment of TCHF 1,062 (previous year: TCHF 638). The value adjustment is the result of the circumstance that the stock market value of the investment as of December 31, 2001 was less than the carrying amount of the investment and the investment was written down by the difference between the carrying amount and the stock market price.

6.8 Financial income

Of the figure for interest and similar income of TCHF 2,417 (previous year: TCHF 2,061), TCHF 2,063 (previous year: TCHF 1,977) is attributable to interest income on bank deposits and loans extended by the company as well as TCHF 159 (previous year: TCHF 0) to income from accrued interest on receivables. Income from other financial assets amounted to TCHF 195 (previous year: TCHF 84).

Gains resulting from changes in the fair value of financial instruments of TCHF 381 (previous year: TCHF 10) include income of TCHF 376 from euro futures (previous year: TCHF 0). These are three euro forward contracts without hedging relationship. In each case EUR 2,000,000 is sold forward. The nominal values, the terms and the fair values as of December 31, 2008 were as follows:

Contract volume (EUR)	Term	Fair value of the forward contracts
6,000,000	1–3 months	376

Various gains from changes in the fair value of financial instruments of TCHF 5 (previous year: TCHF 10) also occurred in the year under review.

Exchange gains of TCHF 3,046 (previous year: exchange loss of TCHF 1,119) stem from the valuation of financial assets and liabilities, which are not denominated in the functional currency of the respective company.

6.9 Financial expenses

Interest and similar expenses

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Interest and similar expenses on bank loans	4,961	5,763
Interest on other loans and similar expenses	505	310
Total	**5,466**	**6,073**

Losses from changes in the fair value of financial instruments

Losses from changes in the fair value of financial instruments of TCHF 10,682 (previous year: TCHF 2,045) include expenses of TCHF 8,074 relating to the shares held in EM.Sport Media AG (cf. note 5.7). This item also contains a loss from an equity swap transaction of TCHF 2,554 and other expenses of TCHF 54 (previous year: TCHF 0).

The above mentioned equity swap transaction involves the sale of 900,000 treasury shares by Highlight Communications AG to a financial institution (counterparty) at a price of EUR 6.90. The contract will run from August 11, 2008 (transaction date) to December 23, 2009. The contract provides for the Highlight Group receiving the profit from the sale of the shares in its entirety. Highlight Communications AG would also have to bear any possible loss. The difference between the share price as of December 31, 2008 and the original sale price leads to a financial liability of TCHF 2,554. The sale of shares by the counterparty has to take place during the contractually agreed sale period (September 1, 2009 to December 23, 2009) unless payment is settled earlier.

In November the Highlight Group acquired an option on the acquisition of 5,693,089 shares in EM.Sport Media AG (previously: EM.TV AG), which were held by Constant Ventures II Luxembourg S.A. (“Constant”). The option premium amounted to EUR 0.40 per option share. The option ran until October 1, 2007 and would have allowed Highlight to acquire the specified shares at a price of EUR 4.00 per share. From December 1, 2006, Highlight exercised the voting rights under the option shares via a power of attorney.

Highlight did not exercise the option to acquire 5,693,089 shares in EM.Sport Media AG granted by constant Ventures II Luxembourg S.A. (“Constant”).

Because Highlight Communications AG did not exercise the option, Constant obtained the right to purchase up to 500,000 shares in Highlight Communications AG at a price of EUR 6.20 per share from the portfolio of treasury shares. This option was converted by Constant on December 28, 2007. The transaction was effected via Highlight Communications AG’s portfolio of treasury shares.

The loss from the change in the fair value of financial instruments arising from this transaction amounted to TCHF 2,045 last year. The above mentioned option was booked out because it lapsed on October 1, 2007 and does not affect Group income in 2008.

6.10 Taxes

Taxes paid or owed on income and earnings in the individual countries as well as deferred taxes are recognized as taxes on income and earnings. Taxes on income and earnings break down as follows:

(TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Current taxes	–6,373	–7,393
Deferred taxes	–5,697	–4,575
Total	**–12,070**	**–11,968**

Tax reconciliation (TCHF)	Jan. 1 to Dec. 31, 2008	Jan. 1 to Dec. 31, 2007
Earnings before taxes	44,552	45,726
Expected taxes based on a tax rate of 25.00 %	–11,138	–11,432
Differing tax rates	–128	139
Reversal/write-down of deferred tax assets	–	–358
Use of unrecognized deferred tax assets	875	473
Unrecognized deferred taxes	–	–107
Tax exempt income	46	374
Change in tax rates	–	590
Non-deductable expenses	–1,787	–1,226
Income taxes for prior accounting periods	62	–421
Actual tax expense	**–12,070**	**–11,968**
Effective tax rate in %	**27.1**	**26.2**

6.11 Earnings per share

Under IFRS, information on the average number of shares outstanding (basic and diluted) as well as earnings per share (basic and diluted) is shown. The following table compares earnings per share:

(TCHF)	2008	2007
Net consolidated earnings attributable to shareholders in TCHF	29,777	30,681
Weighted average number of shares (basic)	45,795,244	45,298,185
Earnings per share (basic) in CHF	0.65	0.68
Earnings per share (basic) in EUR	0.41	0.41

As of December 31, 2008, and as of the same date in the previous year, there are no potentially diluting effects, meaning that undiluted earnings equal diluted earnings.

7. Disclosures on financial risk management

7.1 Disclosures pursuant to IFRS 7

The valuation of financial instruments by class and category is as follows:

ASSETS (TCHF)	Classification category under IAS 39
Cash and cash equivalents	LaR
Trade accounts receivable	LaR
Receivables due from joint ventures	LaR
POC receivables	LaR
Other financial assets (current)	
Financial assets at fair value through profit or loss	FVPL
Available-for-sale financial assets	AfS
Other receivables	LaR
Non-current receivables	LaR
Other financial assets (non-current)	
Financial assets at fair value through profit or loss	FVPL

LIABILITIES (TCHF)	
Financial liabilities (current and non-current)	FLAC
Trade accounts payable	FLAC
Other liabilities (current and non-current)	
Financial liabilities measured at amortized cost	FLAC
Financial liabilities at fair value through profit or loss	FLPL

AGGREGATED BY CATEGORY (ASSETS AND LIABILITIES IN TCHF)	
Loans and receivables	LaR
Available-for-sale financial assets	AfS
Financial assets at fair value through profit or loss	FVPL
Financial liablities measured at amortized cost	FLAC
Financial liabilities at fair value through profit or loss	FLPL

LaR: Loans and receivables
FVPL: Financial assets at fair value through profit or loss
AfS: Available-for-sale-financial assets
FLAC: Financial liabilities measured at amortized cost
FLPL: Financial liabilities at fair value through profit or loss

	Carrying amount Dec. 31, 2008	thereof not relevant under IFRS 7	Valuation in the balance sheet under IAS 39				Fair value Dec. 31, 2008
			Amortized cost	Acquisition cost	Fair value through equity	Fair value through profit or loss	
	187,459	–	187,459	187,459	–	–	187,459
	35,307	–	35,307	35,307	–	–	35,307
	61	–	61	61	–	–	61
	23,644	–	23,644	23,644	–	–	23,644
	33,849	–	–	–	–	33,849	33,849
	22,161	–	–	–	22,161	–	22,161
	43,434	–4,937	38,497	38,497	–	–	38,497
	4,101	–	4,101	4,101	–	–	4,101
	319	–	–	–	–	319	319
	302,251	–	302,251	302,251	–	–	302,251
	33,289	–	33,289	33,289	–	–	33,289
	98,136	–6,919	91,217	91,217	–	–	91,217
	2,815	–	–	2,815	–	2,815	2,815
	294,006	–4,937	289,069	289,069	–	–	289,069
	22,161	–	–	22,161	22,161	–	22,161
	34,168	–	–	34,432	–	34,168	34,168
	433,676	–6,919	426,757	426,757	–	–	426,757
	2,815	–	–	2,815	–	2,815	2,815

ASSETS (TCHF)	Classification category under IAS 39
Cash and cash equivalents	LaR
Trade accounts receivable	LaR
Receivables due from joint ventures	LaR
POC receivables	LaR
Other financial assets (current)	
Financial assets at fair value through profit or loss	FVPL
Available-for-sale financial assets	AfS
Other receivables	LaR
Non-current receivables	LaR
Other financial assets (non-current)	
Financial assets at fair value through profit or loss	FVPL

LIABILITIES (TCHF)	
Financial liabilities (current and non-current)	FLAC
Trade accounts payable	FLAC
Other liabilities (current and non-current)	
Financial liabilities measured at amortized cost	FLAC
Financial liabilities at fair value through profit or loss	FLPL

AGGREGATED BY CATEGORY (ASSETS AND LIABILITIES IN TCHF)	
Loans and receivables	LaR
Available-for-sale financial assets	AfS
Financial assets at fair value through profit or loss	FVPL
Financial liablities measured at amortized cost	FLAC
Financial liabilities at fair value through profit or loss	FLPL

			Valuation in the balance sheet under IAS 39				
	Carrying amount Dec. 31, 2007	thereof not relevant under IFRS 7	Amortized cost	Acquisition cost	Fair value through equity	Fair value through profit or loss	Fair value Dec. 31, 2007
	200,508	–	200,508	200,508	–	–	200,508
	54,216	–	54,216	54,216	–	–	54,216
	399	–	399	399	–	–	399
	16,286	–	16,286	16,286	–	–	16,286
	12,100	–	–	12,100	–	12,100	12,100
	24,426	–	–	24,426	24,426	–	24,426
	28,529	–10,023	18,506	18,506	–	–	18,506
	1,775	–	1,775	1,775	–	–	1,775
	505	–	–	505	–	505	505
	306,202	–	306,202	306,202	–	–	306,202
	41,063	–	41,063	41,063	–	–	41,063
	109,916	–10,583	99,061	99,333	–	272	99,333
	–	–	–	–	–	–	–
	301,713	–10,023	291,690	291,690	–	–	291,690
	24,426	–	–	24,426	24,426	–	24,426
	12,605	–	–	12,605	–	12,605	12,605
	457,181	–10,583	446,326	446,598	–	272	446,598
	–	–	–	–	–	–	–

Net income from the classes in question is shown in the following summaries:

(TCHF)	from interest	from subsequent measurement: Change in fair value	Foreign currency translation	Impairment	Other	Dec. 31, 2008	Dec. 31, 2007
Loans and receivables (LaR)	2,417	–	–	–658	–	1,759	2,944
Available-for-sale financial assets (AfS)	–	–	–	–	–8,074	–8,074	–
Financial assets at fair value through profit or loss (FVPL)	–	381	–	–	–	381	10
Financial liabilities measured at amortized cost (FLAC)	–5,466	–	3,046	–	–	–2,420	–7,192
Financial liabilities at fair value through profit or loss (FLPL)	–	–2,554	–	–	–	–2,554	–2,045

Among other things, the “other” column contains the impairment of TCHF 8,074 on financial assets, which are classified as held for sale. These are shares in EM.Sport Media AG, which were written down to the market value of the shares on December 31, 2008 on the basis of their performance.

Management of financial risks

As part of the risk assessment, management compiles an inventory of risk divided into external and internal risks in an initial phase. In so doing, risks identified in previous years are analyzed, deleted if no longer relevant and newly identified risks are added. The risk identification process focuses on risks to which the Group as a whole is exposed; company-specific risks affecting the Group’s equity interests are included in their risk assessment process.

In a second phase, the risks in the updated inventory of risks are assessed on a qualitative basis according to the likelihood of their occurring and the extent of the potential loss and depicted on a risk map.

For risks, which exceed a predefined risk acceptance line, the management is to take suitable measures to reduce and monitor risk. The results of the risk assessment including the action plan are discussed with the Board of Directors and approved by it.

Management carried out the annual risk assessment on November 13, 2008 and it was approved by the Board of Directors on November 24, 2008.

With regard to this issue, please refer to the risk report in the Highlight Group’s situation report.

The Group is exposed to various financial risks, which result from the Group's operating and financing activities.

Financial risks can be subdivided into the categories liquidity risk, credit risk, price risk and capital risk. These risks are reviewed centrally within the Highlight Group. The risk position is recorded by the risk manager on the basis of a risk management directive applicable across the Group using standardized risk reports.

Liquidity risk

Liquidity risk arises if the Group's payment obligations cannot be covered from its liquid resources and appropriate credit facilities. At the balance sheet date, Highlight Communications AG and the Group had sufficient liquidity reserves allowing for free current credit facilities.

Generally speaking, the Group entities are independently responsible for raising their own liquidity including the short-term investment of excess liquidity and procurement of loans for bridging liquidity shortfalls. Highlight Communications AG supports its subsidiaries and in this connection plays a coordinating role in part with the banks in order to cover its financing requirements as cheaply as possible. In addition, the Group's international credit rating allows the efficient utilization of international credit markets for raising finance. This also includes the ability to issue equity and debt instruments on the capital market. Here it must be taken into account that various projects, especially in the area of film and other financing activities such as the purchase of minority interests and acquisition of treasury shares, can influence liquidity differently over time. For fiscal year 2008 and subsequent years the Highlight Group is expecting positive net cash flow from its operating activities. Together with committed credit facilities, there should be sufficient resources for ordinary business operations.

At the balance sheet date there were current liabilities to financial institutions amounting to TCHF 297,295 (previous year: TCHF 293,546). The Group has free current credit facilities totalling TCHF 168,372 (previous year: TCHF 161,851) at the balance sheet date.

The Highlight Group has secured future film rights by concluding licensing agreements. Film purchasing and production preparations lead to future financial commitments valued at CHF 51 million (previous year: CHF 35 million).

The Constantin Group's credit facilities (production revolvers and license trading facilities) are secured by film rights of TCHF 247,627 (previous year: TCHF 301,271) carried as film assets and the resultant proceeds from exploitation as well as by receivables of TCHF 29,523 (previous year: TCHF 36,123). The Highlight Communications AG credit facility in the amount of TCHF 113,000 (previous year: TCHF 128,000) is secured by shares in Constantin Film AG, EM.Sport Media AG and the holdings of treasury shares (please refer to the annual financial statements of Highlight Communications AG, note 1).

Liquidity risk 2008 (TCHF)	Carrying amount Dec. 31, 2008	Cash flows 2009 Fixed interest	Cash flows 2009 Re-payment	Cash flows 2010 Fixed interest	Cash flows 2010 Re-payment
Liabilities due to banks and similar liabilities	294,741	–1,213	–294,741	–	–
Other interest-free financial liabilities	132,016	–	–124,506	–	–8,063
Derivative financial liabilities					
Currency derivates without hedge	2,554	–	–2,554	–	–
Derivates in connection with fair value hedges	261	–	–5,305	–	–
Derivative financial assets					
Currency derivates without hedge	376	–	–8,933	–	–

Liquidity risk 2007 (TCHF)	Carrying amount Dec. 31, 2007	Cash flows 2008 Fixed interest	Cash flows 2008 Re-payment	Cash flows 2009 Fixed interest	Cash flows 2009 Re-payment
Liabilities due to banks and similar liabilities	304,546	–1,183	–293,546	–150	–11,000
Other interest-free financial liabilities	141,780	–	–129,298	–	–13,594
Derivative financial liabilities					
Currency derivates without hedge	–	–	–	–	–
Derivates in connection with fair value hedges	272	–	–14,201	–	–
Derivative financial assets					
Currency derivates without hedge	–	–	–	–	–

After 2010, there will be no more cash outflows relating to financial liabilities in existence as at December 31, 2008. There will be no more cash outflows after year 2009 relating to financial liabilities that were in existence as at December 31, 2007.

Credit risk

Credit risks can exist with cash and cash equivalents, balances at financial institutions and with customer receivables. Financial institutions with which the Highlight Group has a business relationship must demonstrate a good credit rating. In addition, any risks to cash and cash equivalents are reduced further in that they are not held in a single bank but various financial service providers. As of December 31, 2008 CHF 154.14 million (82 %) of the cash and cash equivalents were deposited at banks with an S&P or Fitch rating of A or higher. The three largest amounts due from banks make up 41.52 %, 25.63 % and 5.33 % of the total portfolio of cash and cash equivalents.

The three largest receivables in the portfolio of trade accounts receivable and other receivables as of December 31, 2008 (TCHF 102,385) make up 7.07 %, 4.34 % and 2.67 % of the total portfolio of these receivables.

Due to the differing customer structure in the divisions, no general credit limits apply across the Group. However, the credit rating of customers is examined on a systematic basis. In doing this, the financial situation, previous experience and/or other factors are taken into account.

Management does not expect any additional significant losses from portfolios of receivables not written down.

Price risk

Price risks are understood as the risks from changes in exchange rates and interest rates as well as other risks from changes in a price basis.

Exchange rate risk

As a result of its international orientation, Highlight Communications AG is exposed to exchange rate risks as part of its ordinary operating activities. In particular in the case of the euro and, to a lesser extent, the US dollar. Exchange rate movements can lead to unwanted and unforeseen earnings and cash flow volatilities. Each subsidiary is exposed to risks due to exchange rate movements, if they do business with international contracting parties and cash flows result from this in the future which do not correspond to the functional currency of the relevant subsidiary. The Highlight Group does not enter into any operating activities in currencies which exhibit an above-average volatility or are otherwise considered to be especially prone to risk. For significant transactions, in particular in US dollars, the Group uses hedges. Derivative financial instruments are transacted with banks. The financial instruments are related to future flows of payments in foreign currencies for film projects. As a matter of principle, the Group ensures that the amount of the hedge does not exceed the value of the hedged item.

Furthermore, the Highlight Group is particularly exposed to exchange rate risk in relation to the euro due to its subsidiaries and their operating activities. These were not hedged in fiscal year 2008.

If one assumed that the euro traded 10 % lower than the Swiss franc as at December 31, 2008, and all other parameters remained the same, earnings before taxes would have been higher by TCHF 2,409 (previous year: TCHF 139 lower). With the exception of the tax effect, the effect on equity does not differ from the effect on earnings.

The main reason for the positive effect on earnings before taxes is an overhang in financial liabilities in euro.

If the euro had been 10 % stronger against the Swiss franc as at December 31, 2008, with all other parameters remaining the same, earnings before taxes would have been lower by TCHF 2,409 (previous year: TCHF 2,138). The effect on equity does not differ from the effect on earnings.

The main reason for the negative result in respect to earnings before taxes with a strong euro is the overhang of financial liabilities in euro.

In addition to the accounting risks from financial instruments mentioned above, operating risks exist. Various Swiss subsidiaries have contracts with international partners in foreign currency, particularly in euro. A weakening of the euro/Swiss franc exchange rate would have a direct effect on the individual company's results of operations and thus the Group's.

Many companies are located outside the Swiss franc currency area. Because the Highlight Group's reporting currency is the Swiss franc, the company translates the subsidiaries' financial statements into Swiss francs. Effects due to translation which arise if the value of net asset items is translated into Swiss francs changes as a result of exchange rate movements are recognized in equity in the consolidated financial statements.

The Highlight Group is already exposed to exchange risk with regard to the US dollar through its subsidiaries and operations.

If one assumed that the US dollar traded 10 % lower than the euro as of December 31, 2008, and all other parameters remained the same, profit before taxes would have been lower by TCHF 122 (previous year: TCHF 1,032 lower).

If one assumed that the US dollar traded 10 % higher than the euro as of December 31, 2008, and all other parameters remained equal, profit before taxes would have been higher by TCHF 122 (previous year: TCHF 1,032 higher).

Price risk affecting financial assets and liabilities

Changes in the market value of certain financial assets and derivative financial instruments can affect the Group's net assets and results of operations. Long-term financial assets are held for strategic reasons. Moreover, securities are held in connection with cash management or strategically to develop new financial positions. These financial assets are generally not hedged.

The Highlight Group monitors equity investments or other assets using their current market values which are affected by the movements of equity markets. In essence, two classes of other financial assets are combined in other financial assets:

- Financial assets at fair value through profit and loss (current and non-current) amounted to TCHF 34,168 as of December 31, 2008 (previous year: TCHF 12,605). Financial liabilities at fair value through profit and loss amounted to TCHF 2,554 as of December 31, 2008 (previous year: TCHF 272). Were these securities priced 10 % lower (bonds and fixed-term deposits with a residual term of more than three months are calculated at 2 % and derivative financial instruments at 20 %) and all other parameters remained equal, earnings before tax would have been lower by TCHF 670 (previous year: TCHF 252). If the reverse had been the case, profit before taxes would have risen by the same amount, both in the year 2008 and in the previous year.
- Available-for-sale financial assets amounted to TCHF 22,161 as at December 31, 2008 (previous year: TCHF 24,426). If these securities were priced 10 % lower, and all other parameters remained equal, earnings before tax would have been lower by TCHF 2,216 (previous year: TCHF 2,277). In the market value of the securities increased by 10 %, equity would have been TCHF 2,032 (previous year: TCHF 2,443) higher. An increase in market value would not have had any effect on profit.

Risk of change in interest rates

As a matter of principle, the risk of change in interest rates occurs if market interest rates change and this may make cash inflows in the case of investing money and cash outflows in the case of raising money better or worse. The risk of change in interest rates to which the Group is exposed primarily relates to current and non-current financial liabilities. The Group currently does not utilize financial instruments to hedge the risk of changes in interest rates, although interest pooling arrangements are available to some extent for bank overdraft liabilities. In addition, due to the mismatch of maturities, a risk of change in interest rates arises which is actively controlled by the Group, in particular by monitoring changes in the yield curve.

In order to determine the total risk of the interest sensitivities, the Company aggregates the risk of change in interest rates for the liabilities subject to interest and for the portfolio of cash and cash equivalents. Depending on whether the Group has an overhang of funds on the asset or liability side, interest risks can result from a rise or a fall in interest rates on the market.

In order to calculate the sensitivity, a nominal interest rate change of 1% on net interest expense is calculated. A rise would result in increased expenditure before taxes of around TCHF 929 (previous year: TCHF 602). With an interest rate reduction at the same level, earnings before taxes would have increased by TCHF 929 (previous year: TCHF 602).

Sensitivity with regard to changes in the euro exchange rates and changes in interest rates as at December 31, 2008 are shown below:

(TCHF)	Carrying amount Dec. 31, 2008	Interest rate risk –1%	+1%	Exchange rate risk concerning the euro –10%	+10%
Financial assets					
Cash and cash equivalents	187,459	–1,940	1,940	–1,568	1,568
Trade accounts receivable	35,307	–	–	–1,362	1,362
Receivables due from joint ventures	61	–	–	–	–
Other financial assets (current and non-current)	56,329	–228	228	–64	64
Other receivables	67,078	–	–	–38	38
Non-current receivables	4,101	–	–	–	–
Financial liabilities					
Trade accounts payable	33,289	–	–	2,344	–2,344
Other liabilities (current and non-current)	98,397	–	–	127	–127
Financial liabilities (current and non-current)	304,805	3,097	–3,097	2,970	–2,970
Total increase/decrease in earnings before taxes		**929**	**–929**	**2,409**	**–2,409**

(TCHF)	Carrying amount Dec. 31, 2007	Interest rate risk –1%	+1%	Exchange rate risk concerning the euro –10%	+10%
Financial assets					
Cash and cash equivalents	200,508	–1,257	1,257	–1,524	1,524
Trade accounts receivable	54,216	–	–	–2,987	2,987
Receivables due from joint ventures	399	–	–	–	–
Other financial assets (current and non-current)	37,031	–148	148	–2,277	–
Other receivables	44,815	–	–	–34	34
Non-current receivables	1,775	–	–	–	–
Financial liabilities					
Trade accounts payable	41,063	–	–	3,574	–3,574
Other liabilities (current and non-current)	109,916	–	–	219	–219
Financial liabilities (current and non-current)	306,202	2,007	–2,007	2,890	–2,890
Total increase/decrease in earnings before taxes		**602**	**–602**	**–139**	**–2,138**

To calculate the sensitivities, the yield curve was shifted up or down by 1 % while all other assumptions remained equal.

Capital risk

In managing capital (capital risk), the Highlight Group pays particular attention to ensuring that the continuation of the Group's operating activities is guaranteed with an appropriate return for shareholders. In order to achieve these goals, the Highlight Group can resolve a dividend payment, repay capital to the shareholders, issue new shares or sell assets in order to reduce debt.

The Group monitors its capital with the help of various parameters. Since January 1, 2007, a lower limit of equity of CHF 80 million applies. In this connection, all amounts from the acquisition of Constantin stock, which have been charged to capital reserves immediately in accordance with the economic entity model since January 1, 2007, are added to equity again. Furthermore, the ratio of net financial debt divided by earnings from operating activities in the last four quarters may never be higher than 3.5. In the event that this value rises to above 3.5 but not over 4.0 on any reporting date, the ratio is considered adhered to if it is below 3.5 on the following reporting date. Exceeding the value of 3.5 may only happen only once per calendar year. The parameters stated above were fulfilled in fiscal year 2008.

A breach of these parameters would result in a premature cancellation on the part of Highlight Communications AG's most important lender. The same cancellation right applies in a case of a change of investors (change of control clause).

8. Segment reporting

In line with IAS 14.44, segment reporting is carried out in accordance with the accounting policies used in compiling and presenting the consolidated financial statements. The primary segment are the business segments. Sales and assets are allocated to the regions in accordance with the location where the Group entities supplied the services in question. As a matter of principle, sales and payments between the business segments were supplied at arm's length prices.

The activities of Constantin Film AG and its subsidiaries as well as the Highlight investments in Rainbow Home Entertainment AG and Rainbow Home Entertainment GmbH are combined in the Film segment. Together with its subsidiaries and equity interests, Constantin Film AG is a leading producer and distributor of cinema, video/DVD and TV films. The nature of the operation is the production and manufacture of films and the exploitation of film rights acquired.

The Sports- and Event-Marketing segment encompasses the activities of Team Holding AG, an 80% subsidiary of Highlight Communications AG, whose principal role is to market the UEFA Champions League via its subsidiaries. Further marketing projects include the UEFA Cup, the UEFA Super Cup and the Eurovision Song Contest.

The Holding segment contains the holding company's administrative functions. These include Group management, Investor Relations, Controlling, Legal, Internal Audit and Human Resources.

Primary segment reporting format – business segments 2008

(TCHF)	Film	Sports- and Event-Marketing	Holding	Group
External sales	442,044	76,332	–	518,376
Other segment income	4,169	181	–	4,350
Segment expenses	–417,499	–43,199	–6,851	–467,549
thereof depreciation/amortization	*–134,979*	*–836*	*–*	*–135,815*
thereof impairment	*–8,131*	*–*	*–*	*–8,131*
Segment result	**28,714**	**33,314**	**–6,851**	**55,177**
Period result of associates	302	–	–623	–321
Non-allocable items:				
Financial income				2,798
Financial expenses				–16,148
Foreign currency result				3,046
Earnings before taxes				**44,552**
Other segment information:				
Segment assets	530,991	6,328	100,358	637,677
thereof investments in associates and joint ventures	*430*	*–*	*6,489*	*6,919*
non-allocable items				2,206
Group assets				**639,883**
Segment liabilities	391,671	22,135	110,012	523,818
non-allocable items				17,820
Group liabilities				**541,638**
Segment investments	**118,830**	**1,408**	**–**	**120,238**

Primary segment reporting format – business segments 2007

(TCHF)	Film	Sports- and Event-Marketing	Holding	Group
External sales	402,357	79,312	–	481,669
Other segment income	3,402	135	–	3,537
Segment expenses	–384,217	–41,401	–6,681	–432,299
thereof depreciation/amortization	*–107,941*	*–674*	*–*	*–108,615*
thereof impairment	*–6,947*	*–*	*–*	*–6,947*
Segment result	**21,542**	**38,046**	**–6,681**	**52,907**
Period result of associates	–13	–	–2	–15
Non-allocable items:				
Financial income				2,071
Financial expenses				–8,118
Foreign currency result				–1,119
Earnings before taxes				**45,726**
Other segment information:				
Segment assets	581,388	6,250	93,235	680,873
thereof investments in associates and joint ventures	*164*	*–*	*7,741*	*7,905*
non-allocable items				9,646
Group assets				**690,519**
Segment liabilities	448,883	18,312	109,389	576,584
non-allocable items				30,924
Group liabilities				**607,508**
Segment investments	**133,062**	**1,234**	**–**	**134,296**

Secondary segment reporting format – geographic segments

In its secondary segment reporting format, the Highlight Group distinguishes between the geographic regions German-speaking Europe, the rest of Europe and the rest of the world.

The Highlight Group has no significant assets outside the German-speaking area. Accordingly neither assets nor investments are to be classified geographically.

Sales and other operating income by geographic region break down as follows:

(TCHF)	German-speaking	Rest of Europe	Rest of the world	Total
External sales Jan. 1 to Dec. 31, 2008	461,542	31,128	30,056	522,726
External sales Jan. 1 to Dec. 31, 2007	440,208	19,502	25,496	485,206

9. The exercise of discretion and estimation uncertainty

In preparing the consolidated financial statements in accordance with IFRS, management is required to estimate values and make assumptions influencing the income and expenses, assets and liabilities and contingent liabilities reported as of the balance sheet date. These estimates and assumptions are based on management's best possible assessment based on past experience and other factors including estimates of future events. Estimates and judgments are continually evaluated. 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.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to income and expenses, assets and liabilities and contingent liabilities within the next twelve months are discussed below.

Provisions

The Group's provisions for expected returns of merchandise are based on an analysis of contractual or legal obligations as well as historical trends and the Group's experience. On the basis of information currently available, management considers these provisions to be adequate. As they are based on management estimates, they may have to be revised upon better information becoming available. Such adjustments could have an effect on the provisions recognized and the sales in future periods.

Impairment of non-financial assets

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year and if there are indications of impairment. Film assets and other non-financial assets are tested for impairment if there are indications that their carrying amount exceeds their recoverable amount. To determine the existence of any impairment, estimates concerning the expected future cash flows per cash generating unit from use and possible date of the sale of these assets are calculated. The actual cash flows may differ significantly from the discounted future cash flows based on these estimates. Changes in revenue and cash flow forecasts could lead to impairment.

Financial assets

The fair value of financial investments which are traded on organized markets is determined on the basis of the quoted market price on the balance sheet date. The fair value of financial investments for which no active market exists is determined by using the method of valuation. The method of valuation includes using the most recent arm's length transactions between knowledgeable and willing parties, comparison to the fair value of another basically identical financial instrument, the analysis of discounted cash flow and the use of other methods of valuation based on management's assumptions. The Group determines if an impairment of a financial asset or a group of financial assets exists on each balance sheet date.

Service productions

In determining the stage of completion of productions where the percentage of completion method is used, the cost-to-cost method (production costs incurred in relation to expected total production costs up to the balance sheet date) or the method of physical completion is used. Determination of the expected production cost and the stage of completion is based on estimates. Changes in estimates have a direct effect on earnings generated.

Provisions for litigation

The Group entities are involved in various disputes. On the basis of current knowledge, the Group assumes that these provisions are adequate. However, further litigation resulting in costs which exceed the existing provisions or insurance cover may arise. In addition, there is no certainty that the volume of disputes will not grow and that future disputes, claims, litigations and examinations will not be insignificant. Such changes may impact the provisions set aside for litigations in future reporting periods.

Deferred taxes

Extensive estimates are required to determine deferred tax assets and liabilities. Some of these estimates are based on an interpretation of existing tax law and rules. Management is of the view that the estimates are appropriate and take sufficient account of any uncertainty in the tax assets and liabilities. In particular, the deferred tax assets arising from nettable loss carryforwards are dependent on future profits being generated. Deferred tax claims arising from remeasurement are also dependent on future profits. Moreover, tax loss carryforwards are forfeited after a certain number of years in some jurisdictions. Actual profit may differ from estimates. Such changes arising may affect the deferred tax assets and liabilities recognized in future reporting periods.

10. Contingent liabilities and other financial obligations

The following table provides an overview of contingent liabilities and other financial obligations:

(TCHF)	Contingent liabilities	Purchase commitment for licenses	Rental and lease obligations	Total
Due within one year	13,399	–	5,991	19,390
Due between one and five years	–	50,605	15,532	66,137
Due after five years	–	–	1,505	1,505
Total	**13,399**	**50,605**	**23,028**	**87,032**

10.1 Contingent liabilities

At the end of the previous year, there was a rental guarantee for office space leased by Constantin Film AG of TCHF 379, which expired this year.

Guarantees have been issued to various TV stations for service productions totalling TCHF 13,399 (previous year: TCHF 14,329). The impact on the Group's assets, financial state and earnings from 2009 cannot be estimated with any reliability as of this date.

10.2 Purchase commitment for licenses

The Group obtains access to future film rights by concluding lease contracts. Film purchasing and production preparations lead to future financial commitments valued at around CHF 51 million (previous year: CHF 34 million).

10.3 Rental and lease agreements

Group entities lease and rent motor vehicles, equipment and buildings as well as various items of equipment, which are covered by operating lease contracts. Lease and rental expenses amounted to TCHF 6,571 in the period under review (previous year: TCHF 6,842).

Rental and lease agreements are allocated to the "operating lease" category in accordance with IAS 17.

As of December 31, 2008, the following minimum lease obligations were in force:

(TCHF)	Building and room rental	Motor vehicle lease	Other	Dec. 31, 2008	Dec. 31, 2007
Up to one year	5,635	186	170	5,991	5,669
Between one and five years	14,934	144	454	15,532	10,276
More than five years	1,494	11	–	1,505	3,224
Total	**22,063**	**341**	**624**	**23,028**	**19,169**

11. Relationships with related parties

Associated companies and joint ventures as well as companies controlled by members of the Supervisory Board are regarded as related companies for the purposes of IAS 24.

On June 25, 2008, EM.Sport Media AG published the documentation for its voluntary, public takeover bid to the shareholders of Constantin Film AG, Munich, to acquire the ordinary bearer shares of Constantin Film AG in return for payment of the volume-weighted average price of EUR 18.31 per share. The vesting period pursuant to section 93c of the German Securities Acquisition and Takeover Act (WpÜG) ended on October 27, 2008.

The voluntary, public takeover bid was connected with the increase in the EM.Sport Media AG shareholding in Highlight Communications AG to 37.6 %, which at this time held a stake of 95.48 % of the shares in Constantin Film AG. Highlight Communications AG had made an undertaking to EM.Sport Media AG not to accept the takeover bid for its Constantin shares.

It was also agreed between the parties that EM.Sport Media AG would sell on all Constantin shares in Highlight Communications AG acquired as part of the takeover bid at the takeover price of EUR 18.31, so that no Constantin shares would remain with EM.Sport Media AG from the voluntary takeover bid.

The bid for a total of 299,862 Constantin shares (i.e. 2.35 % of Constantin's share capital) was accepted by the end of the acceptance period on October 27, 2008. EM.Sport Media AG transferred these Constantin shares to Highlight Communications AG in return for payment of EUR 18.31. As a result, the Highlight Group's stake in Constantin Film AG has risen to 97.83 % and the free float has fallen to 2.17 %.

Please refer to the annual financial statements of Highlight Communications AG, note 7 for details of the remuneration and shareholdings of members of the Board of Directors and members of Group management.

Highlight Communications AG has concluded a consultancy agreement wit Mr Werner E. Klatten. The agreement has a fixed term from September 1, 2008 to December 31, 2010. The fee for the agreement amounts to TEUR 300 p.a. The fee will be paid in equal monthly instalments. In 2008, the instalments due under this agreement of TCHF 156 were paid or deferred.

In essence, the unrealized revenues and other income of TCHF 1,160 (previous year: TCHF 406) by the Highlight Group with PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH accrued in connection with the service production "Dahoam is Dahoam". As of December 31, 2008, receivables of TCHF 61 (previous year: TCHF 399) and prepayments received of TCHF 442 (previous year: TCHF 611) are carried.

Other operating income of TCHF 397 was generated with EM.Sport Media AG in the period under review. This is the resulting of licensing the rights to use the name Constantin. As of December 31, 2008, trade accounts receivable of TCHF 399 (previous year: TCHF 0) are reported.

In the year under review, expenses for renting server rooms of TCHF 10 were booked with DSF Deutsche Sportfernsehen GmbH, which is wholly owned by EM.Sport Media AG via an intermediate company. There were no liabilities to this company at the year end.

12. Disclosures on events subsequent to the balance sheet date

The Board of Directors of Highlight Communications AG is not aware of any events after the balance sheet date which have a material impact on the consolidated financial statements as at December 31, 2008 and have to be reported.

REPORT OF THE STATUTORY AUDITOR

to the General Meeting of Highlight Communications AG, Pratteln

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Highlight Communications AG, which comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 62 to 137), for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Häfliger	Josef Stadelmann
Audit expert	*Audit expert*
Auditor in charge	

Lucerne, March 30, 2009

FINANCIAL STATEMENTS

for the year ended December 31, 2008 of Highlight Communications AG, Pratteln

BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2008

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2008	Dec. 31, 2007
Current assets		
Cash and cash equivalents	12,527	8,051
Securities	25,932	35,284
Trade receivables		
from third parties	–	–
Other receivables		
from third parties	129	13
from Group entities	351	258
Prepaid expenses/accrued income	19	43
	38,958	**43,649**
Non-current assets		
Financial assets		
Investments	273,402	270,427
Intangible assets		
Film licenses	–	–
	273,402	**270,427**
Total assets	**312,360**	**314,076**

SHAREHOLDERS' EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2008	Dec. 31, 2007
Liabilities		
Trade payables		
to third parties	13	587
to Group entities	22,126	4,331
Current bank liabilities	106,298	107,914
Other current liabilities		
to third parties	7,161	1,411
to related parties	37	–
to Group entities	43,669	45,275
Deferred income/accrued expenses	1,313	1,278
Provisions	500	500
Non-current loans	–	11,000
Other non-current liabilities	346	3,175
	181,463	**175,471**
Shareholders' equity		
Share capital	47,250	47,250
Legal reserves		
General reserve	60,245	42,140
Reserve for treasury shares	6,374	24,479
Retained earnings		
Profit carried forward	16,833	19,652
Profit for year	195	5,084
	130,897	**138,605**
Total shareholders' equity and liabilities	**312,360**	**314,076**

INCOME STATEMENT FOR 2008

Highlight Communications AG, Pratteln

(TCHF)	2008	2007
License income	833	1,168
Miscellaneous revenues	968	633
Financial income		
Interest income	4,523	112
Income on securities	309	3,858
Income on investments	37,008	26,192
Total income	**43,641**	**31,963**
License expense	–383	–373
Personnel expense	–6,090	–6,992
Office and administrative expense	–3,700	–3,207
Depreciation on investments	–8,174	–6,945
Financial expense		
Interest expense	–7,122	–5,275
Expense on securities	–17,977	–4,087
Total expense	**–43,446**	**–26,879**
Net profit before taxes	**195**	**5,084**
Income taxes	–	–
Profit for year	**195**	**5,084**

NOTES TO THE FINANCIAL STATEMENTS 2008

Highlight Communications AG, Pratteln

1. Pledged assets as collateral for own obligations

	2008	2007
Shares in EM.Sport Media AG		
Number	5,527,847	4,300,000
TCHF	20,577	24,426
Shares in Constantin Film AG		
Number	12,466,062	11,887,878
TCHF	163,732	150,514
Shares in Highlight Communications AG		
Number	300,000	483,862
TCHF	2,233	6,931
Credit facility utilized		
TCHF	106,298	118,914

As at December 31, 2008, there was a restriction of the disposal of cash and cash equivalents in the amount of TCHF 4,623 (previous year: TCHF 0).

2. Contingent liabilities

Joint liability exists in respect to Group value-added taxation under Section 22 of the Swiss Value-Added Tax Act (Mehrwertsteuergesetz).

3. Notes on main investments

Company, domicile, purpose	Percentage	Issued capital	
Team Holding AG, Lucerne *Investments in sports and event marketing companies*	80.00 %	TCHF	250
KJP Holding AG, Lucerne *Holding company*	100.00 %	TCHF	100
Rainbow Home Entertainment AG, Pratteln *Distribution*	100.00 %	TCHF	200
Highlight Communications (Deutschland) GmbH, Munich *Marketing*	100.00 %	TEUR	256
Constantin Film AG, Munich *Production and distribution of films and holding company*	97.83 % (previous year: 95.12 %)	TEUR	12,743
Rainbow Home Entertainment GmbH, Vienna *Distribution*	100.00 %	TEUR	363
Escor Casinos & Entertainment SA, Düdingen *Gaming machine manufacturer and holding company*	24.97 %	TCHF	12,375

4. Share capital/authorized capital

On May 30, 2008, the Annual General Meeting established authorized share capital of CHF 12,750,000 and empowered the Board of Directors to execute a capital increase by issuing 12,750,000 bearer shares at CHF 1.00 each within a period of two years. A partial increase is permitted. No such capital increase has been implemented to date.

5. Shareholder structure

Shareholders with holdings of over 5 %	2008	2007
EM.Sport Media AG	47.31 %	26.31 %
KF 15 GmbH & Co. KG	–	11.28 %
MarCap Investors L.P.	8.06 %	9.06 %

For the stakes held by members of the Board of Directors and the Group management as well as their related parties, refer to note 7.

The Board of Directors is aware of no other material shareholdings (over 5 %).

6. Treasury shares (held directly or indirectly via subsidiaries)

	Number of shares	Average transaction price CHF	Transaction value TCHF	Reserve for treasury shares TCHF
Balance on January 1, 2008	2,198,852			24,479
Sales	–3,265,857	11.29	–36,870	–36,627
Acquisitions	1,826,808	10.14	18,522	18,522
Balance on December 31, 2008	**759,803**			**6,374**

7. Information on the remuneration of the Board of Directors and the Group management as well as ownership of company shares

Remuneration 2008 (TCHF)	Basis remuneration	Variable remuneration	Remuneration as committee member	Social security/ pension provisions	Total
Werner E. Klatten, Chairman, non-executive member	156	–	50	4	210
Bernhard Burgener, Delegate, executive member (highest remuneration)	1,310	450	198	275	2,233
Martin Wagner, Vice Chairman, executive member	930	331	108	234	1,603
Dr. Ingo Mantzke, executive member	405	261	10	124	800
Antonio Arrigoni, non-executive member (since May 30, 2008, Managing Director of Group mangagement until March 31, 2008)	150	61	10	31	252
René Camenzind, non-executive member	–	–	50	4	54
Dr. Erwin Conradi, non-executive member	–	–	50	3	53
Martin Hellstern, non-executive member	–	–	50	2	52
Total Board of Directors	**2,951**	**1,103**	**526**	**677**	**5,257**
Group management (consisting of two Managing Directors)	786	365	30	219	1,400
Total Group management	**786**	**365**	**30**	**219**	**1,400**

The basis remuneration also includes flat-rate expenses. Four members of the Board of Directors and the two members of Group management receive part of the cash remuneration in line with the stock price of Highlight Communications AG.

The date for calculating the variable remuneration is determined by the Board of Directors. The variable remuneration was paid out in the fourth quarter of 2008.

In fiscal year 2008, Werner E. Klatten received compensation for consultancy in the amont of TCHF 156, which is shown under basis remuneration.

Certain members of the Board of Directors receive additional remuneration for their activities in various committees of subsidiaries. These are disclosed under remuneration as committee member.

All remuneration was paid out in cash. No shares have been issued to the members of the Board of Directors or members of Group management.

Remuneration 2007 (TCHF)	Basis-remuneration	Variable remuneration	Remuneration as committee member	Social security/ pension provisions	Total
Bernhard Burgener, Chairman, executive member	1,310	647	190	243	2,390
Martin Wagner, Vice Chairman, executive member	929	477	109	209	1,724
Dr. Ingo Mantzke, executive member	405	377	10	110	902
René Camenzind, non-executive member	–	–	50	4	54
Martin Hellstern, non-executive member	–	–	50	2	52
Total Board of Directors	**2,644**	**1,501**	**409**	**568**	**5,122**
Group management (consisting of three Managing Directors)	1.179	694	31	277	2,181
Total Group management	**1,179**	**694**	**31**	**277**	**2,181**

In fiscal years 2008 and 2007, no remuneration was granted to former members of the Board of Directors or Group management members. Also no remuneration not in line with the market were granted to actual or former members of the Board of Directors or related parties of Group management members.

Loans and credits

As of December 31, 2008 and December 31, 2007, no loans and credits had been granted or were outstanding to members of the Board of Directors, the Group management members or related parties of the members of the Board of Directors and the Group management.

Shareholdings

As of December 31, 2008, the individual members of the Board of Directors and the Group management (including related parties) held the following number related parties of the members of the Board of Directors and the Group management.

	2008	2007
Bernhard Burgener, CEO, executive member	1,616,153	4,435,000
René Camenzind, non-executive member	628,715	1,253,715
Martin Hellstern, non-executive member	200,000	1,800,000
Dr. Ingo Mantzke, executive member	100,000	146,010
Antonio Arrigoni, non-executive member	–	7,000
Dr. Erwin Conradi, non-executive member	–	–
Werner E. Klatten, non-executive member	–	–
Martin Wagner, non-executive member	–	37,500
Dr. Paul Graf, Managing Director	–	33,000
Peter von Büren, Managing Director	–	34,653

8. Risk assessment

As part of the risk assessment, management compiles an inventory of risk divided into external and internal risks in an initial phase. In so doing, risks identified in previous years are analyzed, deleted if no longer relevant and newly identified risks are added. The risk identification process focuses on risks to which the Group as a whole is exposed; company-specific risks affecting the Group's equity interests are included in their risk assessment process.

In a second phase, the risks in the updated inventory of risks are assessed on a qualitative basis according to the likelihood of their occurring and the extent of the potential loss and depicted on a risk map.

For risks, which exceed a predefined risk acceptance line, the management is to take suitable measures to reduce and monitor risk. The results of the risk assessment including the action plan are discussed with the Board of Directors and approved by it.

Management carried out the annual risk assessment on November 13, 2008 and it was approved by the Board of Directors on November 24, 2008.

PROPOSAL FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

Highlight Communications AG, Pratteln

(TCHF)	2008
Profit carried forward	16,833
Profit for year	195
Retained earnings	**17,028**

The Board of Directors recommends the following resolution for the appropriation of retained earnings:

Payment of a dividend of CHF 0.17 per share	8,033
Amount to be carried forward	8,995
	17,028

The dividend proposal applies to all shares issued. The treasury shares as of the date of payment of the dividend are not dividend-entitled. Accordingly, the amount of the dividend depends on the number of shares held as treasury shares as of the date on which the dividend is paid.

REPORT OF THE STATUTORY AUDITOR

to the General Meeting of Highlight Communications AG, Pratteln

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Highlight Communications AG, which comprise the balance sheet, income statement and notes (pages 142 to 149), for the year ended 31 December 2008.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Häfliger	Josef Stadelmann
Audit expert	*Audit expert*
Auditor in charge	

Lucerne, March 30, 2009

Calendar of events 2009

Film

Cannes Film Festival	May 13 – 24
Locarno Film Festival	August 5 – 15
Venice Film Festival	September 2 – 12
Toronto Film Festival	September 10 – 19

Sports- and Event-Marketing

Eurovision Song Contest, semifinals	May 12 and 14
Eurovision Song Contest, final	May 16
UEFA Cup Final	May 20
UEFA Champions League Final	May 27
Vienna Philharmonic's Summer Night Concert	June 4

Investor Relations

Annual General Meeting	June 5
German Equity Forum	November 9 – 11
Quarterly reports	May/August/November

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ANNUAL REPORT 2008

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