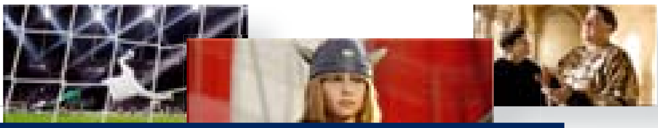
Highlight

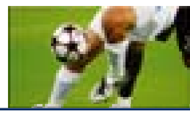
ANNUAL REPORT 2009

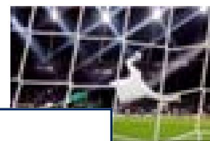
Swiss-based Highlight Communications AG is one of the largest and most successful media stocks listed in the German capital market. Its unique selling proposition is its broad product portfolio.



Highlight Communications AG at a glance (TCHF)		2009	2008
Consolidated balance sheet	Total assets	632,429	639,883
	Film assets	205,746	247,627
	Cash and cash equivalents	201,090	187,459
	Financial liabilities	317,871	304,805
	Equity attributable to the shareholders	106,091	91,696
Consolidated profit and loss account	Revenues	517,918	518,376
	Profit from operations	52,900	57,752
	Profit before taxes	44,246	44,552
	Net profit (Highlight shareholders)	31,999	29,777
	Earnings per share (CHF)	0.69	0.65
Consolidated cash flow statement	Cash flow from operating activities	122,841	148,519
	Cash flow for investing activities	–94,992	–146,676
	thereof payments for film assets	–120,676	–116,858
	Cash flow for/from financing activities	–14,067	1,860
	thereof dividend payments	–9,726	–9,837
	Cash flow for the reporting period	13,782	3,703
Personnel	Headcount as of December 31	670	705

The companies of the Highlight Group design, produce and market top events and premium formats in the areas of film, sports and music.





Highlight Communications AG, Pratteln, Switzerland

FILM

100 %

Constantin Film AG
Munich, Germany

Subsidiaries of
Constantin Film AG

100 %

Highlight Communications (Deutschland) GmbH
Munich, Germany

Rainbow Home Entertainment AG
Pratteln, Switzerland

Rainbow Home Entertainment GmbH
Vienna, Austria

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

SPORTS- & EVENT-MARKETING

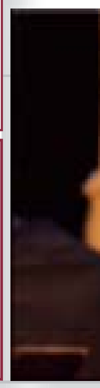
80 %

Team Holding AG
Lucerne, Switzerland

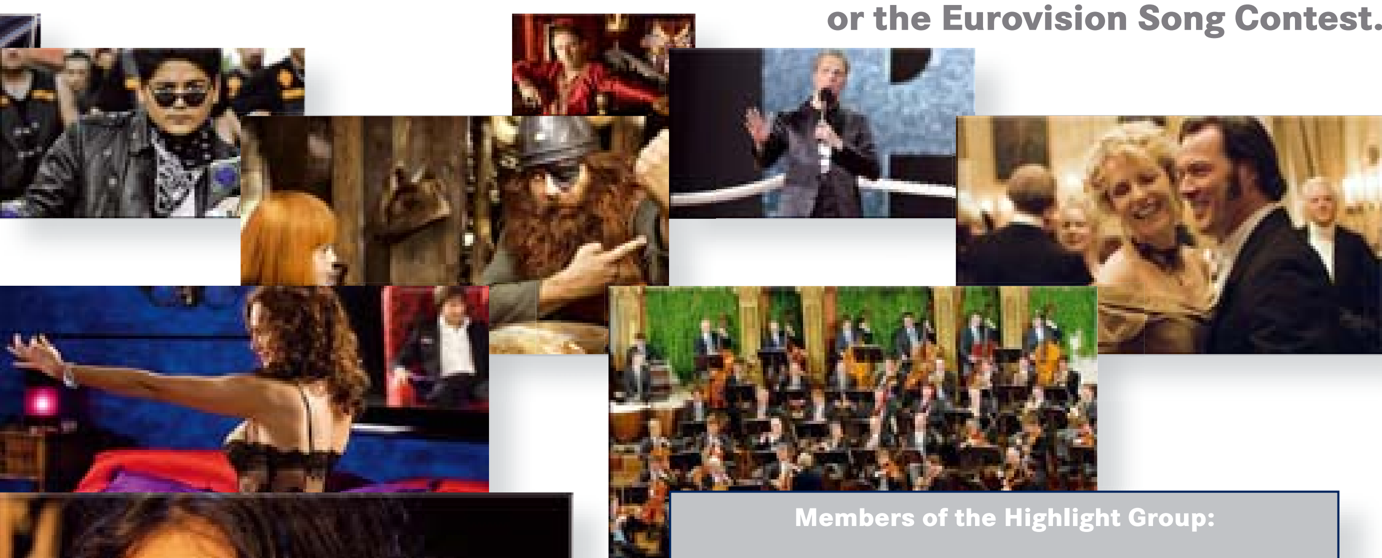
T.E.A.M. Television Event And Media Marketing AG
Lucerne, Switzerland

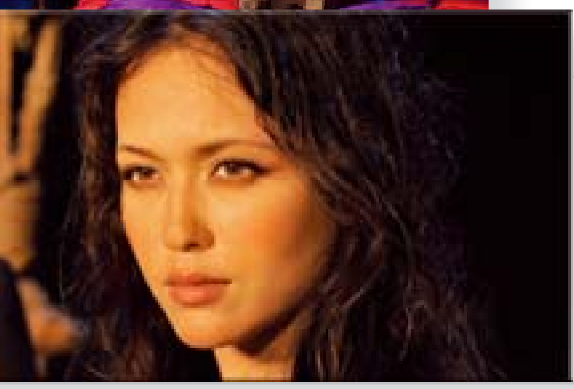
Team Football Marketing AG
Lucerne, Switzerland

- UEFA Champions League
- UEFA Europa League
- UEFA Super Cup
- U21-European Championship
- Eurovision Song Contest
- Vienna Philharmonic Orchestra



The Highlight spectrum ranges from top theatrical films and TV formats, premium football in the UEFA Champions League to traditional music events such as the New Year's Day Concert by the Vienna Philharmonic Orchestra or the Eurovision Song Contest.





Members of the Highlight Group:

Constantin Film

RAINBOW HOME ENTERTAINMENT

T.E.A.M.

CONTENTS

Proud winner:
Anja Kling received the Bavarian Film Award 2009 for her outstanding acting performance in the TV production “Wir sind das Volk – Liebe kennt keine Grenzen”.

FOREWORD BY THE CHAIRMAN AND THE DELEGATE

The Highlight Group again systematically continued its income-oriented growth course in fiscal year 2009.

- Both consolidated revenues and earnings per share were up on the forecast figures.
- With six films each drawing an audience of more than one million to cinemas, the Highlight subsidiary Constantin Film was once more by far and away Germany’s most successful independent distributor.
- The Highlight subsidiary TEAM successfully concluded the sale of the commercial rights for the UEFA Champions League and the new UEFA Europa League, achieving a considerable revenue upturn for the UEFA.

Dear shareholders and other interested parties,

Much of 2009 was dominated by the impression of the global financial crisis, which increasingly impacted the real economy. In this difficult environment, the Highlight Group succeeded in reaching, even partly exceeding, its targets. It closed the reporting year with a record result.

- At CHF 517.9 million, consolidated revenues were above our planning corridor of CHF 490 million to CHF 510 million.
- The net profit of Highlight shareholders reached CHF 32.0 million, the highest level in the history of our company.
- Consequently the same applies to earnings per share, which improved to CHF 0.69.
- Highlight Group's equity increased in comparison to the previous year by CHF 12.6 million to CHF 110.8 million. As a result, our adjusted equity ratio was 29.3 % at the end of fiscal year 2009.

This all goes to show that the Highlight Group is well positioned and has a very solid foundation. Our business model is a sustained one, successful even in difficult times.

Share in Constantin Film increased to 100 %

In March 2009, Highlight Communications AG detailed the squeeze-out demand to Constantin Film AG and in April Constantin Film AG's Annual General Meeting resolved the transfer of the remaining shares of minority shareholders to Highlight Communications AG. The resolution was entered into the Constantin Film AG commercial register on October 7. As a result, Constantin Film AG is a wholly owned subsidiary of our company. Constantin Film AG was delisted on the same day.

Constantin Film again shoulder to shoulder with the US majors

Last year, the German theatrical industry experienced a veritable boom. Strong products and the large-scale introduction of 3-D technology were key factors driving this success. Audience figures rose by approximately 13 %, while box office takings surged even more strongly, rising by almost 23 %. This success record was crowned with the performance of domestic productions (including international films with German involvement). With a 27.4 % share of visitors, it posted the highest level since statistical records began in 1991.

For Constantin Film AG the theatrical year 2009 was yet another successful year. As many as six films broke through the magical one-million barrier in admissions. With more than 11.6 million viewers, five of these films were ranked in the top ten German films attracting the largest audiences. This means Constantin Film achieved a commendable market share of almost 11 %, taking fourth position among all distributors on the German cinema market – ranked ahead of the US majors Walt Disney and Universal.

With almost 4.9 million viewers, the adventure comedy "Wickie und die starken Männer" of Michael Bully Herbig was the most successful German film. Of all the films launched in 2009, this put the Constantin co-production right behind the US blockbusters "Ice Age: Dawn of the Dinosaurs" and "Harry Potter and the Half-Blood Prince". In addition to the commercial success, "Wickie" was showered with awards – from the German Comedy Prize and the renowned Bambi media prize to two Bavarian Film Awards.

Home entertainment business area maintains its position in a growing market

In the home entertainment market, the advance of the Blu-ray high-definition format further accelerated in 2009. In Germany, sales generated with the medium surged more than 183 %. After four years of declining or stagnating revenues, the German home entertainment industry generated growth of 5 % again.

Driven by top-quality first releases on the Constantin film label, the Highlight Group largely maintained its market position in this environment. The top product was the Bernd Eichinger production “The Baader Meinhof Complex”, of which we sold a total of 390,000 data carriers (DVD and Blu-ray).

“Männersache” from and with star comedian Mario Barth also advanced to be a sales hit. Released at the end of September, a total of 210,000 units of the comedy were sold in only three months. Further bestsellers of our 2009 releases included Constantin’s licensed titles “Horst Schlämmer – Isch kandidiere!” and “Bangkok Dangerous”.

Successful marketing in Sports- and Event-Marketing

Our subsidiary TEAM successfully concluded 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 economic crisis, TEAM surpassed the high benchmark of the three-year period from 2006/07 to 2008/09, further increasing income for the UEFA by approximately 40 %.

The TV rights for both competitions were sold worldwide. TEAM thus established the conditions for further comprehensive TV coverage of the two most important club football competitions. In terms of sponsorship for the UEFA Champions League, our subsidiary extended the agreements with the long-standing partners Heineken, Sony, MasterCard, PlayStation and Ford, at the same time with UniCredit even gaining a new sponsor for the remaining sixth rights package. Also extended was the official ball supplier agreement with the sporting goods manufacturer adidas.

The collaboration with the Vienna Philharmonic Orchestra began with the traditional New Year’s Day Concert in 2009. TEAM was responsible for the sale of TV and radio rights for this classic event for the first time. The concert was broadcast to over 72 countries worldwide. The Summer Night Concert was also a great success. It attracted an audience of some 100,000 in the park of Schönbrunn Palace, and captivated an audience of millions to the TV screens in more than 50 countries.

Stock price does not reflect the positive operating trend

We cannot be satisfied with the performance of the Highlight stock price in 2009. A downturn of almost 19 % over the year in no way reflects the successful operating development and the high potential of the Highlight Group.

Challenging fiscal year 2010

The current fiscal year will be another year full of challenges. We are confident that a floor has been established and are placing our trust in our successful, broadly based business model. From today's perspective, we expect Highlight Group's consolidated revenues for 2010 in a range between CHF 420 million and CHF 440 million and earnings per share of between EUR 0.42 and EUR 0.44.

In theatrical distribution, we rely on the Constantin Film slate, which covers around 16 own/co-productions and licensed films as of today. The sequel "Vorstadtkrokodile 2" has already started well. Since its launch in mid-January, it has already thrilled more than 570,000 cinemagoers. At the beginning of February, the new Bernd Eichinger production "Zeiten ändern Dich" came into cinemas. It is the film adaptation of the biography of the well-known rapper Bushido. At the Berlinale we showed Doris Dörrie's new film, "Die Friseuse" which is also enjoying success in the movie houses.

Home entertainment will mainly benefit from new releases of Constantin's strong film slate from last year on DVD and Blu-ray. For example, directly after it was released, the culture clash comedy "Maria, ihm schmeckt's nicht!" hit the No. 3 position in the German sales charts. We are expecting a comparable performance from "Wickie und die starken Männer" and "Pope Joan", the film adaptation from the novel of the same name.

The activities in Sports- and Event-Marketing will concentrate on the operating area during the current year. The first highlight was the 2010 New Year's Day Concert of the Vienna Philharmonic Orchestra. Much work is being done to provide organizational support and development of the current competitions in the UEFA Champions League and the UEFA Europa League which culminate with the two finals in May. This is followed directly by the Eurovision Song Contest and the Summer Night Concert of the Vienna Philharmonic Orchestra.

On behalf of the entire Board of Directors, we would like to thank all employees of the Highlight Group. Their loyalty, motivation and commitment are key factors driving the success of our company. But we would also like to thank you, our shareholders, customers and business partners for the trust you have placed in the Highlight Group. Our stated aim is to justify this trust in the future.

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: Constantin Medien 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 Constantin Medien 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 Constantin Medien 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 V. 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 Constantin Medien 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. He is a member of the Board of Directors of 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.

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, 2009, the market capitalization of the company was around EUR 187.2 million at a closing stock price for the year of EUR 4.06.

1.2.2. 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, 2009, the market capitalization of the company was around CHF 31.31 million at a closing stock price for the year of CHF 25.30.

1.3. Non-listed companies

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.

On April 21, 2009 the Annual General Meeting of Constantin Film AG for fiscal year 2008 took place in Munich. All proposed resolutions of the management concerning the individual agenda items were approved with over 99 % of the votes. In particular, the resolution concerning the squeeze-out of the minority shareholders was passed. Some shareholders filed objections against the resolutions.

On October 7, 2009, the resolution of the Annual General Meeting of April 21, 2009 on the transfer of minority shareholders' shares in Constantin Film AG to Highlight Communications AG in exchange for a cash settlement in accordance with Sections 327a ff. of the German Stock Corporation Act was entered in Constantin Film AG's commercial register. The entry of this transfer resolution in the commercial register means that all shares held by minority shareholders have been transferred to Highlight Communications AG by law in accordance with Section 327e Paragraph 3 Sentence 1 of the German Stock Corporation Act.

The official listing of the Constantin Film shares was discontinued on October 7, 2009. On October 13, the admission of the shares of Constantin Film AG to the Regulated Market (Prime Standard) of the Frankfurt stock exchange was revoked.

1.4. Principal shareholders

On December 31, 2009, Highlight Communications AG was aware of the following shareholders with a share of more than 5 % of its share capital:

Constantin Medien AG	47.31 %
DWS Investment GmbH	8.25 %

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 subscribed capital as stipulated by Swiss law is bought back.

In the year under review, a total of 586,764 treasury shares were bought back and 200,000 treasury shares were sold. As of December 31, 2009, treasury stock comprised 1,146,567 shares, equivalent to 2.43 % of the company's subscribed capital.

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

1.5. Cross shareholdings

Constantin Medien AG holds 47.31 % of the subscribed capital of Highlight Communications AG.

Highlight Communications AG holds and controls 8.72 % of the subscribed capital of Constantin Medien AG. At the level of Constantin Medien 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 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 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, 2009, 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 Constantin Medien 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
Board of Directors of Kabel BW GmbH & Co. KG, Heidelberg, Germany

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:
Chief Executive Officer of Constantin Medien AG, Ismaning, Germany
Chief Executive Officer of Constantin Film AG, Munich, Germany
President of the Board of Directors of Constantin Film Schweiz AG, Basel, Switzerland
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 Escor Automaten AG, 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 Medien AG, Ismaning, Germany
Supervisory Board of Constantin Film AG, Munich, Germany
Board of Directors of Constantin Film Schweiz AG, Basel, Switzerland
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
Joint-CEO of T.E.A.M. Television Event And Media Marketing AG, Lucerne, Switzerland
Board of Directors of KJP Holding AG, Lucerne, Switzerland
Board of Directors of Escor Casinos & Entertainment SA, Düdingen, Switzerland
Board of Directors of Escor Automaten AG, 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 Medien AG, Zurich, Switzerland
Board of Directors of Axel Springer Schweiz 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 usgang.ch 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
Board of Directors of Sensile Holding AG, Baar, 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

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 Constantin Medien AG, Ismaning, Germany
Managing Director of EM.TV Verwaltungs GmbH, Ismaning, Germany
Managing Director of Constantin 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 V. 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 Constantin Medien 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 Holding AG, Baar, Switzerland
President of the Board of Directors of Sensile Medical AG, Hägendorf, Switzerland
President of the Board of Directors of Sensile Pat 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 Praesens Film AG, Zurich, Switzerland
Board of Directors of Atlantis Investment AG, Wil, Switzerland
Board of Directors of M.H. Movie Holding AG, Glarus, 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 four 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, 2009.

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 segment)

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), Hanns Beese (CFO), Martin Moszkowicz (Production) and Franz Woodtli (Home Entertainment).

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.

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 4.710 million (previous year: CHF 5.257 million) and was paid to eight people. This includes fees and expenses (see notes to the financial statements of Highlight Communcations 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, 2009, 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 V. 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 1.881 million (previous year: CHF 2.233 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 subscribed 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 2009.

8.2. Auditing fees

A sum of TCHF 75 was provided for auditing services of PricewaterhouseCoopers in fiscal year 2009, and TCHF 70 were paid. Additional fees of TCHF 64 were invoiced by PricewaterhouseCoopers 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.

Well earned prize:
The Goldene Leinwand was awarded to director Michael Bully Herbig and his leading actor Jonas Hämmerle for the popular film “Wickie und die starken Männer”.

HIGHLIGHT STOCK

The price of the Highlight stock did not benefit from improving sentiment on the stock exchange and the positive business performance of the Highlight Group.

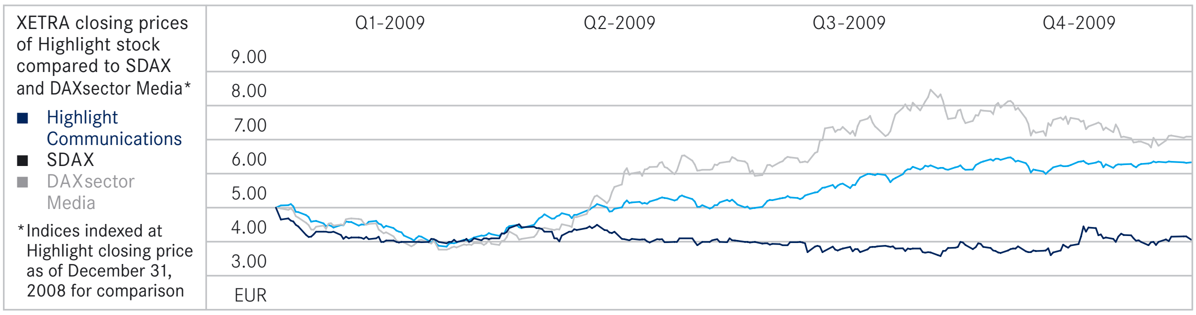
- At EUR 4.06, the closing price for the year was some 19 % down year-on-year.
- Based on shares outstanding, this represents a market capitalization of EUR 187.2 million.
- The remaining minority interests of Constantin Film AG were acquired in the context of a squeeze-out, so that the Highlight Group now has a 100 % stake in the company.

Stock markets on the upswing again

The stock markets in 2009 were characterized by two completely different developments. The German and international markets still looked nothing short of disastrous in the first quarter. International trade fell in the double digits while the global financial crisis triggered by the US real estate market plunged all the world's leading economic regions into recession. Already rattled equity investors reacted to this by remaining reserved in their business dealings. With volatility at a high level in general, this development caused sharp price losses, particularly in February.

However, a rally that was hardly thought possible began in mid-March and lasted until the end of the year. The reasons for this upswing were complex: On one hand, part of it was the psychological aspects of the recovered confidence in a foreseeable end to the global recession. On the other, trillions in government aid programs and the expansive monetary policies of central banks around the world led to a high level of liquidity on the capital market and historically low interest rates. This combination prompted many investors to invest more in stocks and bonds again.

All the mentioned factors caused many leading indices to regain a price level by the end of the year that was significantly above the lows of the beginning of March. For example, the US Dow Jones Industrial Average Index closed trading on December 31, 2009 at 10,428 points, an increase of around 19 % from the end of 2008. The Euro Stoxx 50, which tracks the price performance of the 50 largest companies in the euro zone, topped that with a jump of 21 %. The UK's FTSE 100 and the CAC 40 in France also did well, improving by 22 % in each case.



The German DAX recorded growth of around 24 % to close at 5,957 points, thus gaining more than 60 % in value since its low for the year at the beginning of March. Small caps and media stocks on the German stock market improved even more significantly in some cases, although they were also harder hit by the preceding price decreases compared to blue chip stocks. The German small cap index SDAX, which also includes the Highlight stock, increased by approximately 27 % to 3,549 points, while the index for German media stocks (DAXsector Media) rose by more than 41 % to 89 points from January to December.

The Swiss Market Index (SMI), which still recorded a slight negative performance as of the first half of 2009, also benefited from optimistic sentiment on the stock market. The SMI closed at 6,546 points on December 31, generating an increase of a little more than 18 % over the year as a whole.

Despite this positive growth overall, the effects of the financial crisis had a profound impact, especially on private investors. A representative survey by DZ BANK in November 2009 proves how strong their risk aversion still is: just under 27 % of those surveyed intended to invest part of their money in equity funds, while only 18 % considered investing in stocks directly. In contrast to this, around two-thirds of private investors preferred to invest in overnight money or time deposits. As a result, respondents also rated the “security of the capital investment” aspect much higher than the possible return.

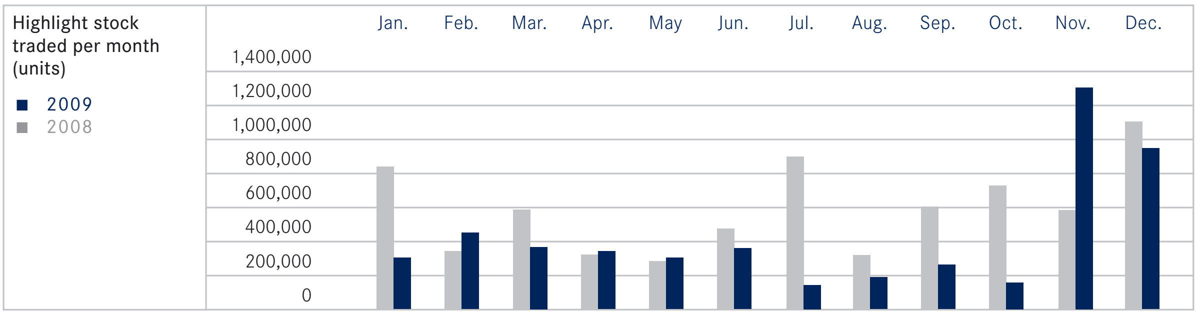
Highlight stock price does not follow market trend

Despite the positive business performance of the Highlight Group in fiscal year 2009, Highlight’s stock price unfortunately did not develop in line with the general upward trend on the German stock market. It closed XETRA trading on December 30, 2009 at EUR 4.06, ending the year down approximately 19 %.

At that time, 47.3 % of Highlight stock was held by Constantin Medien AG, while DWS Investment GmbH owned about another 8.3 % (previous year: MarCap Investors L.P., USA 8.1 %). Members of the Board of Directors as well as private and institutional investors also owned significant interests in Highlight Communications AG. As of December 31, 2009, free float amounted to 50.3 % as per the index weighting of Deutsche Börse.

After starting the new year at the previous year’s closing rate of EUR 5.00 (December 30, 2008), the price then gradually slipped – especially in January – due to the general decline in prices on the stock markets. At the end of the first quarter, this downward trend then changed to a sideways movement in the area of the EUR 4 mark. In two recovery periods (one at the beginning of April and one at the beginning of May), the Highlight stock climbed again to EUR 4.50 per share, but only held this level for a short time.

The downhill trend took hold again from mid-May to mid-September and the share price hit its low for the year of EUR 3.53 on September 22. A significant upswing then set in, bringing the price to EUR 4.50 again in mid-November before gradually losing ground again until the end of the year.



Approximately 5.14 million Highlight shares were traded in Deutsche Börse's XETRA trading system in fiscal year 2009, corresponding to a daily average of somewhat more than 20,200 shares. Sales of shares were therefore significantly lower compared to the previous year (28,200 per trading day). Among the stocks ranking in the Prime Standard on the Deutsche Börse outside the DAX as of December 31, 2009, Highlight shares were number 105 (December 31, 2008: 105) by trading volume and number 87 (December 31, 2008: 85) according to the assessment criterion of free-float market capitalization.

Dividend distribution planned

Our shareholders have shared in our company's earnings power for the last five years, so of course we would like to continue this practice in fiscal year 2009. For this reason, the Board of Directors will propose to the Annual General Meeting on May 28, 2010 to approve the distribution of a dividend at the previous year's level of CHF 0.17 per share. If this proposal is approved, the distribution would correspond to a dividend yield of 2.81% based on the closing price for the year of Highlight stock.

Stock buy-back program and placement used actively

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 2009, a total of 586,764 Highlight shares were acquired as a part of this program and 200,000 were placed with long-term investors. All the transactions in the current buy-back program can be viewed at all times on our website (www.highlight-communications.ch).

Subscribed capital of Highlight Communications AG was CHF 47.25 million as of December 31, 2009, divided into 47.25 million bearer shares with a nominal value of CHF 1.00 per share. As of the reporting date, the company held approximately 1.15 million treasury shares without voting rights (2.4% of subscribed capital). After deducting these shares, there were 46.10 million shares in circulation as of the end of the fiscal year.

The company received no notifications from members of the Board of Directors or the management of the Highlight Group regarding acquisition or sales transactions subject to reporting for fiscal year 2009.

As of December 31, 2009, the Delegate of the Board of Directors, Bernhard Burgener, and Board of Directors member René Camenzind held direct or indirect shares of more than 1% of the subscribed capital. Shareholdings and share interest from options of the members of the Board of Directors and the management of the Highlight Group as well as their related parties are as follows as of December 31, 2009:

Board of Directors	Shareholdings	Share interest from options
Bernhard Burgener, CEO, executive member	1,616,153	–
Werner E. Klatten, Chairman, non-executive member	–	–
Martin Wagner, Vice Chairman, executive member	–	–
Antonio Arrigoni, non-executive member	–	–
René Camenzind, non-executive member	628,715	–
Dr. Erwin V. Conradi, non-executive member	–	–
Martin Hellstern, non-executive member	200,000	–
Dr. Ingo Mantzke, executive member	100,000	–
Group management		
Dr. Paul Graf, Managing Director	–	–
Peter von Büren, Managing Director	–	–

Investor relations activities characterized by active communication

One of the focal points of our investor relations activities is providing investors, analysts and the financial press with complete and timely information. The basis for this are our regularly published annual reports and interim reports that provide a detailed insight into the current performance of our company. In addition, we inform capital market players of all key events at the Highlight Group in the form of press releases and ad hoc disclosures.

However, the core element of our investor relations work is and shall remain personal communication via active and open dialogs. For example, we conducted presentations and roadshows at international financial centers such as Rome, London, and Stockholm in 2009. We were also at the German Equity Forum – the most important investors' fair for small and medium-sized enterprises in Europe – to answer questions from capital market participants. It is our stated aim to achieve a fair assessment of the Highlight stock with this form of public relations and to convince potential shareholders of the value of an investment.

Along with direct communication, our website is the main information instrument for all interested parties. It was redesigned in 2009 and now provides an even clearer view of all relevant facts on the history and current developments at the Highlight Group. To ensure that all market participants are treated equally, new documents and information are always published in a timely manner on this medium. An even more convenient option is our newsletter service. Following a simple registration process on our website, users of this service receive all publications immediately and automatically via e-mail.

Delisting of Constantin Film AG following squeeze-out

Until October 7, 2009, the Highlight Group held approximately 97.8 % of the shares of listed company Constantin Film AG. The squeeze-out resolution resolved by the Annual General Meeting of Constantin Film AG on April 21, 2009 was entered in the commercial register on that date, meaning all shares held by minority shareholders (around 2.2 % of the issued capital) were transferred by law to Highlight Communications AG. Due to the resulting 100 % stake, the official listing of Constantin Film AG shares was discontinued on the same day.

Information on Highlight stock as of December 31, 2009

Subscribed capital	CHF 47.25 million
Number of shares	47.25 million
Stock class	Ordinary bearer shares
Shares in circulation	46.10 million
Market capitalization (in relation to shares in circulation)	EUR 187.2 million
Year-end price	EUR 4.06
52-week high (January 2)	EUR 5.00
52-week low (September 22)	EUR 3.53
Earnings per share	EUR 0.46

Key data of the Highlight stock

Securities code number (WKN)	920 299
ISIN	CH 000 653 9198
Ticker	HLG
Reuters Identification Code	HLGZ.DE
Indices	SDAX, DAXsector Media
Traded at	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, XETRA

Analyst coverage of Highlight

Sal. Oppenheim	May 2009	Neutral
Equinet	November 2009	Buy
DZ BANK	December 2009	Buy
Close Brothers Seydler	January 2010	Buy
Silvia Quandt	January 2010	Buy

REPORT ON THE HIGHLIGHT GROUP'S SITUATION

Despite the global economic crisis, the Highlight Group succeeded in reaching, even exceeding, its 2009 targets.

- At CHF 517.9 million, consolidated revenues were above the planning corridor of CHF 490 million to CHF 510 million.
- Net profit of Highlight shareholders set a new record of CHF 32.0 million.
- The same applies to earnings per share, which improved to CHF 0.69.


Triumph in Moscow:
The Norwegian singer Alexander Rybak won the Eurovision Song Contest 2009 with a new record number of points.

BUSINESS AND GENERAL CONDITIONS

Business activity

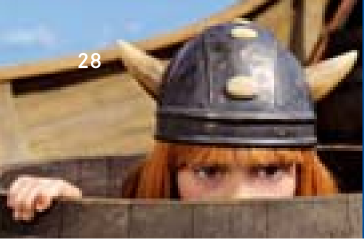
Successful films, sports and music

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 100% stake in Constantin Film AG, which, together with its subsidiaries and equity interests, is the leading German producer and distributor of cinema, video/DVD and TV films. Constantin Film AG's directly held foreign subsidiaries are involved in international in-house productions. In addition to the production of 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 licensed films. Distribution in Switzerland and Austria is carried out by the Rainbow subsidiaries, all of which are wholly-owned by Highlight Communications AG. In addition, third-party products are marketed in these countries. 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, 2009: 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 and the UEFA Europa League as its main projects. Further attractive marketing projects for the Team Group are the UEFA Super Cup, the Eurovision Song Contest and the Vienna Philharmonic Orchestra.



Great cinema for the whole family: “Wickie und die starken Männer”

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.

Control system and performance indicators

Focus on increasing enterprise value

Highlight Communications AG’s Board of Directors is responsible for the strategic orientation and management of the Highlight Group, while each subsidiary’s executive board is responsible for operating activities. At Constantin Film AG, this is the Management Board consisting of four members, while Team Holding AG has a five-member Board of Directors.

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 financial 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 profit and the return on equity (ratio of Highlight shareholders’ portion of net profit and their equity).

In addition, non-financial performance indicators are driving the company’s success and result from the requirements of the Group’s business model:

- In the Film segment, access to attractive themes and material as well as professional editing are decisive for economic success. This is why Constantin Film AG has worked very closely with well-known and experienced screenwriters, directors and producers in Germany and abroad for decades. They have a high level of expertise in developing and realizing fictional and non-fictional material. In doing so, it is especially important to Constantin Film to be able to offer a broad range of different genres in cinema and TV production.

  Constantin Film AG’s particular expertise in developing and producing films is documented by the fact that six of the Top 10 German films of the past 20 years were Constantin own/co-productions. Of the 30 most successful German cinema films of the last eight years, sixteen came from Constantin’s distribution slate.

- The decisive factor in the Sports- and Event-Marketing segment is the ability to market attractive and – usually – internationally exploitable rights. The most important requirement for receiving such marketing contracts is close and trust-based business relationships with the rights owners.

Main features of the remuneration system

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.

Virtuoso fun
with German-Italian
prejudices:
“Maria, ihm
schmeckt’s nicht!”

General economic conditions

Economic downswing on a broad front

The global state of shock triggered by the collapse of the Lehman Brothers investment bank in September 2008 continued to have a significant negative impact on the first half of 2009. Orders were delayed or cancelled in large numbers, while exports – the driving force in many countries – collapsed worldwide. For example, German exports fell by more than 20 % year-on-year in just three months. This figure was almost 50 % in Japan and even exports from China fell by around one quarter.

However, the multi-billion government economic stimulus programs launched at the end of 2008 around the world took effect from the middle of 2009. Almost at the same time, lost confidence also returned. Companies again purchased the inputs that they had postponed, which improved the order situation from month to month.

Despite this upswing, this recession, the most serious since the end of the Second World War, left deep scars on economies around the globe. The International Monetary Fund (IMF) determined a decline of the global economy by around 1 % for the year as a whole, which pertained chiefly to industrialized countries. For example, the IMF put the US economic decline at 2.5 % and euro zone slowdown at 3.9 %. Only Asia recorded any growth at all, with China the clear forerunner again at 8.7 % growth.

The German economy shrank in 2009 for the first time in six years. According to Federal Statistical Office (Destatis) calculations, price-adjusted gross domestic product (GDP) dropped by 5.0 %, marking the sharpest decline since the Federal Republic of Germany was founded. The trigger for this development was significant declines in foreign trade and investments in plant and equipment. Exports, which previously were the most important growth engine of the German economy, fell by 14.7 % and investments in plant and equipment were about one fifth less than in 2008. The only positive impetus in 2009 came from consumer spending, which increased by 0.4 % in the private sphere and by 2.7 % in the government sector.

The situation was similar in Austria, which also experienced its deepest recession since the Second World War. The preliminary figures from the Austrian Institute of Economic Research (WIFO) showed a sharp drop in export activity (–12.9 %) and a strong decline in corporate investments (–12.4 %) with a slight increase (+0.4 %) in private consumption. All in all, this pointed to a downturn in the Austrian economy of 3.4 %, somewhat less than the euro zone average of –3.9 %.

The economic development appears better in Switzerland, where projections by the State Secretariat for Economic Affairs (seco), published in mid-December 2009, reported a decline in GDP of 1.6 %. Although this is its deepest recession since 1975, the Swiss economy has survived the economic crisis relatively unscathed compared to many other countries. Even the Swiss economy suffered its largest declines in exports (–9.7 %) and investments in plant and equipment (–4.0 %).

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 past 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.

Election at first hand:
With the political satire “Horst Schlämmer – Isch kandidiere!” Hape Kerkeling took his popular TV character to the silver screen for the first time.

THEATRICAL PRODUCTION

German Federal Film Fund relaunched

The government of the Federal Republic of Germany will continue to support German production management in the next three years as part of the German Federal Film Fund (DFFF). In fall 2009, the continuation of the DFFF for another three year period was anchored in the coalition agreement and secured in the financial planning. As in the past, it provides funds of EUR 60 million per year. Implementing this resolution will continue to have a positive impact on the film production landscape in Germany.

In contrast, there is no end in sight yet in the ongoing disputes involving film levies to the German Federal Film Board (FFA). Cinemas/distributors, the video business, and TV broadcasters each contribute a third of the annual income of the FFA of roughly EUR 50 million. Last year, large cinema chains in particular brought a claim before the Federal Administrative Court in Leipzig on the basis of the different measurement criteria for different contributors. This has led to the current situation in which two-thirds of all cinemas are paying their contributions subject to reservations. As a result, this money for grants may not be paid out by the FFA.

Constantin film production remains at high level

2009 saw excellent capacity utilization in the area of theatrical production, making it again one of the most active years for our subsidiary Constantin Film. With principal photography beginning on a total of 15 own and co-productions – which includes four international co-productions – Constantin Film again held its own at the top of the German language cinema film production market.

Guaranteeing high ratings for years: “Die Hit-Giganten”, “Die Comedy-Falle” and “Richter Alexander Hold”

For example, the first take was shot for “Jerry Cotton”, a production by Constantin’s majority holding Rat Pack, in mid-April. This film is based on the dime novels of the same name published by Bastei, which have become the most commercially successful detective novel series in the German-speaking world. In addition to Christian Tramitz in the leading role of the clever FBI agent, the cast includes Christian Ulmen, Christiane Paul, Jürgen Tarrach and Heino Ferch. “Jerry Cotton” has been showing in theaters since mid-March 2010.

Principal photography for “Tiger Team – Der Berg der 1000 Drachen”, based on the well-known youth book series by Austrian author Thomas Brezina, lasted from mid-May to the end of July. This Constantin co-production, which was filmed in Austria, Vietnam and China, is about three young people on an exciting journey to the legendary Moonshine Palace in China, where many adventures await them. The main adult roles are played by Iris Berben, Stipe Erceg and Nina Proll. The film is planned for release across Germany at the beginning of May 2010.

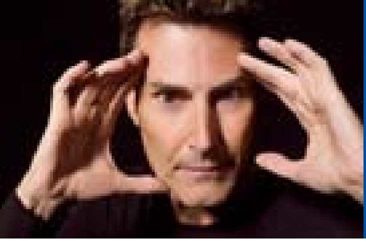
The new Bernd Eichinger production “Zeiten ändern Dich” was filmed from mid-July to the beginning of September in Berlin. It is based on the biography of the well-known rapper Bushido, who plays himself and also produced the soundtrack to the film. The additional roles in this gripping life story of the young school dropout and drug dealer who finally becomes a German phenomenon are played by a star cast of Moritz Bleibtreu, Hannelore Elsner, Katja Flint and Uwe Ochsenknecht. “Zeiten ändern Dich” has delighted cinemagoers since the beginning of February 2010.

Principal photography started in Toronto, Canada at the end of September for “Resident Evil: Afterlife”, now the fourth part of the Resident Evil series. Milla Jovovich again plays the main role of heroine Alice in this action thriller, which will be produced in 3-D, bringing a new dimension to the film in the truest sense of the word. The film will hit German theaters in mid-September 2010.

“Wir sind die Nacht”, the new film by director Dennis Gansel, was filmed from mid-October to mid-December in Berlin. The production by Constantin’s majority holding Rat Pack tells the story of three vampires Louisa, Nora and Charlotte, who become caught up in a maelstrom of love and jealousy. Nina Hoss, Jennifer Ulrich, Karoline Herfurth and Max Riemelt play the main roles. The film is expected to hit the silver screen at the end of October 2010.

In the area of third party productions, Constantin Film secured the German exploitation rights for seven high-quality films. Of these, the romantic comedy “The Baster” with a stellar cast of Jennifer Aniston and Jason Bateman is expected to start in Germany as soon as the beginning of April this year. The same is true for the exhilarating dance film “Step Up 3-D”, due to hit theaters at the beginning of August.

Erotic thriller “The Resident” with Oscar® winner Hilary Swank in the main role is not slated for completion until the end of 2010. This is also the case for “13”, an exciting thriller with stars such as Jason Statham and Mickey Rourke. Also still in the pipeline are historical action film “Centurion”, thriller “The Experiment” and underwater adventure film “Sanctum”, produced by “Avatar” star director James Cameron.



Best TV entertainment productions: “The next Uri Geller“, “Oliver Pocher O2-World“ and “Sportfreunde Pocher”

TV SERVICE PRODUCTION

In 2009, the TV industry recorded a noticeable decrease in advertising income due to the global economic crisis. The major private broadcasters in particular were forced to cut their programming costs, which led to considerable negative consequences for the TV service production market. For example, a real race in rounds of cutbacks has begun in the private television sector and there is no end in sight yet for the crisis in the media industry. The majority of TV providers do not expect the advertising markets to improve until 2011, according to study by state media institutions.

Constantin productions still ensure high ratings

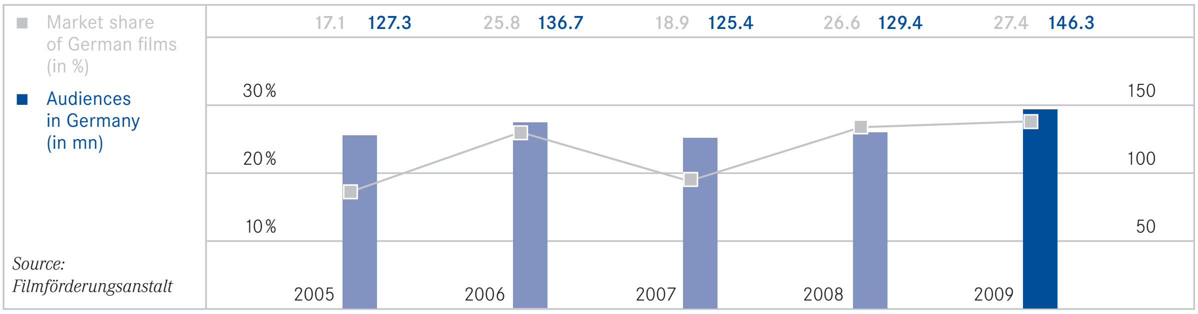
Against this background, Constantin Film’s TV service production business area had an increasingly difficult time achieving satisfactory results. However, our subsidiary is confident that it can keep the TV service production area on track since many productions in recent years generated extremely pleasing ratings.

This applies in particular to the three-part series “Krupp – Eine deutsche Familie”, produced by Constantin majority holding MOOVIE – the art of entertainment GmbH for ZDF. Broadcast at the end of March 2009, the first part of the tale of a once-powerful German industrialist family generated an excellent market share of 19.7 % of all audiences. The other two parts also performed well, generating market share of 19.4 % and 20.2 % respectively. The producer of the series Oliver Berben won the Audience Award for the Best TV Event at the Bambi Awards in November 2009. “Krupp” also received the DIVA German entertainment prize at the end of January 2010 for the most successful TV production.

PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH continued to produce the daily “Dahoam is Dahoam” for Bayerischer Rundfunk last year. The format has already been successfully broadcast since October 2007 as part of the early evening schedule. The third season is now being filmed, giving the daily’s growing fan community over 200 new episodes to look forward to. “Dahoam is Dahoam” consistently achieves a good market share of 14.8 % on the Bavarian TV market.

The production company implementing the project is Constantin subsidiary Constantin Television, which also produced the thriller “Whiteout” in co-production with ZDF Enterprises, Network Movie, Palomar and Mediaset. The two-part series based on a novel by best-selling author Ken Follet and starring such well-known actors as Heiner Lauterbach, Tom Schilling, Sophie von Kessel and Katharina Wackernagel was broadcast at the end of January on ZDF.

In contrast, Constantin subsidiary Constantin Entertainment felt the negative effects of the savings measures taken by private TV providers in the TV entertainment segment. In fall 2009, Sat.1 announced that it will remove the longstanding early-evening series “Lenssen und Partner” and “K11 – Kommissare im Einsatz” from its programming. However, this announcement has since been retracted to the effect that the station will broadcast at least new episodes of “K11” in the current year.



In particular, the comedy shows produced by Constantin Entertainment generated especially good ratings. For example, the two-part stage show “Oliver Pocher O2-World” broadcast at the end of April and beginning of May 2009 on RTL generated excellent market share of 19.5 % and 15.2 % respectively. Primetime event “Der grosse Comedy-Adventskalender” had excellent ratings of 23.4 % of the market share even on the day before Christmas Eve. Another ratings hit was the show “Ingo Appelt – Mein Gott: Eine Frau!” in mid-November 2009, which recorded very good ratings of 19.9 % in its advertising-relevant target group.

Constantin Entertainment continued to produce successful formats in other European countries, too. One of these was Polish-produced crime-documentary series “Malanowsky & Partnerzy” that generated an average market share of 18.4 % in September 2009. Other successes included Croatia-produced gameshow “Pobijedi Solu” with an average of 38.5 % of the market share in February 2009 and cooking show “Kitchen Nightmares” (23.6 % market share on a monthly average) in Greece.

THEATRICAL DISTRIBUTION

3-D fuels theatrical revenues

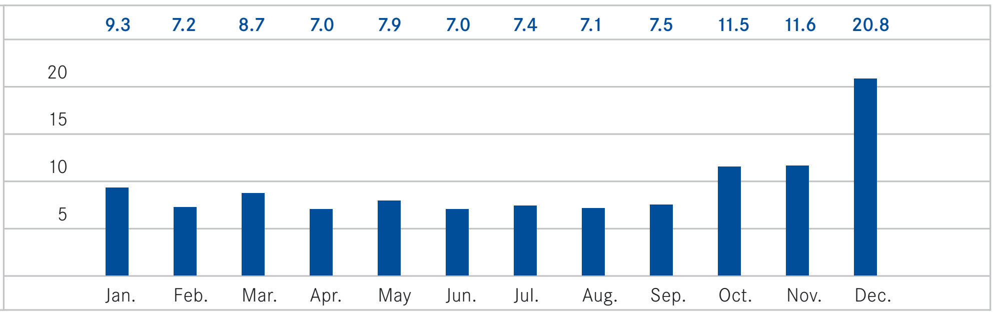
In 2009, the theatrical industry was one of the very few areas of the economy that did not suffer at the hands of the global economic crisis. Quite the opposite: new records were set on almost all major film markets. For example, US box offices sold more than 1.4 billion tickets – the best results of the past five years. At USD 10.6 billion, revenues broke the two-digit billion mark for the first time ever. This also means Americans again spent more money for going to the movies than for DVDs for the first time since 2002.

With the exception of Universal Pictures, all major studios had theatrical revenues of more than USD 1 billion on their domestic markets. Paramount Pictures achieved this feat with only 15 films. To compare them: With 36 titles, market leader Warner Bros. had by far the largest distribution slate. A total of 32 of its films succeeded in breaking the magic box office barrier of USD 100 million. The number one hit of the year was Paramount title “Transformers: Revenge of the Fallen”, which brought in more than USD 400 million, but one must take into account that the high-flying film “Avatar” did not start in American cinemas until mid-December.

The UK’s market performance was similar to that of the US. British box offices also set a new record by taking in over GBP 1 billion, while audience figures of almost 174 million had not been seen since 2002. This upswing was mainly due to the US blockbusters “Harry Potter and the Half-Blood Prince”, “Avatar” and “Ice Age: Dawn of the Dinosaurs”, but German productions such as Oscar® winner “Slumdog Millionaire” also achieved good results.

French cinema operators can also be very satisfied with the last year after audience figures increased by around 6 % to more than 200 million in France. The last time results were so strong was 1982 – in times when it was much easier for the movie theater to dominate the world of entertainment since DVDs, pay TV or film offerings on the internet did not exist yet.

Box office admissions in Germany 2009 (in mn)



Source: Filmförderungsanstalt

The common denominator among all these new records is 3-D. Seldom before has a technological innovation in cinema generated such dynamism. This new technology immediately attracted a broad audience, who also willingly accepted a significantly higher ticket price. The best example of this enormous audience response is fantasy phenomenon "Avatar", the first film in history to have global box office takings of more than USD 2 billion.

Germany also saw record growth

Similar to the positive performance on the international markets, the German theatrical industry also ended 2009 on an extremely successful note. According to analyses by the German Federal Film Board, a total of 146.3 million people went to the movies – a clear increase of 13.1 % as compared with 129.4 million in the previous year. Thanks to the higher ticket prices for 3-D performances, revenues were even above average. The revenue increase of EUR 181.4 million to EUR 976.1 million corresponds to a rise of a whopping 22.8 % over the previous year period.

This means the 2009 theatrical year is "shoulder-to-shoulder" with the record figure of 2001 (EUR 987.2 million). Particularly noteworthy in these results is the fact that there were hardly any lows during the year, although no one film attracted more than 2.5 million cinemagoers in the whole first quarter. In addition, there were virtually no Hollywood blockbusters until mid-year. The one exception was the film adaptation of best-seller "Illuminati", which broke the top five of the German annual charts with a total audience of around 4.6 million.

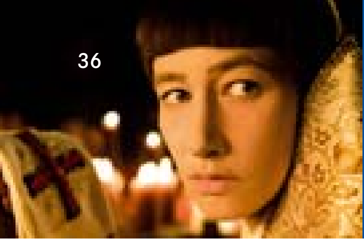
Audience success in the first six months was due to a wide range of films such as "Twilight" or "Slumdog Millionaire" that served very different genres and thus enticed a variety of age groups into theaters. As a result, as many as 22 films succeeded in breaking the magic barrier of one million visitors in this period.

However, US major productions, primarily animated comedy "Ice Age 3", then dominated the second half of 2009. It delighted a total of 8.7 million visitors to advance to the most successful film of the year by far. With more than 6.1 million tickets sold, it was not unexpected that "Harry Potter 6" secured the number two spot. "Avatar" managed to achieve the feat of fascinating over 3.4 million viewers in just two weeks even though it was not released until mid-December and thereby brought in EUR 37.6 million.

German films bolster the upswing

German films put in another outstanding performance in 2009, making a major contribution to overall results. Including revenue from co-productions with German involvement such as "The Reader" or "The International", German productions realized EUR 245.7 million, corresponding to a market share of 25.5 % and therefore another increase over the already high percentage from 2008 (22.5 %).

The increase is lesser in terms of visitor numbers since the lack of German 3-D films meant they did not benefit to the same degree from higher ticket prices as the Hollywood productions did. A total of 39.9 million movie tickets were sold for German films – a 27.4 % share of the visitor market and a year-on-year improvement of 0.8 percentage points. German productions also improved again in quantitative terms: Of the 538 films (2008: 482) shown in German cinemas last year, 212 came from Germany (27 more than in the previous year).



Bestseller adaptation with international star cast: “Pope Joan”

The German-Austrian co-production “Das weisse Band” (The White Ribbon) celebrated impressive successes in the international arena – it was practically showered with prestigious awards. After it won the Golden Palm in Cannes and several critics’ prizes, the drama by Austrian director Michael Haneke won three European Film Awards in December – including in the top category of “Best European Film”. The interim highpoint of its global recognition followed in mid-January 2010 when “Das weisse Band” prevailed in the race to win the Golden Globe for Best Foreign Film. Since this triumph at the latest, it has also been the favorite at the Oscar® Awards, which took place at the beginning of March.

Constantin has six films with one million or more viewers each

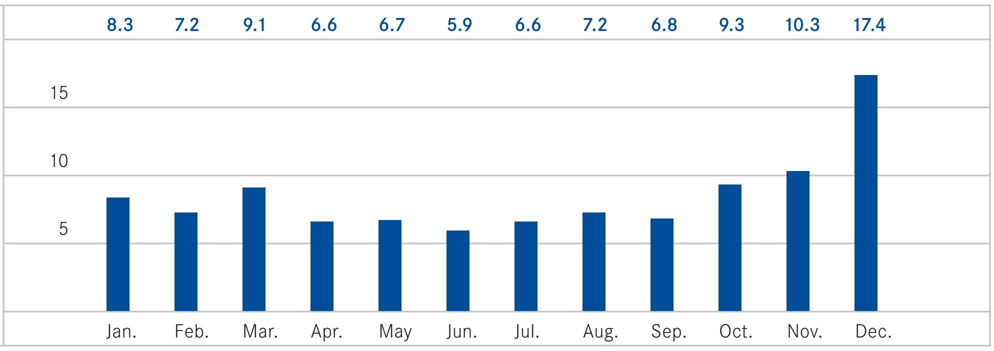
Our subsidiary Constantin Film once more played a key role in the upswing in German film, releasing 15 distribution titles (12 own/co-productions and three licensed films) in cinemas in the year under review. Six films in this series alone broke the one million viewer mark. With a total of 11.6 million viewers, five of these films with one million or more viewers placed in the top ten of the most successful German films of the year. These impressive results secured Constantin a market share of 10.7 % by visitors and 10.0 % by revenue, which means fourth place among all distributors – still ahead of Walt Disney, Universal and Paramount.

The most successful German film of the year was the Constantin co-production “Wickie und die starken Männer” with approximately 4.9 million visitors. This gave the adventures of this little Viking boy an excellent third place, ranking among the Top 25 of all films launched in Germany. In terms of revenue, the film reached fifth place with roughly EUR 28.2 million. “Wickie” creator Michael Bully Herbig won the German Comedy Prize, the Bambi media prize, and two Bavarian Film Awards at the same time in addition to the “Goldene Leinwand” for more than 3 million viewers for these impressive results.

The international Constantin co-production “Pope Joan” with Johanna Wokalek in the title role, which attracted more than 2.3 million people to the theaters, was also high in the cinemagoers’ favor. The screen adaptation of the best-selling novel of the same name by Donna Woolfolk Cross thus placed third on the charts of the top German films of 2009. Constantin’s own production “Männersache” – the first cinematic film by and with German star comedian Mario Barth, delighted over 1.8 million viewers to secure sixth place.

Ranks 7 and 9 were taken by “Horst Schlämmer – Isch kandidiere!” and “Maria, ihm schmeckt’s nicht!”, also films from Constantin’s distribution slate. The licensed film “Horst Schlämmer”, a project that was kept secret until just before the film was launched, brought comedian Hape Kerkeling’s best-known fictional character to the big screen and was enjoyed by more than 1.3 million cinemagoers. The situation was similar for the culture clash comedy “Maria, ihm schmeckt’s nicht!”, which attracted an audience of around 1.3 million. The series of Constantin’s million-viewer films of 2009 is rounded off by the spirited youth comedy “Die wilden Hühner und das Leben”.

DVD/Blu-ray discs sales in Germany 2009 (in units mn)



Source: Gesellschaft für Konsumforschung

HOME ENTERTAINMENT

Blu-ray picking up speed

Similar to the positive impact that 3-D technology had on the theatrical industry, the home entertainment market received a boost in 2009 from the Blu-ray disc. For example, this medium generated revenues of USD 1.5 billion in the U.S. – double the previous year's figure. U.S. consumers bought more than half a billion dollars worth of Blu-rays in the fourth quarter alone, corresponding to more than 13 % of the total video sell-through market. But not even this upswing prevented the U.S. video market from recording overall negative growth of 5 %, because DVD sales virtually collapsed.

In France, the industry enjoyed a jump in sales of 12 % and – for the first time in four years – a slightly positive revenues development of 0.5 % thanks to Blu-ray. 4.5 million Blu-rays were sold in France in 2009, corresponding to growth of 135 % for the format while revenues volumes increased by 110 % to EUR 110 million. Blu-ray thus accounted for 8 % of revenues in the French video sell-through market as of the end of the year.

Market penetration by the high-definition format also continued in Germany at an accelerated rate. According to analyses by the GfK Group (a large German market research company), revenues generated by Blu-ray discs increased from EUR 42 million in 2008 to EUR 119 million now – a jump of more than 183 %. As a result of this growth, the Blu-ray market share of the German retail sector was 9 % at the end of 2009.

The German home entertainment industry as a whole generated EUR 1.63 billion in revenues, up around 5 % from the previous year (EUR 1.56 billion). In addition to the substantial increase in the Blu-ray segment, the DVD sell-through market also enjoyed pleasing growth. After suffering a 3 % loss last year, revenues increased again in 2009 by more than 1 % from EUR 1.24 billion to EUR 1.26 billion.

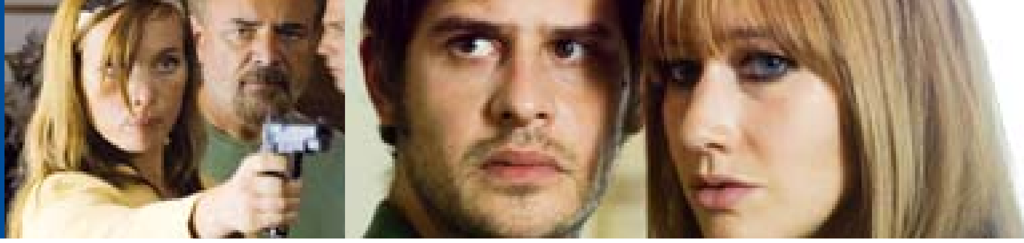
With a total of 112.8 million data carriers sold in 2009, the industry also set a new sales record. The barrier of 110 million units sold was broken for the first time, exceeding the previous year's figure (103.7 million) by almost 9 %. This sales increase is not reflected to the same degree in sales income due to steadily decreasing retail prices. The decrease in average DVD prices of EUR 0.45 to EUR 11.81 remained moderate, while Blu-ray discs recorded a real price collapse of 24 % to EUR 19.18.

Rental business still in decline

German rental outlets had little to be pleased about as their downswing continued in 2009. With another decline in revenues of 3 % to EUR 256 million (previous year: EUR 264 million), this industry recorded decreasing income for the fifth year in a row. Rental outlet operators have still not succeeded in stopping the loss of customers. After the number of rental customers had already fallen to 8.2 million in 2008, it again fell by around 5 % to 7.8 million in 2009.

As a result, the number of rental transactions decreased to 105.1 million (previous year: 107.5 million), which for the first time was below the number of data carriers sold. The only bright spot in the rental business was the strong growth of the Blu-ray segment, which almost tripled in revenues as well as rental transactions. However, even this considerable increase did not offset the declines in the DVD area.

Dark chapter in Germany's history: “The Baader Meinhof Complex“



Highlight Group had successful new releases

Under these generally positive economic conditions, the Highlight Group maintained its market position in the German-speaking region to a large extent. In Germany, where we cooperate with our sales partner Paramount Home Entertainment, we attained a joint market share in the sell-through area of 9 % and at rental outlets of 12 %. Our Rainbow distribution companies also maintained our market shares in Austria and in Switzerland.

The main driver of our 2009 product portfolio continued to be new releases under the Constantin Film label – primarily the Bernd Eichinger production “The Baader Meinhof Complex”. This hit cinematic film went on sale at the beginning of March and sold 390,000 units (DVD and Blu-ray) by the end of the year. This gripping RAF drama thus became the top-selling German video production of the first half of the year and claimed a place among the Top 50 of all new DVD releases of 2009. In addition, “The Baader Meinhof Complex” won the best production prize in the “German Film” category at the presentation of the industry award Video Champion 2009.

We enjoyed a similar sales success with Constantin's own production “Männersache”, which we released to market at the end of September. Stores sold 210,000 units of the comedy event by and with Mario Barth, also putting it in the Top 50 in the segment of new DVD releases. Constantin co-production “Die wilden Hühner und das Leben”, which we released in mid-August, also achieved very pleasing figures. After this third part of the “Wilde Hühner” series had already attracted around one million people to theaters, more than 180,000 copies of the home cinema version were sold.

Other highlights of our 2009 release slate also included licensed film “Bangkok Dangerous”. We released this action thriller starring Oscar® winner Nicolas Cage straight to video at the end of January. Additional bestsellers included the war drama “Defiance” featuring “James Bond” actor Daniel Craig and licensed film “The Women” with Meg Ryan, Annette Bening and Eva Mendes.

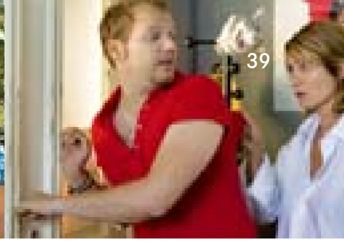
LICENSE TRADING/TV EXPLOITATION

Economic crisis forces savings measures on TV broadcasters

The impact of the economic crisis has affected the media industry globally in 2009. Established business models around the world were put to the test and it remains to be seen how the markets will develop in the future. For example, the Time Warner Group – the largest media company in the world by sales – was becoming more and more affected by challenges such as digitalization and a plummeting advertising income. The company has said it intends to counteract its accumulated net losses in the double-digit billions by spinning off some of its business areas and concentrating more on television and film again.

In Germany, advertising marketers SevenOne Media and IP Deutschland announced that their customers were clearly reserved in booking advertising spots for the time being. The automotive industry and the financial sector in particular, which were especially hard hit by the crisis, canceled their advertising spots on commercial TV. A few months later, Bertelsmann (RTL, Gruner + Jahr, etc.), the ProSiebenSat.1 Group and Sky Deutschland pay TV reacted to the loss of advertising income with restructuring and massive cost saving programs. For example, Bertelsmann intends to save around EUR 1 billion in 2010, a substantial part of which relates to the RTL TV stations.

Successful not only on the stage: star comedian Mario Barth in “Männersache”



Public broadcasters who can draw on billions in guaranteed fee income were significantly less affected by this, but also will have to adjust to harder times. Due to demographic change and an increasing number of low-income households, the income of ARD, ZDF and regional programs will decrease noticeably in the coming years. ARD alone estimates that the broadcasters’ association will be short approximately EUR 200 million by 2012.

The consumer side was much more positive in the year under review, since TV viewing has increased in Germany for the first time in three years (according to media control). TV sets remained on an average of five minutes longer per day in 2009 than in 2008. With a market share of almost 17 %, RTL was by far the favorite broadcaster among younger viewers (14 to 49 years old). In contrast, ARD maintained its top position of 13 % with the audiences in general, although it did have to give up market share because there were no major soccer events this year.

Output agreement with ProSiebenSat.1 extended

License trading at our subsidiary Constantin Film was satisfactory in the year under review, despite the overall difficult market conditions. Significant revenue was generated from licensing TV rights to films such as “The Baader Meinhof Complex”, “Hui Buh – Das Schlossgespenst”, “Perfume – The Story of a Murderer”, “Schwere Jungs”, “La Vie en Rose”, “Neues vom Wixxer” and “Apocalypto” for free TV. For pay TV, TV rights were licensed for films such as “Step Up 2 the Streets”, “The Wave”, “Asterix at the Olympic Games”, “Michael Clayton”, “Fantastic Four – Rise of the Silver Surfer” and “Why Men Don’t Listen and Women Can’t Read Maps”.

In addition, Constantin extended the output agreement with ProSiebenSat.1 in the fourth quarter of 2009, thus largely securing the future exploitation of Constantin’s film library in free TV. The new framework agreement now includes all Constantin own and co-productions that begin filming by December 31, 2011.

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

Economic crisis affects media markets and TV business models

The media markets – especially TV – did not escape the effects of the economic crisis. Two trends in the TV sector can currently be observed:

The difficult market situation hit the private, free-to-air TV broadcasters (free TV) faster and harder in the short term than pay TV, as free TV broadcasters are largely dependent on advertising income which they then use to finance their programs. However, advertising clients such as automobile manufacturers or pharmaceutical companies do not view their advertising budget as part of their core business. This spending is therefore cut or eliminated very quickly in times of crisis, which had dramatic consequences in some cases for private TV broadcasters in the first half of 2009. In contrast, public TV broadcasters were less affected since they generate a significant portion of their income from "government-guaranteed sources".

Advertising expenditure then stabilized in the second half of the year, meaning a further recovery is expected for the current year. Nonetheless, private free TV providers have already taken measures in reaction to the dramatic cuts in advertising budgets as a result of the economic crisis. They reduced their programming costs significantly on the one hand, while increasing their efforts to reduce their dependence on traditional advertising income and establishing direct business with end customers on the other. This includes expanding pay-per-view offers on the internet as well as mobile services, which are paid for directly by the user. This trend is also expected to gain momentum in 2010.

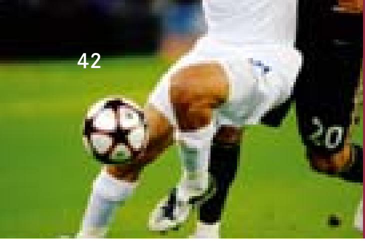
Resounding victory:
FC Barcelona won the crown of European club football in a gripping UEFA Champions League final.

Compared with free TV, pay TV is based on a business model that is more stable in the short term since subscription agreements are usually for 12 to 24 months. This means the effects of the economic crisis are felt more in the medium term in this sector. However, a generally subdued consumer climate makes it increasingly difficult to gain new subscribers and extend existing subscription agreements.

Against this background, the crisis acted as a catalyst for the diversification of business models in the pay TV sector as well. Traditional pay TV (business with end customers only) is now stepping up its efforts to expand business relationships with advertising clients. Pay TV broadcasters are also focusing more on internet and mobile services, which are at the same time experiencing growing pressure to operate profitably.

Although neither of these developments is new, both have taken on greater significance due to the economic crisis. Increasing diversification of traditional business models will blur the lines between free TV and pay TV even more in future when a diverse and homogeneous market arises.

Major internet companies such as Google, Yahoo, and Apple as well as telecommunications providers are genrating additional competition by positioning themselves on the market with more and more IPTV offers. These developments will put more competitive pressure on traditional media.



Year in, year out, a draw for the spectators: the UEFA Champions League

Premium rights retain their importance

Rising competition on the media markets has also resulted in stronger competition for premium sports rights. Thus the market for top sports rights such as the UEFA Champions League or the UEFA Europa League was largely resistant to the economic crisis in the year under review.

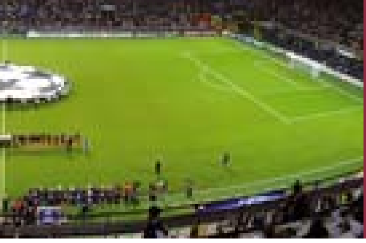
Since both the New Year's Day Concert and the Summer Night Concert of the Vienna Philharmonic Orchestra as well as the Eurovision Song Contest are anchored in public TV (i.e. generally not financed from advertising income) via the European Broadcasting Union (EBU), the overall difficult market conditions were much less noticeable in the music sector. It also paid off that these events are excellently positioned in this segment as premium events.

Revenues from sports sponsorship are down

Sports sponsorship continues to enjoy a high level of acceptance from the public. A German market research study from May 2009 shows that only 8% of 1,400 persons surveyed believe sports sponsorship activities are inappropriate due to the economic crisis. In contrast, 59% said sponsorship is an important support for associations and athletes (Sensor: Football 2009; TNS Emnid for mediaedge:cia).

Despite this broad agreement, sport sponsorship also suffered a slight setback due to the difficult macroeconomic climate in the year under review. Overall, revenues are expected to decline by 5% to 10% as compared with 2008 (Hartmut Zastrow, SPORT + MARKT). More exact figures will not be available until later. In this context, experts do not yet agree if sports sponsorship has already found a way out of the crisis. At Future Sponsorship 09, a sponsorship conference that took place at the end of November in Brussels, 80% of the 200 sponsorship and marketing managers present believed that sponsorship is still in a recessive phase.

However, auditors PricewaterhouseCoopers (PwC) predicted a much brighter future for sponsorship at the same event. The PwC analysis shows that the sponsorship industry is already showing clear signs of a recovery. Within that, income from ticket sales, sponsorship, merchandising and the sales of media rights are expected to achieve the highest growth levels in the next four years. However, at the same time PwC stresses the importance of no longer viewing sponsorship as a pure marketing activity but as a comprehensive business solution. Digital technology will play an increasingly important role in this – sponsors need more and more digital content for their brands to communicate with consumers in a credible way on their sponsorship platforms. This is a fact that should also be noted in future in regard to the parallel marketing of media rights.



Enthusiastic fans and full stadiums, also with the new UEFA Europa League

Central marketing of UEFA Champions League and UEFA Europa League reaches successful conclusion

In fiscal year 2009, the first priority on our subsidiary TEAM's agenda was closing the almost two-year selling phase for the commercial rights to the UEFA Champions League and the new UEFA Europa League for the 2009/2010 to 2011/2012 seasons. In the process, TEAM generated a significant increase in revenues for UEFA and thus for the participating clubs and European football as compared with the three-year period from 2006/2007 to 2008/2009 – even despite the extremely difficult market conditions.

TEAM sold the worldwide TV rights for the two most important club football competitions on behalf of the European Football Association UEFA. Thanks to the professionalism of our subsidiary, the global TV coverage of both competitions could be accomplished. TEAM extended agreements with long-standing partners as well as attracted new interest for the UEFA Champions League from a number of notable TV broadcasters such as Sat.1 in Germany, TVE, Forta and GolTV in Spain and FOX in the US.

In terms of sponsorship of the UEFA Champions League, UEFA announced that all six available packages of rights were sold. This news was very well-received in light of the difficult market environment. UniCredit (one of Europe's leading banking groups) was the new partner to sign on, while long-standing partners Heineken, Sony, MasterCard, PlayStation and Ford extended their commitment to football's top competition for an additional three-year period.

The long-standing partnership between UEFA and leading sporting goods manufacturer adidas was also extended, who will continue to be the official ball supplier for both football competitions. TEAM finalized a contract with Spanish automotive manufacturer SEAT as the presenting sponsor for the new UEFA Europa League. This means that this Volkswagen Group company can associate itself exclusively with the UEFA Cup successor.

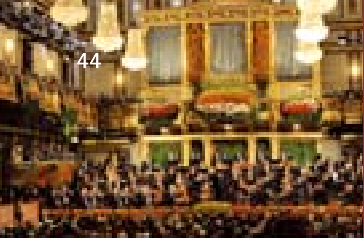
Diverse operational activities

In operational terms, the first focus in the football sector was the handling and professional management of the knock-out phase of the UEFA Champions League 2008/2009 season. Many of the top-class round of sixteen, quarter final and semi final games such as FC Bayern München versus FC Barcelona or Manchester United FC versus Arsenal FC were some of the highlights of the season. The high point of the European club football season is traditionally the UEFA Champions League final, in which FC Barcelona met Manchester United FC in Rome on May 27. There was again high interest in this final game from the public and media around the world.

The same applies to the last game of the UEFA Cup before the introduction of the UEFA Europa League, where Werder Bremen met Shakhtar Donetsk in Istanbul on May 20, 2009. In addition, TEAM was responsible for the TV area for the U21 European Championship in Sweden in June, which was well-received all over Europe, especially in Germany since it won the competition.

TEAM also marketed the UEFA Super Cup, which was played at the end of August between reigning UEFA Champions League winner FC Barcelona and UEFA Cup winner FC Shakhtar Donetsk. As in previous years, it marked the start of the new season of the two most important European club football competitions.

The first game day of the group phase then characterized the successful start of the 2009/2010 season of the UEFA Champions League in mid-September. The same applies to the UEFA Europa League, where TEAM is now actively involved at all 205 matches on site in addition to its previous operating activities for the UEFA Champions League.



Broadcast live for over 40 years: the New Year's Day Concert of the Vienna Philharmonic Orchestra

Excellent audience response to Vienna Philharmonic concerts

In music marketing, 2009 was the official beginning of the partnership between TEAM and the Vienna Philharmonic Orchestra. The first successfully implemented project in the long-term collaboration between TEAM and this outstanding orchestra was the traditional New Year's Day Concert in 2009. With the support of Rolex, the exclusive partner signed up by TEAM, this classic was broadcast in 72 countries around the world – more than ever before.

The Summer Night Concert then followed at the beginning of June, taking place in the unique ambiance of the park of the Schönbrunn palace in Vienna. This open-air event with free entrance is a successful attempt of the Vienna Philharmonic Orchestra to make live classical music accessible to as many people as possible. Daniel Barenboim conducted this concert, which thrilled not only around 100,000 people watching live, but also many fans of classical music watching it on television at home in more than 50 countries.

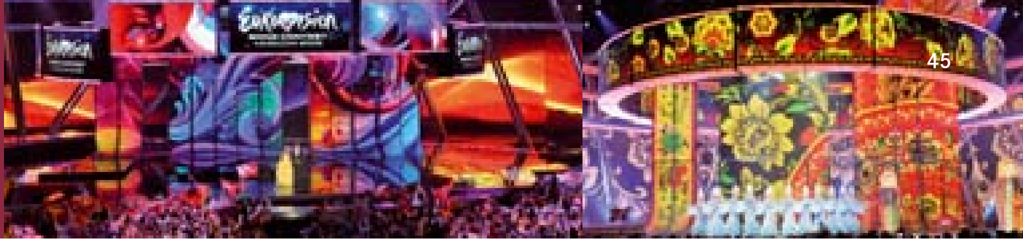
The 2010 New Year's Day Concert, led for the second time by French conductor Georges Prêtre, also attracted an enthusiastic audience of millions. Around 45 million people in 72 countries around the world followed the live performance or a time-delayed one. This international reach makes the New Year's Day Concert the world's largest classical music event.

Eurovision Song Contest again proves its exceptional position

TEAM has marketed the second musical highlight for the European Broadcasting Union (EBU) exclusively since 2004 – the Eurovision Song Contest, which took place in mid-May in Moscow. This 54th Eurovision Song Contest again lived up to its reputation as the leading pan-European music entertainment event by a wide margin.

On one hand, 42 countries took part (just one less than in the previous year), while on the other hand the event hall where it was held was completely sold out with approximately 15,000 viewers. A total of 2,000 accredited media representatives from all over the world also provided complete coverage of the event. TV viewers also showed great interest, especially in the Saturday evening final that generated outstanding viewing figures in many European countries.

Europe guesting in Moscow, the venue of the Eurovision Song Contest 2009



IMPORTANT EVENTS IN THE FISCAL YEAR

Change on Supervisory Board

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 succeeded Bernhard Burgener, who took over the position of CEO of Constantin Film AG since January 1, 2009.

Squeeze-out procedure concluded

Shareholders at Constantin Film AG's Annual General Meeting held on April 21, 2009 approved with the necessary majority the transfer of shares of the minority shareholders in Constantin Film AG to the main shareholder Highlight Communications AG against payment of an appropriate cash settlement in line with Sections 327a ff. of the German Stock Corporation Act (squeeze-out).

After the actions filed against this resolution were withdrawn, the resolution was entered in the commercial register of Constantin Film AG on October 7, 2009. The entry of this transfer resolution in the commercial register means that all shares held by minority shareholders (around 2.2 % of the subscribed capital) were transferred to Highlight Communications AG by law in accordance with Section 327e Paragraph 3 Sentence 1 of the German Stock Corporation Act. Constantin Film AG was delisted on the same day. The admission to trading ended effective October 13, 2009.

Preliminary injunctions against Rapidshare

On August 24, 2009, Constantin Film AG obtained a preliminary injunction against Swiss internet service provider Rapidshare from the Munich District Court 1. Under the injunction, Rapidshare, the world's largest file hosting company, is forbidden to make the cinema film "Maria, ihm schmeckt's nicht!" available to the public and/or to allow it to be made publicly available.

Based on this injunction, it will be faster and easier in the future to be able to hold Rapidshare and other companies with similar business activities liable at an early stage if pirated copies of current cinema films can be downloaded from the internet. Accordingly, Constantin Film then obtained another preliminary injunction against Rapidshare for the film "Horst Schlämmer – Isch kandidiere!" on August 30, 2009 – also from Munich District Court 1.

2009 reference funding secured

Constantin Film AG secured two "Golden Industry Tigers" in the categories of production and distribution for the fourth time when the German Federal Film Board awarded reference funding for 2009. This award is linked to the pledge of distributing funding of just under EUR 2.2 million for production and more than EUR 0.6 million for distribution.

Expansion in Switzerland

On December 14, 2009, Rainbow Home Entertainment AG founded Constantin Film Schweiz AG, which will be run by Bernhard Burgener, in Basel. The company will operate in the areas of production and distribution of film, video and TV. Constantin Film Schweiz AG has already secured the completion and release of "Sennentuntschi" (the new film by Swiss star director Michael Steiner) as its first production. In future, at least one additional Swiss film per year is expected to be produced under Steiner's direction.

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

New presentation in the profit and loss account

In the interests of even more transparent and informative accounting, the Highlight Group resolved to change the presentation of its profit and loss account in the year under review. The costs for film productions are now reported under "Capitalized film production costs and other own work capitalized".

These costs, which include both the costs of own staff and purchased services, were always capitalized in previous years, which led to a reduction of costs in the profit and loss account. Under the new system of presentation, all costs are included in full and production work is compiled in a single item, which allows a better assessment of their development as against the previous period.

The change in presentation, which has also been applied retroactively to figures for the previous year, does not affect the balance sheet, net profit or earnings per share.

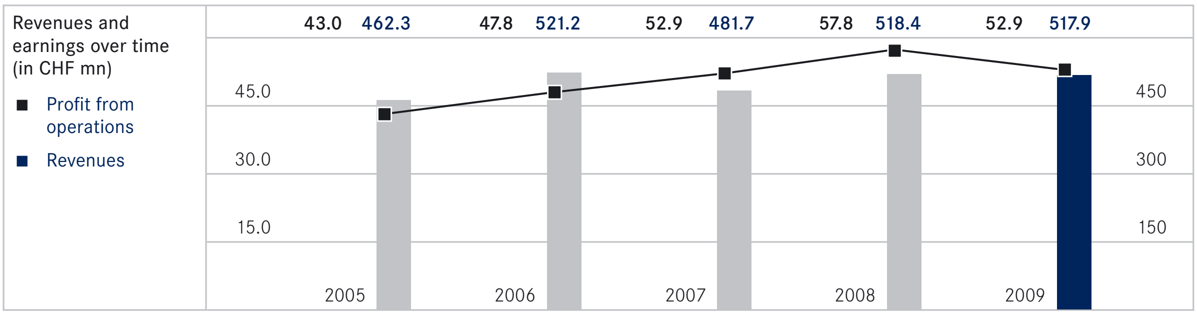
RESULT OF GROUP OPERATIONS

Highlight Group again exceeds planning targets

Even against the backdrop of the global economic crisis, the Highlight Group systematically continued its income-oriented growth course in fiscal year 2009. Both consolidated revenues and earnings per share were up on the forecast figures. The net profit of Highlight shareholders set a new record, improving to CHF 32.0 million.

Consolidated revenues stable year-on-year

In the past fiscal year, the consolidated revenues of the Highlight Group amounted to CHF 517.9 million, therefore remaining at almost exactly the same high level as the previous year (CHF 518.4 million). 90.1% (2008: 88.2%) of these total revenues were generated in Germany, Austria and Switzerland, 2.1% (2008: 6.0%) in Europe (not including German-speaking countries) and 7.8% (2008: 5.8%) in the rest of the world.



As a result of the intensive production work – especially in the field of theatrical production – capitalized film production costs and other own work capitalized rose by 3.7 % to CHF 114.6 million (2008: CHF 110.5 million). Other operating income rose by CHF 8.8 million to CHF 13.9 million, which was mainly due to compensation in connection with the preliminary injunctions against the internet service provider Rapidshare (see "Important events in the fiscal year").

Moderate rise in consolidated expenses

Consolidated expenses rose by a total of CHF 17.3 million as against 2008 (CHF 576.2 million) to CHF 593.6 million, a moderate increase of 3.0 %. This development essentially resulted from the cost of materials and licenses (up CHF 12.3 million to CHF 253.3 million) and amortization/depreciation and impairment (up CHF 12.4 million to CHF 156.3 million). The latter was mainly due to significantly higher scheduled amortization on films being exploited.

Personnel expenses declined by CHF 8.6 million to CHF 134.2 million, while other operating expenses recorded a rise of CHF 1.4 million to CHF 49.8 million. This increase is primarily due to UEFA's higher share of profits. UEFA has a 20 % interest in Team Holding AG and has fully participated in Team's earnings since July 1, 2009.

The developments described led to a reduction in profit from operations from CHF 57.8 million in 2008 to currently CHF 52.9 million. The return on sales therefore declined from 11.1 % in the previous year to 10.2 % in fiscal year 2009.

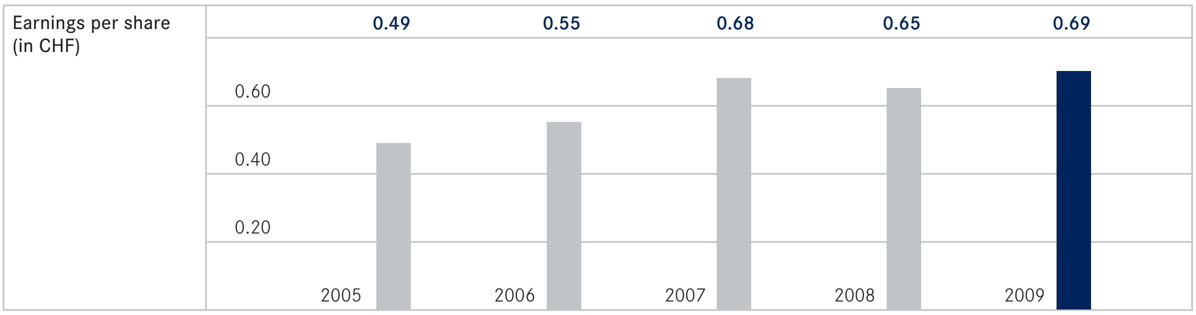
Net profit of Highlight shareholders climbs to record level

Earnings from investments in associated companies and joint ventures developed positively, rising from a loss of CHF 0.3 million in the previous year to a profit in the year under review of CHF 2.1 million.

The financial result improved to CHF –10.8 million after CHF –12.9 million in 2008. The main factors driving this were declines in interest expenses (from CHF 8.0 million to CHF 6.4 million) and in losses from changes in the fair value of financial instruments (from CHF 10.7 million to CHF 6.0 million). Financial income fell from CHF 2.8 million to CHF 1.4 million and the net currency result declined from CHF 3.0 million in 2008 to currently CHF 0.2 million.

After deduction of tax expenses (current taxes and deferred taxes) of CHF 10.5 million (2008: CHF 12.1 million), the Highlight Group reported a net profit for fiscal year 2009 of CHF 33.7 million – an increase of 3.7 % as against the previous year (CHF 32.5 million). CHF 1.7 million (2008: CHF 2.7 million) of this related to minority interests and CHF 32.0 million to the shareholders of Highlight Communications AG.

The share of Highlight shareholders was therefore up 7.4 % on the figure for the previous year (CHF 29.8 million) and reached the highest level in the history of the company. Based on average shares outstanding of 46.2 million shares, this was equal to earnings per share of CHF 0.69 (2008: CHF 0.65).



RESULT OF SEGMENT OPERATIONS

Strong growth in Sports- and Event-Marketing

External revenues in the Film segment decreased by 4.0 % from CHF 442.0 million in the previous year to CHF 424.5 million due to a sales decline in the home entertainment business area. This development is essentially due to the fact that video sales in 2008 were heavily bolstered by global sales revenue which was much lower in the year under review.

Taking into account other income (including capitalized film production costs), the Film segment saw a decline of 0.8 % from CHF 557.5 million in the previous year to currently CHF 552.8 million. Segment earnings decreased from CHF 31.3 million to CHF 21.8 million as a result of the CHF 11.9 million rise in amortization and impairment on film assets.

By contrast, the Sports- and Event-Marketing segment performed very well. Revenues jumped by 22.4 % to CHF 93.4 million (2008: CHF 76.3 million) thanks to the good results of the UEFA Champions League and the UEFA Cup in the 2008/2009 season. The increase in segment earnings of 11.1 % to CHF 37.0 million (2008: CHF 33.3 million) was more moderate due to the profit participation of UEFA mentioned above and the increase in personnel needed for the new UEFA Europa League.

The costs of holding activities were reduced by 13.0 % from CHF 6.9 million in 2008 to CHF 6.0 million in the year under review.

NET ASSETS SITUATION

Slight reduction in total assets year-on-year

The total assets of the Highlight Group declined slightly by CHF 7.5 million as against the end of 2008 (CHF 639.9 million) to CHF 632.4 million. The main changes in assets resulted from the rise in trade accounts receivable and other receivables (CHF 53.4 million) and in cash and cash equivalents (CHF 13.6 million). By contrast, other financial assets fell by CHF 32.8 million in the year under review.

Decline in film assets due to theatrical exploitation

Film assets amounted to CHF 205.7 million as of the end of the year under review, a drop of CHF 41.9 million as against December 31, 2008 (CHF 247.6 million). The overall figure includes CHF 169.0 million (December 31, 2008: CHF 197.4 million) for in-house productions and CHF 36.8 million (December 31, 2008: CHF 50.3 million) for third-party productions. The declines in both areas resulted from amortization and impairment losses on films being exploited, which climbed from CHF 141.1 million in the previous year to currently CHF 153.0 million, significantly outweighing additions.

In fiscal 2009, the Highlight Group invested a total of CHF 110.6 million in film assets – a reduction of 5.3 % on the previous year's figure (CHF 116.8 million). The main investments for in-house productions included the production costs of "Pope Joan", "Pandorum", "Jerry Cotton", "Resident Evil: Afterlife" and "Freche Mädchen 2". Additions in third-party productions mainly related to the minimum guarantees for "Milk", "Horst Schlämmer – Isch kandidiere!", "Blood" and "Red Cliff".

Further improvement of equity ratio

Consolidated equity (including minority interests) increased by CHF 12.6 million from CHF 98.2 million at the end of 2008 to CHF 110.8 million, mainly due to the balance from net profit for the period (CHF +33.7 million), dividend distributions (CHF –9.7 million) and the change in minority interests (CHF –8.7 million) as a result of the acquisition of the remaining shares in Constantin Film.

This equity corresponds to a notional equity ratio of 17.5 % – an improvement of more than two percentage points as against December 31, 2008 (15.3 %). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and advance payments received against film assets) developed even better, rising from 26.3 % in 2008 to currently 29.3 %. For detailed information on the development of consolidated equity please see the consolidated financial statements (pages 64 and 65).

FINANCIAL SITUATION

Slight decrease in net debt

The cash and cash equivalents of the Highlight Group amounted to CHF 201.1 million as of December 31, 2009 – an increase of CHF 13.6 million as against the end of 2008 (CHF 187.5 million). Parallel to this, financial liabilities rose by CHF 13.1 million to CHF 317.9 million (December 31, 2008: CHF 304.8 million). The resulting net debt of CHF 116.8 million was slightly down on the previous year’s level (CHF 117.3 million) and is roughly equal to equity.

The Highlight Group generated a net cash inflow from operating activities of CHF 122.8 million, a decline of CHF 25.7 million year-on-year (2008: CHF 148.5 million). This development was primarily the result of changes in operating net current assets, which had a CHF 28.3 million greater effect on cash flow in the reporting period.

Net cash used in investing activities fell by CHF 51.7 million as against 2008 (CHF 146.7 million) to CHF 95.0 million. This decline is essentially due to transactions with financial assets. In the year under review, these transactions led to a net inflow of CHF 28.2 million after an outflow of CHF 27.4 million in the previous year. Meanwhile, payments for film assets rose slightly by CHF 3.8 million period-on-period to CHF 120.7 million.

The financing activities of the Highlight Group led to a total outflow of CHF 14.1 million in the reporting period after an inflow of CHF 1.9 million in 2008. The main components in this development were treasury stock transactions, which led to a net outflow of CHF 2.5 million in the year under review after an inflow of CHF 18.4 million in the previous year. This was offset by net borrowing, which rose from CHF 6.3 million to CHF 12.5 million.

Solvency guaranteed at all times

The Highlight Group has access to credit facilities with variable interest rates as external sources of financing. These have been partially utilized. They are credit relationships with a remaining term of usually one month. Interest rates were between 1.1% and 3.9% in the euro zone in the year under review. For foreign currencies, especially USD and CAD, interest rates were between 2.0% and 2.3%.

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

As the Highlight Group is heavily leveraged, rising interest rates can have a negative effect on its result of operations, net assets and financial situation. The interest rate risk is therefore monitored and managed very closely.

PERSONNEL REPORT

As of December 31, 2009, the Highlight Group employed 670 people (705 as of December 31, 2008). Of this number, 165 employees (previous year: 173) worked in Switzerland, 492 (previous year: 520) worked in Germany, and 13 (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.

EVENTS AFTER THE BALANCE SHEET DATE

In January 2010, Constantin Film AG prematurely extended its cooperation agreement with Cologne-based production firm Little Shark Entertainment (founded in 1998 by director Sönke Wortmann) by two years. The aim of the cooperation is developing, producing and exploiting the co-productions of both companies.

RISK REPORT

As a holding company, Highlight Communications AG is dependent on the development of its operational 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

Changes in procurement and sales markets demand flexibility

Success in the distribution of in-house and third-party titles is linked to a large number of industry-specific risks. Their probability of occurrence and the resulting effects on the earnings and financial state 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 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 Film AG has with TV broadcasters as well as synergy effects realized within the Group.

Purchasing markets are being impacted by a strong trend to concentration. Whereas independents merely produce and are dependent on sales partners for marketing, the US 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.

Ever-increasing levels of piracy can lead to significant declines in revenue. The rise in illegal copies could have the effect of reducing the number of cinemagoers and reducing revenues for 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 continued to make an important contribution to the fight against piracy in 2009.

OPERATING RISKS FOR IN-HOUSE PRODUCTIONS

Higher risk for TV service productions due to economic crisis

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 many times that amount. 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, earnings and financial state 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 Film AG has generally managed to fully cover production costs with the exploitation revenues in the past. Furthermore, Constantin kept film productions within a fixed time and financial framework and largely avoided the occurrence of unplanned costs or provided protection against these with appropriate insurance. However, the Highlight Group can not 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 cope with the difficult market environment arising from massive drops in advertising budgets as a consequence of the economic crisis. TV broadcasters have reacted to falling income with restructuring and massive cost reduction programs – primarily in program costs. This means the risk that the Highlight Group’s revenue from TV service productions will decrease further as compared with the previous year has increased significantly.

OPERATING RISKS IN SPORTS- AND EVENT-MARKETING

Potential 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 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 unsettled general economic climate on rights marketing are unclear at the current time. Although all of the broadcasting and sponsorship rights for the UEFA Champions League and the UEFA Europa League were given to long-standing and reliable partners, it cannot be ruled out that single TV providers or sponsors might experience financial difficulties leading possibly to payment defaults.

FINANCIAL RISKS

Targeted use of derivative financial instruments

The material financial instruments used by the Highlight Group include – with the exception of derivative financial instruments – bank overdrafts, bank loans, trade accounts payable 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 accounts receivable, cash and cash equivalents as well as 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).

ASSESSMENT OF OVERALL RISK

Compared to the previous year, the Highlight Group's risk areas have not changed significantly in the year under review with the exception of the area of TV service production. The overall risk situation remains limited and manageable. In addition, no risks have been identified that individually or in combination threaten the existence of the Group as a going concern based on currently available information.

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 should 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, earnings, and financial state of the company.

In the TV service production business area, Constantin Film AG is planning to increase its expansion efforts abroad – by tapping new markets among other activities – and to drive forward distribution at additional channel providers. These measures will reduce existing dependency on one hand and at least partially offset the very likely decline in this area on the other.

OPPORTUNITIES IN THE SPORTS- AND EVENT-MARKETING SEGMENT

Due to the TEAM group's approved marketing success in the sale of commercial rights to the UEFA Champions League and the new UEFA Europa League for the 2009/2010 to 2011/2012 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

Global economic recovery in sight

After the International Monetary Fund (IMF) was markedly pessimistic at the end of 2009 regarding economic development in 2010, it made a significant positive adjustment to its forecasts at the end of January. In its most recent report, it predicts world economic growth of 3.9 % – an increase from its previous estimation of 0.8 percentage points.

The main factor behind the recovery is said to be the multi-billion economic stimulus programs in the major industrialized and emerging economies. This is why the IMF also warns against ending these programs too quickly, as the upswing is still not self-supporting. It also expresses concern that rising state deficits in many countries could lead to uncertainty in the financial markets and could cause borrowing costs to increase.

The IMF views the Chinese economy as the largest growth driver, predicting that it will grow by 10 % in the current year. India is a close second with 7.7 % estimated growth, while expectations for the world's largest economic area U.S.A. is only 2.7 % growth.

The IWF raised its estimate for Germany from 0.3 % to 1.5 %, meaning it would expand much more strongly than the euro zone, for which the IMF predicts growth of only 1 %. In contrast, expectations for the Swiss economy are significantly more moderate: In its forecast published in mid-December 2009, the Swiss Expert Group estimated a rather sluggish economic recovery, expecting Swiss GDP to increase by only 0.7 % this year.

FILM SEGMENT

Numerous productions underway

In the Film segment, we expect that the overall situation on the markets will not improve significantly in the current fiscal year and thus we will have to adapt to a year full of challenges. Due to the crisis on the TV advertising market, it has been increasingly difficult to obtain orders for new projects, especially in the TV service production business area. This development is expected to continue in 2010 as well.

However, a number of projects for the current year is already in progress. The Constantin majority holding MOOVIE – the art of entertainment is planning “Niemand ist eine Insel”, the third film in the Johannes Mario Simmel series, for ZDF and another Tatort episode (“Die Heilige von St. Adelheim”) for Bayerischer Rundfunk. The Constantin subsidiary Constantin Television is working on the comedies “Adel Dich” (working title) for Bayerischer Rundfunk, ARD and ORF as well as “Fischer sucht Frau” for ZDF. The Constantin subsidiary Olga Film is planning two new series in the popular crime series “Kommissarin Lucas” also for ZDF with Ulrike Kriener in the main role.

In the theatrical production business area, the following are some of Constantin’s own and co-productions planned for 2010: action film “The Three Musketeers” (also in 3-D) based on the famous novel by Alexandre Dumas, “Jim Knopf und Lukas der Lokomotivführer”, the new Bernd Eichinger film “Schweigeminute” from the novella by Siegfried Lenz, “Vorstadtkrokodile 3” and “Wickie auf grosser Fahrt” (also in 3-D). New projects by Doris Dörrie, Sönke Wortmann, Mario Barth and Dieter Hallervorden are also underway.

Successful start in Constantin’s theatrical distribution

At the current time, Constantin Film has planned the launch of around 16 own/co-productions and licensed films for theatrical distribution. The first in 2010 was own production “Vorstadtkrokodile 2” in mid-January, which has thrilled more than 570,000 cinemagoers to date. The Bernd Eichinger production “Zeiten ändern Dich” was launched at the beginning of February, already reaching an audience of 520,000. “Die Friseuse”, the new Doris Dörrie film, celebrated its premiere in mid-February as part of this year’s Berlinale and has drawn around 280,000 visitors to cinemas so far.

Early and late summer 2010 will be marked by family entertainment productions. “Tiger Team – Der Berg der 1000 Drachen” will conquer cinema screens at the beginning of May, while “Freche Mädchen 2” hits the big screen in mid-July. Another highlight will follow at the beginning of August, when the dancers from “Step Up 3-D” ensure that everyone in the theater has a good time. According to current planning, the finale in Constantin’s distribution year is vampire movie “Wir sind die Nacht”, which hits theaters at the end of October.

Home entertainment benefits from Constantin’s cinematic hits

In the home entertainment business area, we are focusing primarily on the first releases of the Constantin cinematic successes of 2009. The spirited culture clash comedy “Maria, ihm schmeckt’s nicht!” went on sale in mid-January and sold extremely well, establishing itself in the Top 15 of the best-selling German DVD charts. We expect the same from “Wickie und die starken Männer”, the biggest crowd-puller of all German cinema films in 2009, which was dispatched in mid-March. At the beginning of April, we will release Sönke Wortmann’s film adaptation of the book bestseller “Pope Joan” on DVD and Blu-ray.

In addition, other DVD releases of titles from Constantin’s film library are planned, primarily Stalingrad war drama “Enemy at the Gates”, with a cast including Jude Law, Joseph Fiennes and Rachel Weisz, but also refreshing teenage comedy “Mädchen Mädchen!” and action thriller “Escape from New York”, with top-class actors Kurt Russel, Lee van Cleef and Ernest Borgnine.

SPORTS- AND EVENT-MARKETING SEGMENT

Focus on operational activities

After successfully closing the deal on selling the rights to the UEFA Champions League and the UEFA Europa League in the year under review, TEAM will focus on operational activities in the current year. The main activities will be handling and implementing the TV contracts and sponsor agreements for the two most important club football competitions in the world. In the first season of the new three-year period, TEAM manages around 350 games that will be held across Europe.

After this, our subsidiary will have a real challenge to master – TEAM is marketing and managing three major events coming up in May. The first is the first UEFA Europa League final in Hamburg on May 12. Then, the big final of the UEFA Champions League will be held on May 22 in Madrid before May 25 marks the beginning of this year’s Eurovision Song Contest in Oslo. The Summer Night Concert of the Vienna Philharmonic Orchestra will be held on June 8 in the park of the Schönbrunn palace.

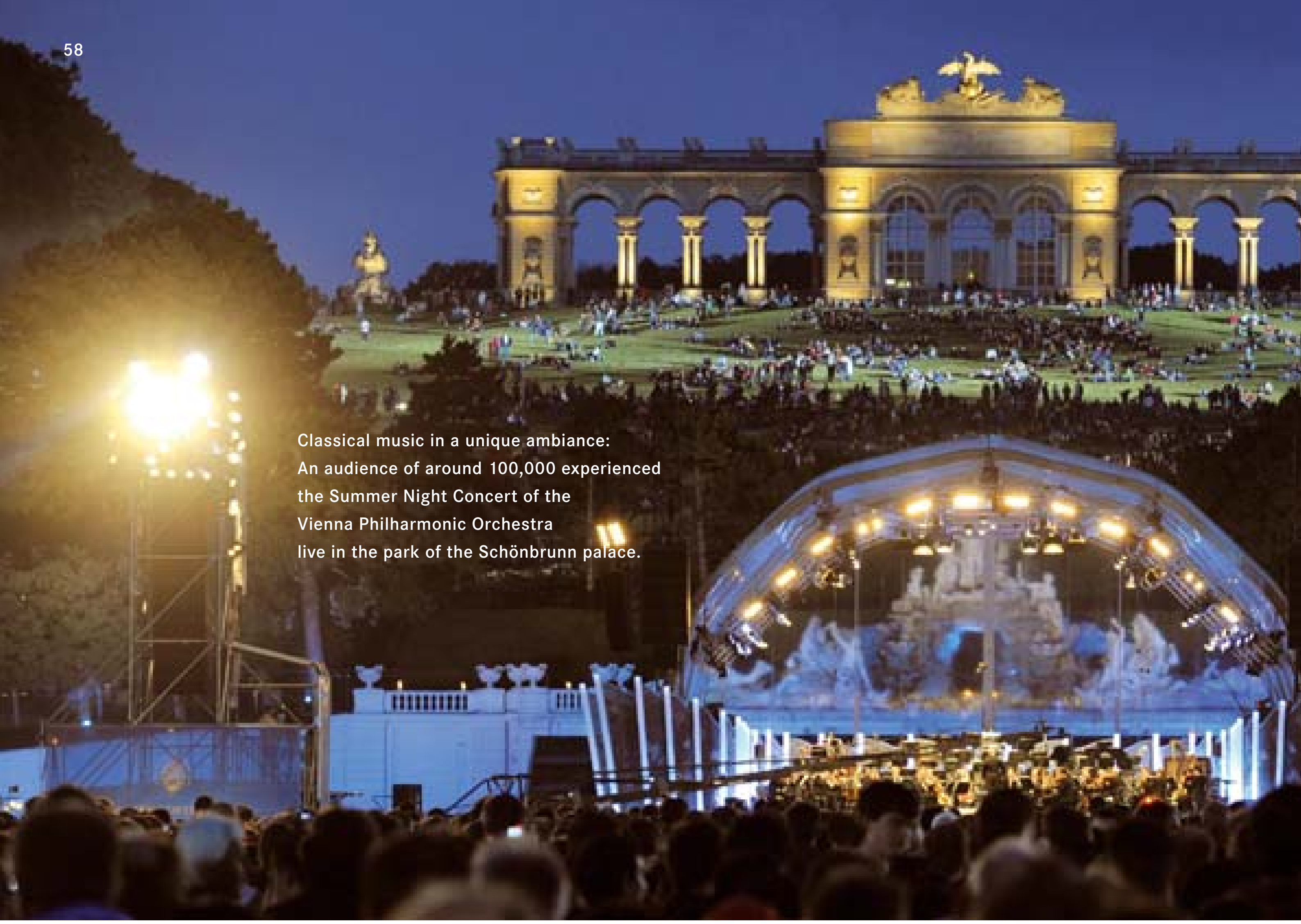
HIGHLIGHT GROUP

Due to the activities in our individual business areas described above, our revenues forecasts for the current fiscal year are between CHF 420 million and CHF 440 million. In terms of earnings per share, we estimate to generate a figure within the range of EUR 0.42 and EUR 0.44.

Pratteln, March 2010

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.



Classical music in a unique ambiance:
An audience of around 100,000 experienced
the Summer Night Concert of the
Vienna Philharmonic Orchestra
live in the park of the Schönbrunn palace.

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2009 of Highlight Communications AG, Pratteln

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

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2009

Highlight Communications AG, Pratteln

Assets (TCHF)	Note	Dec. 31, 2009	Dec. 31, 2008
Non-current assets			
In-house productions		168,960	197,370
Third-party productions		36,786	50,257
Film assets	5.1	205,746	247,627
Other intangible assets	5.2	942	962
Goodwill	5.2/5.3	21,651	21,657
Tenant's fixtures		1,092	1,017
Other equipment, plant and office equipment		4,877	5,073
Tangible assets	5.4	5,969	6,090
Investments in associated companies and joint ventures	5.5	8,450	6,919
Non-current receivables	5.7	2,484	4,101
Other financial assets	5.7	318	319
Deferred tax assets	5.13	2,075	1,224
		247,635	**288,899**
Current assets			
Inventories	5.6	4,191	4,406
Trade accounts receivable and other receivables	5.8/5.9	155,807	102,385
Receivables due from related parties	11	22	–
Receivables due from associated companies and joint ventures	5.10	–	61
Other financial assets	5.7	23,173	56,010
Tax receivables	5.11	511	663
Cash and cash equivalents	5.12	201,090	187,459
		384,794	**350,984**
Total assets		**632,429**	**639,883**

The notes on page 68 – 135 are an integral part of the consolidated financial statements.

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2009	Dec. 31, 2008
Equity	5.14		
Subscribed capital		47,250	47,250
Treasury stock		-1,147	-760
Capital reserve		-54,519	-48,521
Other reserves		-4,704	-4,466
Retained earnings		87,212	68,416
Shareholders' interests		31,999	29,777
Equity attributable to shareholders		106,091	91,696
Minority interests		4,712	6,549
		110,803	98,245
Non-current liabilities			
Financial liabilities	5.17	–	7,510
Other liabilities	5.16	–	50
Pension provisions	5.18	1,513	860
Provisions	5.19	466	427
Deferred tax liabilities	5.21	5,374	6,135
		7,353	**14,982**
Current liabilities			
Financial liabilities	5.17	317,871	297,295
Advance payments received		52,794	79,359
Trade accounts payable and other liabilities	5.16	117,188	131,636
Liabilities due to related parties	11	1,048	–
Liabilities due to associated companies and joint ventures	11	3,832	–
Provisions	5.19	12,914	14,241
Tax provisions	5.20	8,626	4,125
		514,273	**526,656**
Total equity and liabilities		**632,429**	**639,883**

The notes on page 68 – 135 are an integral part of the consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2009

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008[1)]
Revenues	6.1	**517,918**	**518,376**
Capitalized film production costs and other own work capitalized	6.2	**114,644**	**110,529**
Other operating income	6.3	**13,906**	**5,074**
Costs for licenses, commissions and materials		–73,547	–75,719
Expenses for services purchased		–179,706	–165,301
Cost of materials and licenses	6.4	**–253,253**	**–241,020**
Salaries		–119,088	–126,675
Social security and pension costs		–15,116	–16,166
Personnel expenses	6.5	**–134,204**	**–142,841**
Amortization and impairment on film assets	5.1	–152,960	–141,144
Amortization/depreciation and impairment on other intangible assets and tangible assets	5.2/5.4	–3,348	–2,802
Amortization/depreciation and impairment		**–156,308**	**–143,946**
Other operating expenses	6.6	**–49,803**	**–48,420**
Profit from operations		**52,900**	**57,752**
Earnings from investments in associated companies and joint ventures	6.7	**2,112**	**–321**
Interest and similar income		1,183	2,417
Gains from changes in the fair value of financial instruments		229	381
Total financial income	6.8	1,412	2,798
Interest and similar expenses		–6,380	–8,041
Losses from changes in the fair value of financial instruments		–5,967	–10,682
Total financial expenses	6.9	–12,347	–18,723
Currency result, net	6.8	169	3,046
Financial result		**–10,766**	**–12,879**
Profit before taxes		**44,246**	**44,552**
Current taxes		–12,170	–6,373
Deferred taxes		1,625	–5,697
Income taxes	6.10	**–10,545**	**–12,070**
Net profit		**33,701**	**32,482**
thereof shareholders' interests		31,999	29,777
thereof minority interests		1,702	2,705

(CHF)	Note	2009	2008
Earnings per share	6.11		
Earnings per share attributable to shareholders, basic		0.69	0.65
Earnings per share attributable to shareholders, diluted		0.69	0.65

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

The notes on page 68 – 135 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2009

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Net profit	**33,701**	**32,482**
Currency translation differences	–260	–14,136
Revaluation of assets	–	–166
Total expenses recognized directly in equity	**–260**	**–14,302**
Total comprehensive income	**33,441**	**18,180**
thereof shareholders' interests	30,793	16,169
thereof minority interests	2,648	2,011

The notes on page 68 – 135 are an integral part of the consolidated financial statements.

CHANGES IN CONSOLIDATED EQUITY 2009

Highlight Communications AG, Pratteln

	Equity attributable		
(TCHF)	Subscribed capital	Treasury stock	Capital reserve
Balance as of January 1, 2008	**47,250**	**–2,199**	**–40,010**
Currency translation differences	–	–	–
Gains/losses from available-for-sale financial assets	–	–	–
Other changes recognized directly in equity	–	–	–
Total income and expenses recognized directly in equity	–	–	–
Net profit	–	–	–
Total comprehensive income	–	–	–
Reclassification of prior year's net profit	–	–	–
Purchase of treasury stock	–	–1,827	–
Sale of treasury stock	–	3,266	–
Dividend payments	–	–	–
Change in minority interests	–	–	–8,511
Other changes	–	–	–
Balance as of December 31, 2008	**47,250**	**–760**	**–48,521**
Balance as of January 1, 2009	**47,250**	**–760**	**–48,521**
Currency translation differences	–	–	–
Gains/losses from available-for-sale financial assets	–	–	–
Other changes recognized directly in equity	–	–	–
Total income and expenses recognized directly in equity	–	–	–
Net profit	–	–	–
Total comprehensive income	–	–	–
Reclassification of prior year's net profit	–	–	–
Purchase of treasury stock	–	–587	–
Sale of treasury stock	–	200	–
Dividend payments	–	–	–
Change in minority interests	–	–	–5,998
Other changes	–	–	–
Balance as of December 31, 2009	**47,250**	**–1,147**	**–54,519**

The notes on page 68 – 135 are an integral part of the consolidated financial statements.

to the shareholders					
Other reserves	Retained earnings	Shareholders' interests	Total	Minority interests	Total equity
9,142	**28,422**	**30,681**	**73,286**	**9,725**	**83,011**
–13,442	–	–	–13,442	–694	–14,136
–166	–	–	–166	–	–166
–	–	–	–	–	–
–13,608	–	–	**–13,608**	**–694**	**–14,302**
–	–	29,777	29,777	2,705	32,482
–13,608	–	**29,777**	**–16,169**	**2,011**	**18,180**
–	30,681	–30,681	–	–	–
–	–16,695	–	–18,522	–	–18,522
–	33,604	–	36,870	–	36,870
–	–7,586	–	–7,586	–1,837	–9,423
–	–	–	–8,511	–3,350	–11,861
–	–10	–	–10	–	–10
–4,466	**68,416**	**29,777**	**91,696**	**6,549**	**98,245**
–4,466	**68,416**	**29,777**	**91,696**	**6,549**	**98,245**
–238	–	–	–238	–22	–260
–	–	–	–	–	–
–	–968	–	–968	968	–
–238	**–968**	–	**–1,206**	**946**	**–260**
–	–	31,999	31,999	1,702	33,701
–238	**–968**	**31,999**	**30,793**	**2,648**	**33,441**
–	29,777	–29,777	–	–	–
–	–3,197	–	–3,784	–	–3,784
–	1,055	–	1,255	–	1,255
–	–7,856	–	–7,856	–1,870	–9,726
–	–	–	–5,998	–2,615	–8,613
–	–15	–	–15	–	–15
–4,704	**87,212**	**31,999**	**106,091**	**4,712**	**110,803**

CONSOLIDATED CASH FLOW STATEMENT 2009

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008[1)]
Net profit		**33,701**	**32,482**
Deferred taxes		–1,625	5,697
Current taxes		12,170	6,373
Financial result (without currency result)		10,935	15,925
Earnings from investments in associated companies and joint ventures	6.7	–2,112	321
Amortization/depreciation and impairment	5.1/5.2/5.4	156,308	143,946
Profit (–)/loss (+) from disposal of non-current assets	6.3/6.6	–14	5
Other non-cash items		–239	–1,104
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities		–52,016	–14,913
Decrease (–)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities		–21,632	–30,396
Interest paid		–6,338	–7,896
Interest received		1,292	2,814
Income taxes paid		–7,780	–5,737
Income taxes received	5.10/5.20	191	1,002
Cash flow from operating activities		**122,841**	**148,519**
Payments for intangible assets	5.2	–630	–459
Payments for film assets		–120,676	–116,858
Payments for tangible assets	5.4	–2,655	–2,993
Payments for financial assets		–7,757	–56,174
Dividends received/capital repayments from associated companies and joint ventures		665	510
Proceeds from disposal of intangible assets (including sale of film assets)		–	405
Proceeds from disposal of tangible assets		92	46
Proceeds from disposal of financial assets		35,969	28,847
Cash flow for investing activities		**–94,992**	**–146,676**

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

The notes on page 68 – 135 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008[1)]
Payments for purchase of treasury stock	5.14	–3,784	–18,522
Proceeds from sale of treasury stock	5.14	1,255	36,870
Payments for purchase of minorities		–14,279	–12,915
Repayment of current financial liabilities		–11,000	–79,315
Proceeds from receipt of current financial liabilities		23,467	85,579
Dividend payments (including dividend payments to minority interests)		–9,726	–9,837
Cash flow for/from financing activities		**–14,067**	**1,860**
Cash flow for the reporting period		**13,782**	**3,703**
Cash and cash equivalents at the beginning of the reporting period	5.12	187,459	200,508
Change in cash and cash equivalents due to exchange rate movements		–151	–16,752
Cash and cash equivalents at the end of the reporting period	5.12	201,090	187,459
Change in cash and cash equivalents		**13,782**	**3,703**

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

The notes on page 68 – 135 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2009

Highlight Communications AG, Pratteln

1. General information

The consolidated financial statements of the Highlight Group were adopted by the Board of Directors of Highlight Communications AG on March 23, 2010 and require the approval of the Annual General Meeting of May 28, 2010.

1.1 General information about the Group

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

The company is listed on the Regulated Market (Prime Standard) of the Frankfurt stock exchange.

The operating activities of Highlight Communications AG comprise the segments "Film" and "Sports- and Event-Marketing". The activities of Constantin Film AG and its subsidiaries plus the Highlight investments in Rainbow Home Entertainment are combined in the Film segment. The Sports- and Event-Marketing segment comprises the activities of Team Holding AG, an 80 % interest of Highlight Communications AG that markets the UEFA Champions League, the UEFA Europa League, the Eurovision Song Contest and the Vienna Philharmonic Orchestra, among others, via its subsidiaries.

1.2 Basis of presentation

The consolidated financial statements of Highlight Communications AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the additional commercial provisions and comply with the Swiss law. All those IFRS/IAS and SIC/IFRIC whose application was mandatory as of December 31, 2009 have been observed. The consolidated financial statements are based on historical cost with the exception of certain items such as financial assets and other financial instruments. As shown in the following accounting principles, these are reported at fair value.

A list of the subsidiaries, joint ventures and associated companies included in the consolidated financial statements can be found in these notes. The effects of the first-time consolidation and deconsolidation of subsidiaries, joint ventures and associated companies are shown in the section "Information on the scope of consolidation" (see note 3).

The profit and loss account was prepared in line with the nature of expense method.

The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies in line with their respective business activities.

In preparing the consolidated financial statements in accordance with IFRS, the management is required to make estimates and assumptions influencing the income, expenses, assets, liabilities and contingent liabilities reported as of the balance sheet date. These estimates and assumptions are based on the management's best possible assessment based on past experience and other factors including estimates of future events. Estimates and judgments are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based change or new information and additional findings are available. Such changes are recognized in the reporting period in which the estimate is modified. More detailed information on the basis of estimates can be found separately under the respective balance sheet item.

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

2. Accounting policies

2.1 Changes in accounting policies

Gross presentation of capitalized production costs for film productions in the profit and loss account

While the capitalized costs for film productions reduced primary expenses in the profit and loss account in previous years, the Group is now reporting these costs under “Capitalized film production costs and other own work capitalized” for the first time. This change in reporting implemented in line with IAS 8.14 provides more reliable and better information for the financial statements as it will be possible to see the capitalization of costs for film productions and other work performed by the enterprise and capitalized in a single item in future, meaning that production work and its development as against the previous period can be better assessed. In this context, it is irrelevant whether production work is performed by the Group’s own staff or by third parties. The item “Capitalized film production costs and other own work capitalized” therefore also includes further costs of production such as cost of materials, services purchased and interest in addition to capitalized costs for own staff (own work in a stricter sense). As a result, the corresponding expenses for primary costs change in the same amount.

In addition, the production costs for service productions reported under “Expenses for services purchased” in the past are now assigned to the individual types of primary cost.

The change in reporting has no effect on net profit or earnings per share. The change in reporting also has no effect on the balance sheet. Following the change in reporting, the relevant items of the profit and loss account adjusted and originally published for fiscal year 2008 are as follows:

	2008 new	Amendments for 2008	2008 old
Capitalized film production costs and other own work capitalized	110,529	110,529	–
Other operating income	5,074	724	4,350
Costs for licences, commissions and materials	–75,719	–3,576	–72,143
Expenses for services purchased	–165,301	–28,069	–137,232
Cost of materials and licences	**–241,020**	**–31,645**	**–209,375**
Salaries	–126,675	–56,390	–70,285
Social security and pension costs	–16,166	–5,837	–10,329
Personnel expense	**–142,841**	**–62,227**	**–80,614**
Other operating expenses	**–48,420**	**–14,806**	**–33,614**
Profit from operations	**57,752**	**2,575**	**55,177**
Interest and similar expenses	–8,041	–2,575	–5,466
Total financial expenses	**–18,723**	**–2,575**	**–16,148**
Net profit	**32,482**	**–**	**32,482**

The change in reporting in the profit and loss account resulted in a shift between “Financial result” and “Interest paid” within the cash flow from operating activities.

This affects the cash flow statement for fiscal year 2008 as follows:

	2008 new	Amendments for 2008	2008 old
Financial result (without currency result)	15,925	2,575	13,350
Interest paid	–7,896	–2,575	–5,321
Cash flow from operating activities	**148,519**	–	**148,519**

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 but did lead to additional disclosures.

IFRS 8 – Operating Segments (revised)

This standard requires the disclosure of information on the Group's operating segments in line with the management approach. Under this standard, an operating segment is a component of an entity whose operating results are monitored regularly by a central decision-maker and that is used as a basis for decisions on the allocation of resources and performance assessment. The standard is effective for annual periods beginning on or after January 1, 2009. First-time application did not give rise to any material changes in segment reporting.

IAS 1 – Presentation of Financial Statements (revised)

The main change compared to the earlier version is that all income and expenses including those taken directly to equity must now be disclosed in a separate statement of comprehensive income/loss.

IFRS 7 – Improving Disclosures about Financial Instruments (amendment)

The amendments provide for more detailed disclosures on the measurement of financial instruments at fair value and on liquidity risks. In particular, a three-stage hierarchy has been introduced for disclosures on fair value, which determines the extent of additional disclosure requirements. Comparative prior-year figures are not required on first-time adoption of the amendments. As this change merely results in enhanced disclosures it does not have any effect on earnings.

Further standards and interpretations

The mandatory adoption of the following revised or amended standards and interpretations did not materially impact the consolidated financial statements:

IFRS 1 and IAS 27	Cost of Interests in Subsidiaries, Jointly Controlled Entity or Associated Companies (amendments)
IFRS 2	Share-based Payment (amendment)

Amendments to the IFRSs 2008/Improvement Project 2008*)

IFRS 7	Improving Disclosures about Financial Instruments (amendment)
IAS 23	Borrowing Costs (revised)
IAS 32 and IAS 1	Puttable Instruments and Obligations arising on Liquidation (amendments)
IFRIC 9 and IAS 39	Reassessment of Embedded Derivatives and Financial Instruments: Recognition and Measurement (amendment)
IFRIC 13	Customer Loyalty Programs
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfers of Assets from Customers

*) Specifically, this affects the following standards:
IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 7, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41

2.3 Standards, revised standards and interpretations published but not yet adopted

The Highlight Group waived early adoption of the following new and revised standards and interpretations:

IFRS 3	Business Combinations (revised)
IAS 27	Consolidated and Separate Financial Statements (revised)
IAS 32	Classification of Rights Issues (amendment)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items (amendment)
IFRIC 17	Distributions of Non-cash Assets to Owners

Of particular significance for Highlight Communications AG are:

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

In particular, the new IFRS 3 results in amendments to the recognition of the residual value “goodwill” (option to apply the full goodwill method or the previous partial goodwill method), the presentation of step acquisitions (remeasurement in profit or loss of previously held interests), calculating cost (additional costs directly attributable to the acquisition are usually recognized immediately as an expense) and amendments in individual areas of reporting and the measurement of identifiable assets and liabilities. The amended standard must be applied prospectively for acquisitions implemented in annual periods beginning on or after July 1, 2009.

In particular, the new IAS 27 leads to changes with regard to transactions with minority interests and the losses assigned to minority interests in the consolidated financial statements. In future, retained shares in transitional consolidation will have to be remeasured at fair value in profit or loss. Any increase or reduction in the ownership interest in subsidiaries will be presented as a transaction within equity in future provided that the parent company still controls the subsidiary. The amended standard is effective for annual periods beginning on or after July 1, 2009.

The Highlight Group is currently investigating the possible effects of the standards on the presentation of the Group's assets, financial state and earnings but is assuming at this time that IAS 27 will not have any significant effect. Given the prospective adoption of IFRS 3 and its option for the recognition of goodwill, which applies to all transactions, a general statement on its effects on the consolidated financial statements is not possible at this time.

IAS 32 – Classification of Rights Issues (amendment)

IAS 32 now offers clarification on the classification of rights issues as equity or liabilities if denominated in a currency other than the functional currency of the company. The amendments are effective for the first time for annual periods beginning on or after February 1, 2010. The amendments will not have any significant effect on the consolidated financial statements.

The Highlight Group waived early adoption of the following new and revised standards and interpretations:

Improvements to the IFRSs/Improvement Project 2009**)

IAS 24	Related Party Disclosures (amendment)
IFRS 2	Share-based Payment/Group Cash-settled Share-based Payment Transactions (amendment)
IFRS 9	Financial Instruments
IFRIC 14	Prepaid Contributions for Minimum Funding Requirements (amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

**) The following individual standards have been impacted by this:
IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 39, IFRIC 9, IFRIC 16

Of the above, the following standards are of particular significance for Highlight Communications AG:

IAS 24 – Related Party Disclosures (amendment)

The changes mainly relate to the revised definition of related parties and the introduction of a simplified provision for government-related entities. The revised version of the standard will be effective for the first time for annual periods beginning on or after January 1, 2011. The Group is currently examining the possible effects of the implementation of the amendments but is currently not assuming that it will have any significant effect.

IFRS 2 – Share-based Payment/Group Cash-settled Share-based Payment Transactions (amendment)

The amendments mainly relate to the recognition of cash-settled share-based payments in the separate IFRS-compliant financial statements of subsidiaries when the payment is settled by the parent company or another Group company. The standard now clarifies that companies must present transactions in which they receive goods or services in connection with share-based payments in line with the regulations of IFRS 2 in their financial statements. The interpretations IFRIC 8 and IFRIC 11 were also incorporated into IFRS 2 as part of its revision. The new standard is effective for annual periods beginning on or after January 1, 2010. Earlier adoption is permitted. The Group is currently examining the possible effects of the implementation of the amendment to IFRS 2 on the consolidated financial statements but is not anticipating material changes at this time.

IFRS 9 – Financial Instruments

This standard represents the first of three phases (classification and measurement, impairment, hedges) to fully replace IAS 39, Financial Instruments: Recognition and Measurement. On the completion of each phase the relevant parts of IAS 39 are deleted and the new regulations are added to IFRS 9. Full replacement of IAS 39 is planned for the second half of 2010. The standard is fundamentally changing the previous provisions on the categorization and measurement of financial instruments, though IFRS 9 is currently limited to just financial assets. Financial liabilities have been removed from its scope for the time being to allow closer analysis of the implications of considering own credit risk in the measurement of liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Group is currently examining the possible effects of the implementation of the amendments.

3. Scope of consolidation

The following changes occurred in the scope of consolidation in fiscal year 2009:

Acquisitions, new companies and first time consolidation

Constantin Entertainment Hellas EPE, Greece

Constantin Entertainment Hellas EPE was founded by Constantin Entertainment GmbH (99.8 %) and Constantin Film Produktion GmbH (0.2 %) on February 2, 2009. The company was included in the consolidated financial statements of Highlight Communications AG by way of full consolidation for the first time as of this date.

Constantin Film Schweiz AG

Rainbow Home Entertainment AG, a wholly owned subsidiary of Highlight Communications AG, established Constantin Film Schweiz AG on December 14, 2009. The company was included in the consolidated financial statements of Highlight Communications AG by way of full consolidation as of this date.

Liquidation and deconsolidation

bob Film GmbH, a wholly-owned subsidiary of Olga Film GmbH, was liquidated on July 1, 2009. The effect on the net profit for the period is not significant.

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 %
Constantin Film Schweiz AG	Acquisition and development of content	CH	CHF	500,000	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	100 %	100 %
Constantin Script & Development GmbH	Acquisition and development of content	DE	EUR	26,000	100 %	100 %
Constantin Media GmbH audiovisuelle Produktionen	Acquisition and development of content	DE	EUR	26,000	100 %	100 %
Constantin Film Produktion GmbH	Film and TV production	DE	EUR	105,100	100 %	100 %
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	100 %	100 %
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	100 %	100 %
Constantin Film Development Inc.	Acquisition and development of content	US	USD	530,000	100 %	100 %
Constantin Production Services Inc.	International film production	US	USD	50,000	100 %	100 %
DoA Production Ltd.	International film production	GB	GBP	1,000	100 %	100 %
Resident Evil Mexico S. DE R.L. DE C.V. (Mexico LLC)**	International film production	MX	MXN	3,000	100 %	100 %
Constantin Film International GmbH	International film production	DE	EUR	105,000	100 %	100 %
Constantin Pictures GmbH	International film and TV production	DE	EUR	25,000	100 %	100 %
Constantin Entertainment GmbH	TV entertainment production	DE	EUR	200,000	100 %	100 %
Constantin Entertainment Polska Sp. z o.o.	TV entertainment production	PL	PLN	54,000	75 %	75 %
Constantin Entertainment U.K. Ltd.	TV entertainment production	UK	GBP	95,000	100 %	100 %
Constantin Entertainment Croatia d.o.o.	TV entertainment production	HR	HRK	20,000	100 %	100 %
Constantin Entertainment Turkey TV Prodüksiyon Ltd. Sirketi***	TV entertainment production	TR	TRY	400,000	100 %	100 %
Constantin Entertainment Hellas EPE****	TV entertainment production	GR	EUR	15,000	100 %	100 %
Olga Film GmbH	Film and TV production	DE	EUR	603,000	95.52 %	95.52 %
MOOVIE – the art of entertainment GmbH	Film and TV production	DE	EUR	104,000	51 %	51 %
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Constantin Film Verleih GmbH	License trading and theatrical distribution	DE	EUR	250,000	100 %	100 %
Classic Media Werbeagentur GmbH	Advertising and event marketing	DE	EUR	105,000	100 %	100 %
Constantin International B.V.	License trading	NL	EUR	18,151	100 %	100 %
Constantin Music Verlags-GmbH	Exploitation of music rights	DE	EUR	70,000	100 %	100 %
Constantin Music GmbH	Exploitation of music rights	DE	EUR	25,000	90 %	90 %
Königskinder Music GmbH	Record label and music producer	DE	EUR	50,000	50 %	50 %
Constantin Propaganda GmbH	License trading	DE	EUR	100,000	100 %	100 %
Resident Evil Productions LLC*****	International film production	US	USD	100	0 %	0 %
Rainbow Home Entertainment Ges.m.b.H.	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*
**** *0.2 % are held by Constantin Film Produktion GmbH*
***** *the company is included in consolidation under SIC 12*

Overview of non-consolidated companies

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

	Country	Subscribed capital		Share in capital
Société Nouvelle Torii S.A.R.L.*	France	EUR	247,577	100 %
Greenland Film Production A.B.*	Sweden	SKR	100,000	100 %
Smilla Film A.S.*	Denmark	DKR	500,000	100 %
Constantin Music Publishing US Inc.*	US	USD	1,000	100 %
She's French LLC**	US	USD	1,000	100 %
Impact Pictures LLC**	US	USD	1,000	51 %
Impact Pictures Ltd.***	Great Britain	GBP	1,000	51 %
The Dark Film Ltd.****	Great Britain	GBP	100	51 %
Sheep Ltd.****	Isle of Man	GBP	2,000	51 %
Constantin Entertainment Adria d.o.o.*****	Croatia	HRK	20,000	100 %
MOOVIE – the art of entertainment LLC******	US	USD	100	100 %
T.E.A.M. UK*******	Great Britain	GBP	1	80 %

* *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 MOOVIE – the art of 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 have no operations. Their approximate fair value is equivalent to the carrying amount.

Overview of joint ventures

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

(TCHF)	Share in capital	Period recognized in the consolida-ted financial statements	Currency	Share capital as of Dec. 31, 2009	Profit of last fiscal year
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	50 %	Jan. 1, 2009 – Dec. 31, 2009	EUR	1,082	908

A detailed presentation of the assets, liabilities, revenues and net profit for the period of the joint venture can be found under note 5.5.

Overview of associated companies

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

(TCHF)	Share in capital	Period recognized in the consolida-ted financial statements	Currency	Share capital as of Dec.31,2009	Profit of last fiscal year
BECO Musikverlag GmbH	50 %	2009	EUR	88	11
Escor Casinos & Entertainment SA	27.57 %	2009	CHF	23,612	1,662

A detailed presentation of the assets, liabilities, revenues and net profit for the period of the associated companies can be found under 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 full. 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 remeasured pro rata equity at the time of acquisition. Assets and liabilities are carried at fair value. Remaining differences on the assets side are capitalized as goodwill, which must be tested for impairment every year. Any resulting impairment is expensed in the profit and loss account. Any difference on the liabilities side resulting from capital consolidation is – after a further reassessment – reported as income in its entirety in the year it accrues.

Joint ventures, i.e. companies which the Group runs jointly with partners, are consolidated at equity in line with IAS 31.38.

Interests in companies in which Highlight Communications AG holds between 20 % and 50 % of voting rights or which it controls in another way (associated companies) are measured using the equity method. Equity investments are recognized at their acquisition cost at the time of acquisition. Any goodwill identified is included in the carrying amount of the investment and is not recognized as separate goodwill. The results of associated companies are absorbed into the Group pro rata and allocated to the carrying amount of the investment. Dividends paid by associated companies reduce their carrying amount. The provisions of IAS 36 apply to the calculation of impairment if there are objective indications that assets have become impaired. Changes recognized directly in the equity of the associated company are recognized by the Group to the extent of its holding and shown in changes in consolidated equity.

Companies are deconsolidated in accordance with IAS 27 when they are no longer controlled. Deconsolidation is shown 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 are still included in the consolidated financial statements.

The effects of intragroup transactions are eliminated. Receivables and liabilities between fully consolidated companies are netted off and intragroup profits are eliminated. Intragroup income is offset against the corresponding expenses.

Minority interests represent the share of profit and net assets not attributable to the shareholders of the parent company. Minority interests are reported separately in the consolidated profit and loss account and the consolidated balance sheet. They are reported in the consolidated balance sheet under equity but separately from the equity attributable to the shareholders of the parent company.

The acquisition of minority interests is recognized in line with the economic entity model. When using the economic entity approach, purchases or disposals of shares in a consolidated subsidiary (minority interest transactions) that do not result in a change of control are recognized in equity as transactions with equity providers.

4.2 Currency translation

Functional currency

The functional currency of Highlight Communications AG and the reporting currency of the Group is Swiss francs. The local currency is the functional currency for a majority of the Group companies. A functional currency other than the local currency is used by Group companies whose local currency is not the currency of the economic area in which most of their operations take place.

Measurement of transactions in foreign currency

Monetary assets and liabilities are translated at the balance sheet date exchange rate.

Transactions in currencies that are not the functional currency of the Group company in question are recognized by the companies using the exchange rate in effect on the transaction date.

Gains/losses from the settlement of these transactions and gains/losses from the translation of monetary assets and liabilities are recognized in profit or loss. Gains/losses from qualified cash flow hedges and monetary items classified as the Group's net investments in a foreign entity constitute an exception to this. These gains/losses are taken to equity. Translation differences on non-monetary financial instruments classified as held for sale are also taken directly to equity. Translation differences on fair value adjustments of monetary financial instruments classified as held for sale are recognized through profit or loss.

Currency translation differences of TCHF 169 were recognized in income in fiscal year 2009 (previous year: TCHF 3,046). There were no gains/losses on cash flow hedges or net investments in foreign entities.

Currency translation in the Group

The balance sheets of foreign subsidiaries with a functional currency other than Swiss francs are translated in accordance with the functional currency concept at the middle rate on the balance sheet date while items of the profit and loss account are translated at annual average exchange rates. Any translation differences or differences from currency translation in amounts carried forward from previous years resulting from this are recognized in equity.

When a foreign Group company is sold, the cumulative translation differences of that company are recognized in the profit and loss account in its own funds as part of the gain or loss on its sale.

Exchange rates

		Rates at balance sheet date		Annual average rates	
		Dec. 31, 2009	Dec. 31, 2008	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Euro	(EUR)	1.48770	1.48880	1.51022	1.58742
US dollar	(USD)	1.03800	1.05610	1.08573	1.08311
Pound sterling	(GBP)	1.65330	1.52860	1.69580	2.00056
Canadian dollar	(CAD)	0.98940	0.86430	0.95286	1.01917

Balance sheet date rates are based on the official middle rate on the last trading day of the fiscal year.

4.3 Segment reporting

Segments and segment reporting are defined on the basis of the internal reporting of the organizational units to the main decision makers with regard to the allocation of resources and the assessment of earnings power. The Group's management has been defined as the chief operating decision maker. The Group's business 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 Others segment. These include actual Group management, Corporate Finance, Investor Relations, Controlling, Legal, Group Accounts, Corporate Communications, Internal Audit and Human Resources. Segments earnings are defined as EBIT as this figure is used internally for performance measurement.

4.4 Film assets

Film assets include purchased rights to third-party productions (i.e. films produced outside the Group) and the costs of films produced within the Group (own and co-productions) plus the cost of developing new productions. The acquisition of rights to third-party productions usually includes cinema, home entertainment and TV rights.

The costs for third-party productions generally include minimum guarantees. The individual payments of the minimum guarantee are recognized as advance payments and capitalized as film assets on delivery and acceptance of the material.

In-house productions are carried at cost. Production costs also include the finance costs that can be allocated to the production in question. Costs for releasing the film, such as press and marketing costs, are also incurred. These release costs are not capitalized and instead are recognized immediately as an expense.

A performance-based amortization method is applied to film rights (both third-party and in-house productions) that represents the loss in value of film assets based on the recoverable revenues. This method is referred to as the individual film forecast method. Under this method, the amortization for a film in a period is determined by the formula “Revenues generated by the film in the period divided by the film’s estimated total remaining revenues and multiplied by the residual carrying amount of the film”. The revenues used as a basis for calculating amortization include all income generated by the film. This income is adjusted for video costs when calculating amortization in connection with video revenues. The maximum period for estimating revenues is ten years for films as recognized in the film assets of the Highlight Group.

The estimate of the total revenues is reviewed at the end of each quarter and adjusted if necessary. The quotient for the amortization for the period is calculated on the basis of any (adjusted) total revenues. Each film is also tested for impairment if there are indications that it has become impaired. If the acquisition costs or the carrying amount of the film is not covered by the estimated total revenues less release costs yet to be incurred, the film is written down to its value in use. Estimated long-term revenues are discounted with an individual interest rate that takes into account the terms of the different periods of exploitation. The interest rate over the different periods of exploitation can be up to 4.8 %. Estimated revenues can vary significantly as a result of a number of factors such as market acceptance. The Highlight Group examines and revises revenue forecasts and amortization expenses upon any changes to previous forecasts occurring.

Capitalized costs for the development of new projects (particularly script rights) are regularly reviewed to determine whether they can still be used as a basis for film productions. If, three years after first-time capitalization of costs for a project, the start of filming or the sales of the rights cannot be specifically determined, the costs are written off in full. Any indications of early impairment are recognized accordingly.

4.5 Other intangible assets

This category essentially includes computer programs and intangible assets identified in the process of purchase price allocation. They are measured at acquisition costs less scheduled straight-line amortization and impairment. Please also see the comments in the section “Impairment of non-financial assets” (see note 4.8). Amortization on computer programs is calculated on the basis of the term respectively the standard useful life of three years.

4.6 Goodwill

Goodwill is carried at acquisition costs. Goodwill results from the difference between the 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 expected to benefit from the combination on recognition. The cash generating units to which goodwill is allocated are the organizational units below the segments or the segments themselves.

In line with IAS 36, goodwill it tested for impairment once per year or more frequently if there are indications of impairment. It is not amortized under IFRS 3.

4.7 Tangible assets

Tangible assets comprise land, land rights and buildings, tenant's fixtures, technical equipment and machinery, other equipment, plant and office equipment as well as advance payments made and plant under construction.

Tenant's fixtures are measured at acquisition costs less scheduled depreciation assuming a useful life of 3 to 27.5 years. The costs of tenant's fixtures are usually depreciated over the term of the respective lease. Vehicles, IT equipment and technical equipment as well as plant and office equipment are measured at acquisition costs less scheduled depreciation or impairment. Scheduled depreciation is recognized on a straight-line basis over the standard useful life of 3 to 11 years. Repairs and maintenance expenses are expensed at the time they are incurred. More extensive renovation work or fixtures are capitalized. Renovation work is also depreciated over the above mentioned expected useful life. Acquisition costs and the associated cumulative depreciation are derecognized on disposal; any gains or losses accruing are recognized in profit or loss in the fiscal year.

4.8 Impairment of non-financial assets

In accordance with IAS 36, goodwill at cash generating unit level as well as intangible assets with an indefinite useful life are tested for impairment at least once per year or more frequently if there are indications of impairment. Highlight Communications AG carries out annual impairment testing in the fourth quarter of a fiscal year.

Impairment testing 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 drop in the fair value of an asset, significant changes in the business environment, substantial evidence of obsolescence or a change in expected income. The basis for the impairment test is the calculation of the recoverable amount, which is the higher of fair value less costs to sell or the value in use of an asset. If the recoverable amount is determined on the basis of value in use, this will be based on the relevant cash flows. Impairment is recognized if the recoverable amount is less than the carrying amount.

The calculation of the recoverable amount takes into account management estimates and assumptions. The estimates and assumptions are based on premises that reflect the most recent information available. The amounts occurring may differ from original expectations on account of developments outside the company's influence which deviate from these assumptions and lead to a restatement of the carrying amounts.

If the amount of impairment exceeds the goodwill assigned to the cash generating unit, the unit's other assets must be written down proportionately in line with their carrying amounts. This is not the case if the carrying amount in question would be less than the higher of the fair value less costs to sell or the value in use.

Impairment recognized in prior periods on tangible assets and intangible assets, not including goodwill, is reversed if the reasons for impairment no longer apply. Reversals of write-downs are recognized in profit or loss and cannot exceed the theoretical amortized cost.

4.9 Inventories

Service productions under development

Inventories include service productions under development that have not yet been ordered by the broadcaster (see note 4.22 Long-term service production).

Merchandise

Merchandise, consisting of DVDs and Blu-rays in particular, is recognized at the lower of cost or net realizable value (sales-oriented, loss-free measurement). The net realizable value is the estimated sale price in normal business less costs to sell. The cost is determined using the first-in, first-out (FIFO) method.

Impairment on merchandise (mainly DVDs and Blu-rays) is recognized on the basis of coverage analyses. This means that the management analyzes whether merchandise is impaired per product on the basis of past movements and the products in stock. If this analysis shows that certain products have become impaired this is recognized accordingly. Other impairment losses are recognized for damaged or defective merchandise.

4.10 Non-current assets and disposal groups held for sale

Classification as held for sale requires specific non-current assets or groups of assets that can be sold in their current condition and that their disposal is highly likely. Non-current assets (or a disposal group) are measured at the lower of carrying amount or fair value less costs to sell. Non-current assets are not depreciated.

4.11 Assets and liabilities of discontinued operations

A discontinued operation is an operation that is either intended for sale or has already been sold and whose activities and cash flows can be clearly separated from the company’s other activities both in terms of operations and for the purposes of accounting. Discontinued operations are reported separately in the profit and loss account and the cash flow statement.

4.12 Financial instruments

Regular way purchases and sales of financial assets are accounted for at settlement date.

Available-for-sale financial assets

This category primarily includes financial assets that cannot be assigned to any other IAS 39 category.

They are measured at fair value. Subsequent measurement is at fair value, which is the market price as of the balance sheet date. If no market price is available, the fair value is determined on the basis of similar market transactions. Any gain or loss resulting from measurement on the balance sheet date is taken directly to equity. If the fair value of an equity instrument cannot be reliably determined it is measured at amortized cost. Such financial assets are not recognized in profit or loss until derecognition through reversal of the equity item. Impairment, however, is recognized in profit or loss.

If there is no active market or no longer an active market, the fair value of the financial instrument is determined using recognized measurement procedures. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably determined are measured at acquisition costs. Any impairment losses on such financial instruments shall not be reversed.

Impairment on available-for-sale debt instruments is reversed in profit or loss in subsequent periods if the reasons for impairment no longer apply. Subsequent changes in fair value are recognized in equity. Impairment on available-for-sale equity instruments is not reversed in profit or loss, increases in fair value following impairment are recognized in equity.

The management classifies financial assets at the time of acquisition and ascertains at regular intervals whether the criteria for classification have been complied with. Acquisition costs include transaction costs.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets 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 in the previous year, there were no held-to-maturity investments as of December 31, 2009.

Loans and receivables

The financial instruments assigned to this category are recognized at amortized cost using the effective interest method. The item also contains investments in shell companies with no operating activities.

Current trade accounts receivable and other current receivables are carried at acquisition costs. Interest-free monetary receivables with a maturity of more than one year are discounted with a matching interest rate.

Receivables from customers are stated at the lower recoverable amount if there are doubts as to their collectability. Impairment is assumed when objective indications, including in particular the creditworthiness of the respective customer, current industry-specific economic developments and the analysis of past defaults indicate that the company will not receive all amounts at their due dates. The reported carrying amounts are the approximate fair values.

Portfolio impairment losses are also recognized for receivables in different risk classes. Historic rates of default are calculated for these classes. The corresponding receivables are then corrected by the average rate of default.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are usually reported under "Other financial assets". The category of financial assets measured at fair value through profit or loss generally includes financial assets held for trading and financial assets classified as financial assets measured at fair value on first-time recognition. 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 except for derivatives that are financial guarantees or derivatives that are designated as hedging instruments and effective as such (hedge accounting).

Financial assets are designated as financial assets at fair value through profit or loss on initial recognition if this eliminates or substantially reduces mismatching that would arise from any other recognition of the assets or the recognition of gains and losses under different accounting policies or if a group of financial assets and/or financial liabilities is managed in line with a documented risk management or investment strategy and its value development is assessed using its fair value and the information on this group calculated on this basis is forwarded internally to persons in key positions of the company.

They are measured at fair value. Realized gains and losses on changes in the fair value of financial instruments are reported in the profit and loss account as they arise.

Subsequent measurement is at fair value, which is the market price as of the balance sheet date. If no market price is available, the fair value is determined using measurement methods. Measurement methods include the use of the most recent business arm's length transactions between knowledgeable, willing and independent parties, comparison with the fair value of another, mostly identical financial instrument, analysis of discounted cash flows and use of other measurement models.

4.13 Hedge accounting

In principle, the Group uses derivative financial instruments to hedge foreign currency fluctuations when buying film rights in foreign currencies. These transactions are usually in US dollars. Currency risk arises from the fact that income from the exploitation of these rights is denominated in EUR only.

Hedge accounting is intended to reduce the risk of a change in the fair value of an asset. In this case the unrecognized firm commitments from purchases of film rights designated as the hedged item are hedged as they are subject to currency fluctuations in the time between the contract being concluded and being fulfilled. Currency futures are used as hedging instruments. These are designated either in full or in part. The hedge is recognized in accounting as a fair value hedge. The opposing changes in the fair value of the hedged item and the hedging instrument are recognized in profit or loss so that they offset each other.

Such hedging relationships are considered highly effective in terms of compensating the risks of changes in the fair value of the hedged item and the hedging instrument. They are assessed on an ongoing basis to determine if they actually were effective for the whole reporting period for which the hedging relationship was defined. The effectiveness of the hedging relationship is reviewed on the basis of prospective and retrospective effectiveness tests. The prospective effectiveness test uses the critical terms match method. The dollar-offset method is used for the retrospective effectiveness test. Effectiveness describes the degree to which changes in the value of the hedged item and the hedging instrument offset each other. Compensation within a range of 80 % to 125 % is considered an effective hedge. All hedging relationships are in this area.

At the start of the hedge, both the hedging relationship and the Group's risk management objectives and strategies with regard to hedging are formally stipulated and documented. The documentation includes identification of the hedging instrument and the hedged item, the nature of the risk being hedged and how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value.

For hedge accounting purposes, hedging instruments are classified as fair value hedges if they hedge the exposure to a change in the fair value of a recognized asset, a recognized liability or an unrecognized firm commitment (fair value hedges). This instance pertains to unrecognized firm commitments to purchase film rights. Foreign currency fluctuations automatically lead to price fluctuations for film rights. As the income from the exploitation of these rights is in EUR only, these fluctuations will have a direct influence on the gross profit of a film.

Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. The fair value of forward foreign exchange contracts is based on bank valuations. The valuations are performed by the banks with which the transactions were concluded.

Pending hedged items are also recognized at fair value and subsequent measurements are performed at fair value. Profit or loss from remeasuring the derivatives or the hedged item is reported in the result under cost. Ineffectiveness is recognized in the form of the basis adjustment.

Non-derivative financial liabilities are also designated as hedging instruments for currency risks. They are used to hedge foreign-currency sales agreements not yet recognized on the face of the balance sheet. These hedging relationships are also reported as fair value hedges.

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances, call and demand deposits at banks and other financial institutes. These are only reported as cash and cash equivalents if they can be converted into amounts of cash determined in advance at any time, are subject to only minor fluctuations in value and have a remaining maturity of three months or less from the date of acquisition.

4.15 Liabilities

Current and non-current financial liabilities, trade accounts payable, advance payments received and other liabilities are reported under liabilities. They are all carried at amortized acquisition costs. Derivative financial instruments with negative fair values on the balance sheet date are measured at fair value and reported under other liabilities. Low-interest and interest-free non-current liabilities are recognized at present value on acquisition and discounted on an accrual basis until maturity if the interest effect is material. Liabilities from outstanding invoices are reported under trade accounts payable and other current liabilities.

4.16 Pension provisions

Pension provisions include both defined benefit and defined contribution post-retirement plans. The key defined benefit pension plans are located in Switzerland. Virtually all employees in Switzerland are members of a benefit plan based on the Swiss defined contribution system that 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 insured 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, disability benefits, benefits in the event of death and benefits for surviving dependants. These plans are subject to the regulations for defined benefit plans under IAS 19.

The amount of pension provisions is established on the basis of actuarial opinions. The actuarial measurement of defined benefit retirement and similar obligations within the provisions for pensions and similar commitments is based on the projected unit credit method. As a result of the use of the projected unit credit method, future obligations are measured on the basis of the pro rata claims to benefit acquired as of the balance sheet date. Measurement 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 rate of return of plan assets. The discount factors are based on market yields of blue chip industrial bonds.

Actuarial gains and losses, which include differences between assumptions and actual figures and remeasurement effects within the actuarial assumptions, are distributed in profit or loss over the expected remaining 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 reported in the balance sheet matches the extent of the obligation less the market value of the plan assets and unrecognized actuarial gains and losses. In defined contribution plans, the company pays contributions to government or private pension schemes on a statutory or contractual and/or voluntary basis. The company has no further benefit obligations on payment of these contributions. Payments made are expensed immediately in the respective year.

In addition, the TEAM group maintains a provident fund for its management staff known as a savings facility. The fund participated 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. No contributions were charged to the profit and loss account.

4.17 Provisions

In line with IAS 37, provisions take into account all discernible obligations to third parties arising from a past event for which an outflow of resources is likely in order to settle the obligation. Another requirement for measurement is that the amount of the obligation can be reliably estimated.

Provisions are measured in the amount of the most likely expenditure. Non-current provisions are carried at the present value of the expected outflow calculated using current interest rates, if the interest effect is material.

Provisions for onerous contracts are recognized when the unavoidable costs of meeting the obligations of a contract exceed the economic benefits expected to be received under it. Impairment on assets relating to this contract is recognized before the provision is recognized.

Possible obligations whose existence (occurrence/non-occurrence) must be confirmed by future events, or obligations whose extent cannot be reliably determined are disclosed as contingent liabilities. Contingent assets are not capitalized, but also disclosed as in the case of contingent liabilities if economic benefits are probable for the Group.

4.18 Borrowing costs

Borrowing costs for the production of qualifying assets are capitalized in the area of film production under IAS 23. Borrowing costs for non-qualifying assets are expensed in the period in which they are incurred.

4.19 Deferred taxes

Deferred taxes are recognized in the consolidated financial statements for temporary differences between the carrying amounts and the tax valuations of assets and liabilities as well as for tax loss carryforwards. Deferred tax assets from deductible temporary differences and tax loss carryforwards are only reported to the extent that it can be assumed with sufficient probability that the respective company will generate 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 calculated on the basis of the tax rates that apply in the individual countries as of the realization date or that will apply in future.

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

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

Deferred taxes on items recognized directly in equity are not recognized in the profit and loss account but in the consolidated statement of comprehensive income/loss.

No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries as it is not likely that these temporary differences will reverse in the foreseeable future.

4.20 Equity

Ordinary bearer shares outstanding are classified as equity. As soon as the Group acquires treasury shares, the amount paid for the shares including the attributable transaction costs is deducted from equity. The consideration received when treasury shares are sold or issued is added to equity.

4.21 Revenue recognition

Consolidated revenues result from the external sales realized by the corresponding segments.

Revenues from theatrical films are recognized from the time of their release. The amount of revenues is directly dependent on the number of film visitors. In line with standard practice in the industry, the film rental reported by the cinema operators 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 (POC) method in order to recognize the share of total revenues in the reporting period (see note 4.22 Long-term service production).

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

In global distribution, the Group usually receives minimum guarantees 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 on 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 on the royalty settlements being received from the licensees.

For the Group’s own video/DVD exploitation, revenues from DVDs und Blu-rays sold are recognized as of release. Revenues from licenses for video/DVD rights are recognized as of the date on which the license takes effect.

Revenues in the Sports- and Event-Marketing segment are recognized as per the contracts for the respective projects. Most project contracts, including all key projects, provide for the Highlight Group to receive a share of the earnings of the project in question. These earnings are calculated from the project’s proceeds less cost directly attributable to it invoiced by third parties. Project earnings are calculated by project accounting. Pro rata proceeds are assigned to the expenses of the project. This project accounting is prepared for each project on a monthly basis. If it emerges that previous expectations no longer match current expectations, the income from this project is adjusted over the remaining project term in line with the latest forecasts.

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 if the necessary requirements are met. Total contract revenue and costs relating to this are recognized in profit or loss 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 (output-oriented method) while the cost-to-cost method is used for TV films and event shows. 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 by the broadcaster.

If the earnings for the stage of completion cannot be reliably determined, revenue is only recognized in the amount of the costs already incurred (zero profit method). If the uncertainties no longer apply at a later date with the result that earnings from service productions can be estimated reliably, pro rata profits are realized in line with the percentage of completion. If it is likely that the total cost of the production will exceed its total proceeds the expected loss is expensed immediately.

Service productions in production are reported as a net figure in the balance sheet under either receivables or liabilities in the amount of the difference between realized revenues and invoices. Service productions in development that have not yet been ordered by the broadcaster are recognized under 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 if economic ownership of the leased item is allocated to the lessee (finance lease). Under IAS 17, this is the case if the lessee essentially bears all the opportunities and risks associated with ownership of the leased item. In these cases, the leased item is capitalized at the lower of its fair value at the start of the lease and the present value of the minimum lease payments. The corresponding lease liabilities are reported under non-current financial liabilities in the balance sheet. The interest component of the lease payment is recognized in profit or loss in the net financial result over the term of the lease. There were no finance leases in the Group as of December 31, 2009.

If economic ownership is allocated 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 profit and loss account 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 the regulations of the Federal Government Commissioner for Culture and Media (BKM) (German Federal Film Fund: DFFF).

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. These are public sector grants for assets. In the balance sheet, they are deducted from the carrying amount of the film assets in the amount which will not have to be repaid with sufficient certainty.

The grants are recognized in profit or loss using a reduced amortization amount of capitalized cost over the exploitation cycle of a film.

The amount which will not have to be repaid with sufficient certainty can usually be determined at the time of release. If 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 at the same time for the corresponding obligation.

Project subsidies

Project subsidies are non-refundable subsidies that a producer is entitled to depending on the number of people who go to see the (subsidized) film in the theatrical exploitation for financing the project costs of a subsequent film. These are public sector grants for assets. The subsidies granted are deducted from the carrying amount of the subsidized film in the balance sheet when filming on the subsequent film commences.

The grants are recognized in profit or loss using a reduced amortization amount of capitalized cost over the exploitation cycle of a film.

Project film promotion in accordance with BKM (DFFF) regulations

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

These are public sector grants for assets. In the balance sheet, project film promotions granted are deducted from the carrying amount of the film no later than the time of its release. Prior to theatrical release these are capitalized as other receivables. At the same time, deferred income is reported under other liabilities.

The grants are recognized in profit or loss using a reduced amortization amount 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 distributor's income from a film exceeds a certain amount.

These are public sector grants for expenses already incurred. These are recognized as a reduction of release costs by the amount which will not have to be repaid with sufficient certainty.

These grants are recognized in the periods in which the corresponding release costs are incurred.

The amount which will not have to be repaid with sufficient certainty can usually be determined at the time of release. If 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.

Sales subsidies

ASales 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 theatrical exploitation for financing the release costs for a subsequent film. These 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.

These grants are recognized in the periods in which the corresponding release costs are incurred.

5. Notes to individual items of the consolidated balance sheet

5.1 Film assets

Film assets break down as follows:

(TCHF)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2009			
Balance at January 1, 2009	437,227	633,937	1,071,164
Currency translation differences	–476	–1,794	–2,270
Additions	21,746	88,884	110,630
Disposals	6,440	–	6,440
Balance at December 31, 2009	**452,057**	**721,027**	**1,173,084**
Accumulated amortization 2009			
Balance at January 1, 2009	386,970	436,567	823,537
Currency translation differences	–642	–2,077	–2,719
Amortization for the year	31,153	112,778	143,931
Impairment	4,230	4,799	9,029
Disposals	6,440	–	6,440
Balance at December 31, 2009	**415,271**	**552,067**	**967,338**
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**
Net carrying amounts December 31, 2009	**36,786**	**168,960**	**205,746**
Net carrying amounts December 31, 2008	**50,257**	**197,370**	**247,627**

Impairment losses of TCHF 9,029 (previous year: TCHF 8,131) were recognized in fiscal year 2009. Impairment losses are taken on films when the estimated total proceeds of a film less release costs yet to be incurred do not cover the acquisition costs or the carrying amount of the film.

In fiscal year 2009, the Highlight Group received project subsidies and project promotion loans of TCHF 45,634 (previous year: TCHF 27,291), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to TCHF 3,721 as of December 31, 2009 (previous year: TCHF 5,729). Project promotions of TCHF 458 were repaid in fiscal year 2009 (previous year: TCHF 4,623).

Sales subsidies and distribution loans of TCHF 3,922 (previous year: TCHF 3,781) were also recognized in the consolidated profit and loss account in fiscal year 2009 as a reduction of release costs. These grants are recognized over the periods that are necessary to offset them against the release costs they are intended to compensate. Deferred distribution loans amounted to TCHF 0 (previous year: TCHF 0) as of December 31, 2009. Distribution loans of TCHF 976 (previous year: TCHF 970) were repaid over fiscal year 2009.

As of December 31, 2009, there were receivables for subsidies and grants of TCHF 25,181 (previous year: TCHF 25,146).

In fiscal year 2009, directly attributable financing costs of TCHF 3,446 (previous year: TCHF 491) were capitalized. The financing interest rate varied from 1.7 % to 2.4 % (previous year: 3.6 % to 8.3 %).

5.2 Other intangible assets/changes in goodwill

As of December 31, 2009, other intangible assets comprise the following:

(TCHF)	Purchased intangible assets	Internally developed intangible assets	Total intangible assets	Goodwill
Acquisition and production costs 2009				
Balance at January 1, 2009	3,005	668	3,673	24,569
Currency translation differences	-15	–	-15	-8
Additions	630	–	630	–
Disposals	7	–	7	–
Balance at December 31, 2009	**3,613**	**668**	**4,281**	**24,561**
Accumulated amortization 2009				
Balance at January 1, 2009	2,043	668	2,711	2,912
Currency translation differences	-16	–	-16	-2
Amortization for the year	644	–	644	–
Balance at December 31, 2009	**2,671**	**668**	**3,339**	**2,910**
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	–
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	–
Balance at December 31, 2008	**2,043**	**668**	**2,711**	**2,912**
Net carrying amounts December 31, 2009	**942**	–	**942**	**21,651**
Net carrying amounts December 31, 2008	**962**	–	**962**	**21,657**

5.3 Goodwill

Total goodwill of TCHF 21,651 (previous year: TCHF 21,657) was recognized in the balance sheet as of December 31, 2009.

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Rainbow Home Entertainment AG	2,399	2,399
Constantin Film Verleih GmbH	12,025	12,025
Olga Film GmbH	1,520	1,522
Constantin Entertainment GmbH	5,171	5,175
Constantin Entertainment Croatia d.o.o.	469	469
Other	67	67
Total	**21,651**	**21,657**

Goodwill was tested for impairment at the level below the operating Film segment. Recoverable amounts are calculated using the recoverable value in use in impairment testing for goodwill. The basis of the discounted cash flow method in the Highlight Group is future cash flows derived from detailed two-year earnings planning. Growth of 0 % to 2 % (previous year: 0 %) was assumed for the period subsequent to the detailed planning period. The pre-tax interest rates used for discounting are calculated for each segment on the basis of a capital market-based risk assessment in line with the capital asset pricing model (CAPM) and amounted to between 8.00 % and 10.54 % as of December 31, 2009 (previous year: 11.24 % and 14.29 %). Corporate planning was also supplemented with further alternative scenarios for the possible development of the Highlight Group and these were also used for the purposes of impairment testing. Even using more conservative scenarios concerning revenues growth, discount rate and EBIT margin, no goodwill impairment was required. Goodwill was subjected to its annual impairment test as of December 31, 2009. This did not result in any impairment losses.

5.4 Tangible assets

As of December 31, 2009, tangible assets comprise the following:

(TCHF)	Tenant's fixtures	Other equipment, plant and office equipment	Total tangible assets
Acquisition and production costs 2009			
Balance at January 1, 2009	1,241	16,477	17,718
Currency translation differences	–2	–18	–20
Additions	310	2,345	2,655
Disposals	–	778	778
Balance at December 31, 2009	**1,549**	**18,026**	**19,575**
Accumulated depreciation 2009			
Balance at January 1, 2009	224	11,404	11,628
Currency translation differences	–2	–17	–19
Depreciation for the year	235	2,469	2,704
Disposals	–	707	707
Balance at December 31, 2009	**457**	**13,149**	**13,606**
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**
Net carrying amounts December 31, 2009	**1,092**	**4,877**	**5,969**
Net carrying amounts December 31, 2008	**1,017**	**5,073**	**6,090**

As of December 31, 2009, fire insurance values stood at TCHF 19,152 (previous year: TCHF 18,539).

5.5 Investments in associated companies and joint ventures

Shares in associated companies and joint ventures developed as follows:

(TCHF)	2009	2008
January 1	6,919	7,905
Share in net earnings	917	741
Reversal impairment/impairment	1,195	–1,062
Other changes recognized in equity	–15	–10
Dividend payments/capital repayments	–557	–618
Currency translation differences	–9	–37
Dezember 31	**8,450**	**6,919**

Associated companies

The annual financial statements as of December 31, 2008 of BECO Musikverlag GmbH were used as a basis in reporting on associated companies as the annual financial statements as of December 31, 2009 have not yet been prepared. The figures of Casinos & Entertainment SA in the annual financial statements as of December 31, 2009 were based on the ad hoc disclosure by Escor Casinos & Entertainment SA dated March 11, 2010.

The condensed financial statements are as follows:

(TCHF)	Revenues	Net earnings	Total assets	Total liabilities
BECO Musikverlag GmbH	27	11	104	16
Escor Casinos & Entertainment SA	3,160	1,662	24,812	1,200

At the balance sheet date, the carrying amount of the investment in Escor Casinos & Entertainment SA was TCHF 7,818 (previous year: TCHF 6,489), that in BECO Musikverlag GmbH TCHF 91 (previous year: TCHF 86). As in the previous year, there were no contingent liabilities as of December 31, 2009.

Joint ventures

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

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Total assets	6,168	3,459
Total liabilities	5,086	2,771

The carrying amount of Polyscreen Produktionsgesellschaft für Film und Fernsehen mbH is TCHF 541 (previous year: TCHF 344).

The items of the profit and loss account comprise the following:

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Revenues	15,291	14,816
Material expense	–13,415	–13,791
Other operating expense	–522	–172
Tax expense	–446	–257
Net earnings	**908**	**596**

As in the previous year, there were no contingent liabilities as of December 31, 2009.

5.6 Inventories

As of December 31, 2009, inventories comprise the following:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Gross stock		
Work in progress	1,514	1,346
Blu-rays/DVDs	2,905	3,292
Total	**4,419**	**4,638**
Impairment		
Opening balance	232	231
Currency translation differences	1	–14
Write-downs/scrap	–	15
Reversal of write-downs	–5	–
Total	**228**	**232**
Net stock	**4,191**	**4,406**

Unfinished goods and services essentially relate to service productions in development that have not yet been ordered by the broadcaster.

5.7 Other financial assets/non-current receivables

Other financial assets

(TCHF)	Current assets Dec. 31, 2009	Current assets Dec. 31, 2008	Non-current assets Dec. 31, 2009	Non-current assets Dec. 31, 2008
Financial assets at fair value through profit or loss				
Real estate funds	–	–	318	319
Bonds	1,000	1,000	–	–
Fixed-term deposits with a term of more than 3 months	–	32,473	–	–
Derivative financial instruments	89	376	–	–
Total financial assets at fair value through profit or loss	**1,089**	**33,849**	**318**	**319**
Available-for-sale financial assets				
Shares	22,084	22,161	–	–
Total available-for-sale financial assets	**22,084**	**22,161**	–	–
Total	**23,173**	**56,010**	**318**	**319**

Other current financial assets include a stake of 8.72 % in Constantin Medien AG (previous year: 7.64 %) with a carrying amount of CHF 22,084 (previous year: CHF 22,161). The item also includes other securities totalling TCHF 1,089 (previous year: TCHF 33,894). These are primarily fixed-income securities.

The carrying amount for all financial assets is equal to the fair value.

Non-current receivables

Non-current receivables are all receivables with a maturity of more than one year.

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Non-current receivables (nominal amount)	2,622	4,262
thereof third parties	*2,622*	*4,262*
Discounting	–138	–161
thereof third parties	*–138*	*–161*
Total	**2,484**	**4,101**

Non-current receivables essentially relate to the value added tax owed for revenues not yet recognized under IFRS.

5.8 Trade accounts receivable

The carrying amount of receivables not yet due and receivables that are up to 90 days past due is equal to their fair value. For receivables that have been outstanding for longer, or if there are actual reasons for so doing, the figures are written down individually to adjust the carrying amount to the fair value.

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

Trade accounts receivable comprise the following as of December 31, 2009:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Trade accounts receivable (gross)	77,124	41,876
thereof third parties	*77,124*	*41,876*
Total	**77,124**	**41,876**
Write-downs		
Trade accounts receivable (gross)	77,124	41,876
Individual write-downs	–5,629	–5,863
thereof third parties	*–5,629*	*–5,863*
General provision	–987	–706
thereof third parties	*–987*	*–706*
Total	**70,508**	**35,307**

Trade accounts receivable are in the following currencies:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
CHF	5,022	5,686
EUR	63,171	29,274
USD	1,610	88
Other	705	259
Total	**70,508**	**35,307**

Write-downs on trade accounts receivable developed as follows in 2009 and 2008:

(TCHF)	2009	2008
Balance write-downs January 1	**6,569**	**8,381**
Currency translation differences	–5	–720
Additions	150	604
Reversals	–	–222
Usage	–98	–1,474
Balance write-downs December 31	**6,616**	**6,569**

Write-downs on trade accounts receivable comprise additions to write-downs, income from the reversals of write-downs and the cost of derecognizing receivables.

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
December 31, 2009							
Trade accounts receivable	70,508	55,329	9,097	3,661	181	–	2,240
December 31, 2008							
Trade accounts receivable	35,307	27,028	6,794	560	84	11	830

5.9 Other receivables

As at December 31, 2009, other receivables comprise the following:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Prepaid expenses	15,672	2,993
Input tax	455	–
Other taxes	1,863	5,092
Advance payments made	619	149
Suppliers with debit balances	1,003	1,263
Receivables due from personnel	132	–
Other assets	65,555	57,581
Total	**85,299**	**67,078**

As of December 31, 2009, other assets comprise the following:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
POC receivables	–	23,644
Receivables due from Constantin Medien AG	–	399
Current loans	31,842	39
Public sector grants	25,181	25,146
Other	8,532	8,353
Total	**65,555**	**57,581**

Other taxes essentially relate to tax receivables.

Prepaid expenses essentially include accrued revenues not yet invoiced.

The current loans originated in connection with the production “Resident Evil: Afterlife” to the co-producer Davis Film Impact Pictures.

POC claims are reported under trade accounts receivable from the year under review. As of December 31, 2009, these amounted to TCHF 12,799 (previous year: TCHF 23,644).

5.10 Receivables due from associated companies and joint ventures

As of December 31, 2009, there are no receivables due from associated companies and joint ventures (previous year: TCHF 61).

5.11 Tax receivables

Income tax receivables comprise the following:

(TCHF)	Balance Jan. 1, 2009	Currency translation differences	Con-sumption	Reclassi-fication	Addition	Balance Dec. 31, 2009
Domestic taxes	132	–	–119	–	–85	166
External taxes	531	3	190	–199	200	345
Total	**663**	**3**	**71**	**–199**	**115**	**511**

5.12 Cash and cash equivalents

This item includes cash on hand and in banks. As of the balance sheet date, TCHF 4,619 (previous year: TCHF 4,623) was subject to a restriction on disposal.

Interest was incurred on any demand deposits or short-term sight deposits at between 0% and 5.0% (previous year: 0% to 5.0%).

Interest pooling arrangements are available for certain short-term bank overdraft liabilities.

5.13 Deferred tax assets

Deferred tax assets are comprised as follows:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Tax loss carryforwards	7,476	11,333
Intangible assets/film assets	8,539	9,661
Trade accounts receivable	12,348	15,750
Other financial assets	1,598	159
Inventories	8,508	12,306
Trade accounts payable	–	33
Other liabilities	4,072	204
Advance payments received	12,705	19,414
Provisions	191	81
Total	**55,437**	**68,941**
Netting with deferred tax liabilities	–53,362	–67,717
Deferred tax assets (netted)	**2,075**	**1,224**

Of the deferred tax assets TCHF 296 are current (previous year: TCHF 0) and TCHF 1,779 non-current (previous year: TCHF 1,224).

The Group has total loss carryforwards of TCHF 2,219 (previous year: TCHF 1,879) which do not become time-barred and for which no deferred tax assets were recognized.

Deferred tax assets are measured at the tax rates applicable in the individual countries at the realization date or in future.

5.14 Equity

Changes in equity are shown in the statement of consolidated equity.

Subscribed capital

As of December 31, 2009, the subscribed capital of the 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. A dividend of CHF 0.17 per share was distributed for fiscal year 2008 in the reporting period.

Authorized capital 2008

On May 30, 2008, the Annual General Meeting resolved authorized share capital of CHF 12,750,000 and authorized 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, 2009, the separately reported item for "Treasury stock" amounted to TCHF –1,147 (previous year: TCHF –760). The amount reflects the nominal capital of treasury shares held. As of December 31, 2009, the number of treasury shares held was 1,146,567 (December 31, 2008: 759,803). In the year under review, 586,764 treasury shares were acquired at a transaction value of TCHF 3,784 and 200,000 were sold at a transaction value of TCHF 1,255.

Capital reserve

As of December 31, 2009, the Group's capital reserve amounted to a total of TCHF –54,519 (previous year: TCHF –48,521).

The increase in the investment in Constantin Film AG, Munich, Germany, from 97.83% to 100.00% led to a reduction in the capital reserve of TCHF 5,342 (previous year: TCHF 6,312). The other reductions amounting to TCHF 481 (previous year: TCHF 2,199) are the result of additional transactions involving minorities and supplementary purchase price payments for former minority shareholders in subsidiaries. A further reduction amounting to TCHF 175 resulted from the reclassification of the minority interests of UEFA in Team holding AG, which is described in note 5.16.

Minority interests

A reclassification of TCHF 968 was carried out in the year under review. This reclassification amount relates to compensation for minority shareholders for negative results generated in previous years. The changes in minority interests of TCHF –2,615 (previous year: TCHF –3,350) comprise disposals of minority acquisitions of TCHF –2,840 (previous year: TCHF –3,350). Moreover, an addition of TCHF 225 (previous year: TCHF 0) occurred in the year under review. This addition resulted from the change described in note 5.16.

Other reserves

As of the balance sheet date, other reserves totalled TCHF –4,704 (previous year: TCHF –4,466). As of December 31, 2009 and December 31, 2008, these related solely to translation differences.

The other components of equity comprise the following in fiscal years 2009 and 2008:

2009 (TCHF)	before taxes 2009	Tax effect	after taxes 2009
Net profit	**33,701**	–	**33,701**
Unrealized gains/losses from currency translation	–260	–	–260
Total currency translation differences	**–260**	–	**–260**
Unrealized gains/losses from available-for-sale financial assets	–	–	–
Total unrealized gains/losses from available-for-sale financial assets	–	–	–
Total expenses recognized directly in equity	**–260**	–	**–260**
Total comprehensive income			**33,441**
thereof sharholders' interests			30,793
thereof minority interests			2,648

2008 (TCHF)	before taxes 2008	Tax effect	after taxes 2008
Net profit	**32,482**	–	**32,482**
Unrealized gains/losses from currency translation	–14,136	–	–14,136
Total currency translation differences	**–14,136**	–	**–14,136**
Unrealized gains/losses from available-for-sale financial assets	–166	–	–166
Total unrealized gains/losses from available-for-sale financial assets	**–166**	–	**–166**
Total expenses recognized directly in equity	**–14,302**	–	**–14,302**
Total comprehensive income			**18,180**
thereof sharholders' interests			16,169
thereof minority interests			2,011

Information on capital management

In managing capital, the Highlight Group pays particular attention to ensuring that the continuation of the Group's operating activities is guaranteed. In this respect, consolidated equity is the most important control parameter.

The credit agreements of Highlight Communications AG and Constantin Film AG include compliance with certain financial covenants. The financial covenants relate to EBIT, the EBIT margin, interest coverage, gearing, the economic equity ratio as well as the ratio of net financial debt to profit from operations. If the conditions on borrowed funds are violated, the interest rate may increase and a termination option may arise. No financial covenants were violated in the fiscal year.

5.15 Summary of provisions and liabilities

Provisions and liabilities mature as follows as of December 31, 2009:

(TCHF)	less than 1 year	1 to 5 years	Total
Non-current liabilities			
Provisions	–	466	466
Pension provisions	–	1,513	1,513
Financial liabilities	–	–	–
Other liabilities	–	–	–
Deferred tax liabilities	–	5,374	5,374
Total	–	**7,353**	**7,353**
Current liabilities			
Financial liabilities	317,871	–	317,871
Advance payments received	52,794	–	52,794
Trade accounts payable	28,733	–	28,733
Liabilities due to related parties	1,048	–	1,048
Liabilities due to associated companies and joint ventures	3,832	–	3,832
Other liabilities	88,455	–	88,455
Provisions	12,914	–	12,914
Tax provisions	8,626	–	8,626
Total	**514,273**	–	**514,273**

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

(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
Liabilities due to related parties	–	–	–
Liabilities due to associated companies and joint ventures	–	–	–
Other liabilities	98,347	–	98,347
Provisions	14,241	–	14,241
Tax provisions	4,125	–	4,125
Total	**526,656**	–	**526,656**

5.16 Trade accounts payable and other liabilities

The reported liabilities of TCHF 117,188 (previous year: TCHF 131,636) include trade accounts payable of TCHF 28,733 (previous year: TCHF 33,289) and other liabilities of TCHF 88,455 (previous year: TCHF 98,347).

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Trade accounts payable	28,733	33,289
Other liabilities	88,455	98,347
Total	**117,188**	**131,636**

Trade accounts payable

Apart from the normal retention of title, the reported trade accounts payable shown are not secured in any other way. They essentially relate to licensing or services.

Overall, the trade accounts payable are non-interest-bearing and short-term, which means that their carrying amount is their fair value.

Trade accounts payable are in the following currencies:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
CHF	878	1,181
EUR	27,492	31,768
USD	289	48
Other	74	292
Total	**28,733**	**33,289**

Other non-current liabilities

On the basis of the agreements concluded with Highlight Communications AG, UEFA has had a 20% interest in the share capital of Team Holding AG since 2005. On its part, UEFA has undertaken to sell the shares to Highlight Communications AG at the original purchase price (TCHF 50) on termination of the agreements or the UEFA Champions League agency contract.

Highlight Communications AG has undertaken to buy them from UEFA at any time (put option). Initially, UEFA participated in new business only until June 30, 2009. UEFA has fully participated in the Team Group's earnings since July 1, 2009 in accordance with its share of capital.

Due to the fact that a binding buy-back obligation exists at a fixed price as well as the fact that UEFA's share of earnings in Team Holding AG is contractually regulated, the UEFA shares have not been reported as minority interests but as a liability. The recognition of this agreement on the balance sheet to date therefore reflected the economic view stipulated by IFRS. For this reason, the agreement was not treated as profit participation for accounting purposes but as an expense as previously.

Due to the negotiations, it is likely since December 2009 that the agency agreement with UEFA will be revised. The above-mentioned option regarding the repurchase obligation therefore becomes obsolete, as it is likely that there will no longer be a repurchase obligation in the revision.

This means that the situation has changed since December 31, 2009, thus the liability of TCHF 50 was posted in equity (minority interests). The pro-rata equity of 20 % in Team Holding AG was reported under minority interests. This change has no material impact on the shareholders' and minorities' share of earnings, as the specific details did not appear until the end of December 2009.

Other current liabilities

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Liabilities for conditional loan repayment	20,606	24,787
Personnel expenses	–	27
Value-added tax liabilities	2,329	2,383
Other taxes	587	117
Social security	83	373
Prepaid expenses	52,233	57,174
Suppliers with debit balances	546	43
Current other loans	744	5,961
Other current liabilities	11,327	7,482
Total	**88,455**	**98,347**

In the previous year, other current liabilities included liabilities of TCHF 112 from POC liabilities. From the year under review, POC liabilities are reported under trade accounts payable. There are no POC liabilities as of December 31, 2009.

Moreover, other current liabilities included liabilities of TCHF 82 to related parties in the previous year. These consisted of remuneration for the Supervisory Board of Constantin Film AG of TCHF 45 payable to the Chief Executive Officer, Mr Bernhard Burgener, as well as the Supervisory Board members Martin Wagner and Paul Graf. There was also a liability from the consultancy fee of TCHF 37 to Mr Werner E. Klatten. As of December 31, 2009, there were no longer any liabilities to related parties included within other liabilities.

5.17 Financial liabilities

Non-current financial liabilities

As of the previous year's balance sheet date, non-current financial liabilities amounted to a total of TCHF 7,510 and consisted of long-term obligations from film finance and other non-current financial liabilities. There were no non-current financial liabilities as of December 31, 2009.

Current financial liabilities

As of the balance sheet date, there were current liabilities to banks amounting to TCHF 317,871 (previous year: TCHF 297,295).

The Highlight Group had free short-term credit facilities totalling around TCHF 138,389 (previous year: TCHF 168,372) as of the balance sheet date. Of this, the Constantin Group's credit facilities (production finance and license trading facilities) are secured by film rights reported as film assets in the amount of TCHF 205,746 (previous year: TCHF 247,627) and the resulting proceeds from exploitation as well as receivables of TCHF 61,330 (previous year: TCHF 29,523). Highlight Communications AG's credit facility of TCHF 98,000 is secured by shares in Constantin Film AG, the Constantin Medien shares held by Highlight Communications AG and treasury shares.

Financial liabilities are in the following currencies:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
CHF	56,500	79,500
EUR	214,098	195,521
USD	37,413	13,922
Other	9,860	8,352
Total	**317,871**	**297,295**

5.18 Pension provisions

The amount of the pension provisions and the associated expenses resulting from defined benefit plans were determined by experts. The projected unit credit method is used to calculate the pension provision.

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

The provision is equal to the net present value of defined benefit obligations and pension-related obligations, less the fair value of plan assets, plus or minus unrecognized actuarial gains and losses and less any unrecognized past service cost.

There were the following changes to pension provisions in fiscal year 2009:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Present value of retirement benefit obligation	33,752	27,409
Fair value of plan assets	25,219	20,897
Funded status	–8,533	–6,512
Actuarial losses (gains) not yet recognized	7,020	5,652
Balance sheet amount (liability)	**1,513**	**860**

The pension obligation developed as follows:

(TCHF)	2009	2008
Present value of retirement benefit obligation as of January 1	**27,409**	**22,329**
Current service cost	3,275	2,730
Interest cost	997	814
Losses on curtailments and settlements	–	203
Benefits paid	473	–420
Actuarial (gains)/losses on obligations	1,598	1,753
Present value of defined benefit obligation as of December 31	**33,752**	**27,409**

Changes in the fair value of plan assets are as follows:

(TCHF)	2009	2008
Fair value of assets as of January 1	**20,897**	**19,275**
Expected return on assets	731	675
Employee contributions	1,272	1,148
Employer contributions	1,933	1,854
Benefits paid	473	–420
Actuarial gains/(losses) on assets	–87	–1,635
Fair value of assets as of December 31	**25,219**	**20,897**

The major categories of plan assets as a percentage of total plan:

(in %)	2009	2008
Cash and cash equivalents	4.90	5.00
Bonds	62.40	15.40
Shares	1.80	11.90
Real estate	30.90	7.40
Other	–	60.30
Total	**100.00**	**100.00**

The “Other” item primarily included the redemption values from foundations, for which assets cannot be broken down. Due to the fact that the asset breakdown of all foundations is known as of December 31, 2009, the “Other” item has a value of 0 as of the reporting date. The redemption value of foundations is allocated to the categories cash and cash equivalents, bonds, shares and real estate. In the reporting period, actual income from the assets amounted to TCHF 644 (previous year: TCHF –960).

In fiscal year 2009, retirement benefit expenses comprised the following:

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Current service cost	3,275	2,730
Interest on obligation	997	814
Expected return on plan assets	–731	–675
Amortization of actuarial losses	317	65
Losses on curtailments and settlements	–	203
Employee contributions	–1,272	–1,148
Total	**2,586**	**1,989**
Other benefit plans	9	7
Expenditure on retirement benefit plans	**2,595**	**1,996**

The current service cost, actuarial losses and gains and the past service cost are reported in the profit and loss account under net personnel expenses. The cost of unwinding expected pension obligations and interest income from plan assets are also recognized in personnel expenses.

For fiscal year 2010, the expected contributions amount to TCHF 2,017.

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

	2009	2008
Interest rate	3.00 %	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
Projected average life after pension (men)	17.90	17.90
Projected average life after pension (women)	21.85	21.85

The actuarial assumptions were based on BVG 2005.

The experience adjustments were as follows:

(TCHF)	2009	2008	2007	2006	2005
Present value of defined benefit obligation	33,752	27,409	22,329	19,728	18,960
Fair value of plan assets	25,219	20,897	19,275	17,203	17,197
Funded status	–8,533	–6,512	–3,054	–2,525	–1,763
Plan liabilities experience adjustments	–397	–868	598	152	–
Plan amendments DBO	–1.201	–885	–883	–883	–692
Experience-based adjustments for plan assets	–87	–1,635	–249	–122	–685

Contributions to defined contribution plans (including government plans) recognized in profit or loss amounted to TCHF 5,983 in fiscal year 2009 after TCHF 6,343 in the previous year.

5.19 Provisions

(TCHF)	as of Jan. 1, 2009	Currency translation differences	Consumption	Reversal	Addition	as of Dec. 31, 2009
Licenses and returns	11,200	–75	6,719	5,456	10,627	9,577
Provisions for legal costs	2,541	–6	118	62	482	2,837
Personnel provisions	427	–	–	83	122	466
Other provisions	500	–	–	–	–	500
Total	**14,668**	**–81**	**6,837**	**5,601**	**11,231**	**13,380**
thereof non-current provisions	427	–	–	83	122	466
thereof current provisions	14,241	–81	6,837	5,518	11,109	12,914

Provisions for licenses and returns were recognized for uninvoiced licenses from licensors and risks of expected returns of Blu-rays and DVDs sold. The provision for returns is based on an analysis of contractual or legal obligations, historical trends and the Group's experience.

The provisions include provisions for pending legal disputes of TCHF 2,837 (previous year: TCHF 2,541). The provision was recognized to provide for various pending legal proceedings. These relate to potential formal violations of Constantin Entertainment GmbH with show and entertainment productions and risks from legal disputes in connection with tenancy agreements and other productions.

Staff provisions include long-term obligations of TCHF 466 (previous year: TCHF 427) for anniversaries.

5.20 Current tax liabilities

(TCHF)	as of Jan. 1, 2009	Currency translation differences	Consumption	Reversal	Addition	as of Dec. 31, 2009
Domestic taxes	3,545	–	5,455	105	5,115	3,100
External taxes	580	–123	2,206	–	7,275	5,526
Total	**4,125**	**–123**	**7,661**	**105**	**12,390**	**8,626**

5.21 Deferred tax liabilities

Deferred tax liabilities as of December 31, 2009 comprise the following:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Intangible assets/film assets	48,386	59,481
Trade accounts receivable	3,902	6,682
Other financial assets	655	838
Trade accounts payable	4	15
Other liabilities	1,317	2,446
Advance payments received	4,469	4,340
Other temporary differences	3	50
Total	**58,736**	**73,852**
Netting with deferred tax assets	–53,362	–67,717
Deferred tax liabilities (netted)	**5,374**	**6,135**

The following table shows the breakdown of current and non-current deferred tax liabilities:

(TCHF)	Dec. 31, 2009	Dec. 31, 2008
Current deferred tax liabilities	–	–
Non-current deferred tax liabilities	5,374	6,135
Total	**5,374**	**6,135**

5.22 Long-term service production

Receivables from customers for service productions amount to TCHF 12,799 (previous year: TCHF 23,644). Liabilities to customers for service productions amount to TCHF 0 (previous year: TCHF 112). These are reported under trade accounts receivable and trade accounts payable respectively.

Proceeds from service production for the period under IAS 11.39 amount to TCHF 121,431 (previous year: TCHF 154,062). Total costs incurred for contracts in progress under IAS 11.40 and reported profits (less any reported losses) amount to TCHF 35,894 (previous year: TCHF 57,182). Advance payments received amount to TCHF 0 (previous year: TCHF 3,856) and retentions to TCHF 0 (previous year: TCHF 17,301).

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

6.1 Revenues

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

6.2 Capitalized film production costs and other own work capitalized

Capitalized film production costs and other own work capitalized, which amount to TCHF 114,644 (previous year: TCHF 110,529), relate to in-house film productions.

6.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008[1)]
Income from the reversal of provisions	1,557	1,574
Income related to other periods	1,031	322
Reversal of impairment	5	–
Recharges	1,521	1,155
Income from rents and leases	32	66
Write-down of liabilities	–	6
Income from the disposal of non-current assets	14	–
Income from settlements of claims for damages	5,372	476
Miscellaneous other operating income	4,373	1,475
Total	**13,906**	**5,074**

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

Income from the reversal of provisions is primarily due to the reversal of provisions for unsettled liabilities barred by the statute of limitations and the reversal of provisions for pending legal disputes.

Income related to other periods results from retrospective changes to contracts concluded in previous periods or the lapse of commitments accounted for in previous years.

Income from rents and leases results from subletting office space.

Income from settlements of claims for damages of TCHF 3,142 (previous year: TCHF 238) result from copyright violations and other settlements of claims for damages of TCHF 2,230 (previous year: TCHF 238).

Other operating income contains a number of items that cannot be allocated to separate items; these include insurance compensation, marketing fees, compensation payments, supplier refunds and other refunds.

6.4 Cost of materials and licenses

Costs for licenses, commissions and materials amounting to TCHF 73,547 (previous year: TCHF 75,719) result from expenses for licenses and commissions of TCHF 1,600 (previous year: TCHF 1,200) and of other costs of materials amounting to TCHF 69,616 (previous year: TCHF 72,887). This item also includes expenses for overages of TCHF 2,331 (previous year: TCHF 1,632) from the Film segment.

The costs for purchased services of TCHF 179,706 (previous year: TCHF 165,301) comprise production costs of TCHF 5,873 (previous year: TCHF 6,302) and expenses for purchased services of TCHF 137,248 (previous year: TCHF 131,846).

6.5 Personnel expense

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008[1)]
Salaries	119,088	126,675
Social security	12,521	14,170
Retirement benefit costs	2,595	1,996
Total	**134,204**	**142,841**

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

6.6 Other operating expenses

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008[1)]
Rental	6,687	6,169
Repair, maintenance	958	912
Advertising and travelling expenses	4,731	4,537
Administrative costs	16,351	15,036
Other personnel-related expenses	5,565	5,663
Insurance, dues and fees	73	71
Expenses related to other periods	637	327
Vehicle costs	736	743
Bank fees	82	138
Distribution costs	38	38
Losses from disposal of non-current assets	–	8
Earnings attributable to business partners	3,918	150
Other expenses	10,027	14,628
Total	**49,803**	**48,420**

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

Legal, consulting and financial statement fees include the costs of auditing the consolidated and separate financial statements, tax consulting fees and the costs of legal advice on issues relating to M&A projects and ongoing legal proceedings. These costs are carried under administrative costs.

Other expenses include a number of items that cannot be allocated to separate items.

6.7 Earnings from investments in associated companies and joint ventures

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Escor Casinos & Entertainment SA	1,653	–624
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	454	298
BECO Musikverlag GmbH	5	5
Total	**2,112**	**–321**

Profit from the investment in Escor Casinos & Entertainment SA includes a reversal of impairment losses of TCHF 1,195 (previous year: impairment loss of TCHF 1,062). The impairment was due to the fact that the stock market value of the investment as of December 31, 2008 was less than its carrying amount. As of December 31, 2009, its value increased to CHF 25.30 per share. As a result, the Group recognized a reversal of impairment losses of TCHF 1,195 to a value of CHF 25.30 as of December 31, 2009.

6.8 Financial income

Of the financial income of TCHF 1,412 (previous year: TCHF 2,798), TCHF 1,183 (previous year: TCHF 2,417) relate to interest and similar income and TCHF 229 (previous year: TCHF 381) to gains from changes in the fair value of financial instruments. In addition, the net currency result stands at TCHF 169 (previous year: TCHF 3,046).

The gains from changes in the fair value of financial instruments include income of TCHF 89 (previous year: TCHF 381) from CHF/EUR futures. This is one euro forward contract with a nominal value of EUR 4.0 million with a term of around one month. The fair value of the futures was TCHF 89 (previous year: TCHF 376). No premium was paid on conclusion of the agreements. This item also includes other fair value adjustments of TCHF 140 (previous year: TCHF 0).

6.9 Financial expenses

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Interest and similar expenses	6,380	8,041
Losses from changes in the fair value of financial instruments	5,967	10,682
Total	**12,347**	**18,723**

Losses from changes in the fair value of financial instruments of TCHF 5,967 (previous year: TCHF 10,682) include losses of TCHF 4,714 (previous year's period: TCHF 8,074) due to shares held by the Highlight Group in Constantin Medien AG (as of December 31, 2009, share in capital of Constantin Medien AG was 8.72 %). They also contain losses on an equity swap transaction of TCHF 1,253 (previous year's period: TCHF 2,554) and other losses of TCHF 0 (previous year's period: TCHF 54). This equity swap transaction was the sale of 900,000 treasury shares by Highlight Communications AG to a financial institution (counterparty) at a price of EUR 6.90 per share. The contract had run from August 11, 2008 (transaction date) to December 23, 2009 and was extended by one year on September 9, 2009 to December 23, 2010. The contract provides for Highlight Communications AG receiving the profit from the sale of the shares by the counterparty in its entirety. Highlight Communications AG would also have to bear any possible loss. In the consolidated financial statements of the Highlight Group, the difference between the share price as of December 31, 2009 and the original sale price leads to a financial liability of TCHF 3,807 (previous year: TCHF 2,554), which is reported in financial liabilities. The sale of shares by the counterparty has to take place during the contractually agreed sale period (September 1, 2010 to December 21, 2010) unless payment is settled earlier.

6.10 Taxes

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Current taxes	–12,170	–6,373
Deferred taxes	1,625	–5,697
Total	**–10,545**	**–12,070**

Tax reconciliation (TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
Profit before taxes	44,246	44,552
Expected taxes based on a tax rate of 25.00 %	–11,062	–11,138
Differing tax rates	2,021	–128
Utilization of unrecognized deferred tax assets	717	875
Tax exempt income	858	46
Non-deductable expenses	–2,521	–1,787
Income taxes for prior accounting periods	–231	62
Other effects	–51	–
Unrecognized deferred taxes	–276	–
Actual tax expense	**–10,545**	**–12,070**
Effective tax rate in %	**23.8**	**27.1**

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes on income. The expected tax rate of 25 % (previous year: 25 %) relates to the tax rate applicable at the residence of Highlight Communications AG.

6.11 Earnings per share

(TCHF)	2009	2008
Net consolidated earnings attributable to shareholders in TCHF	31,999	29,777
Weighted average number of shares (basic)	46,170,916	45,795,244
Earnings per share (basic) in CHF	0.69	0.65
Earnings per share (basic) in EUR	0.46	0.41

As of December 31, 2009 and as of the same date in the previous year, there were no potentially diluting effects, meaning that basic earnings were equal to diluted earnings.

7. Disclosures on financial risk management

The following table shows the carrying amounts and fair values of financial instruments according to class, the fair value hierarchy and a breakdown into the various categories of financial instruments in line with IAS 39.

ASSETS (TCHF)	Classification category under IAS 39
Cash and cash equivalents	LaR
Trade accounts receivable	LaR
Receivables due from associated companies and joint ventures	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
Liabilities due to associated companies and joint ventures	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

Financial liabilities as of December 31, 2009 include only current financial liabilities.

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, 2009	thereof not relevant under IFRS 7	Valuation in the balance sheet under IAS 39: Amortized cost	Valuation in the balance sheet under IAS 39: Fair value through equity	Valuation in the balance sheet under IAS 39: Fair value through profit or loss	Fair value Dec. 31, 2009
201,090	–	201,090	–	–	201,090
70,508	–	70,508	–	–	70,508
–	–	–	–	–	–
1,089	–	–	–	1,089	1,089
22,084	–	–	22,084	–	22,084
85,321	-3,630	80,020	–	1,671	81,691
2,484	–	2,484	–	–	2,484
318	–	–	–	318	318
317,871	–	312,999	–	4,872	317,871
28,733	–	28,733	–	–	28,733
3,832	–	3,832	–	–	3,832
88,756	-3,751	85,005	–	–	85,005
747	–	–	–	747	747
357,732	-3,630	354,102	–	–	354,102
22,084	–	–	22,084	–	22,084
3,078	–	–	–	3,078	3,078
434,320	-3,751	430,569	–	–	430,569
5,619	–	–	–	5,619	5,619

ASSETS (TCHF)	Classification category under IAS 39
Cash and cash equivalents	LaR
Trade accounts receivable	LaR
Receivables due from associated companies and 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

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

Net income from the respective classes of financial instruments is shown in the following table:

(TCHF)	from interest	from subsequent measurement: Change in fair value	Foreign currency translation	Impair-ment	Other	Dec. 31, 2009	Dec. 31, 2008[1)]
Loans and receivables (LaR)	1,183	–	–868	–145	–	170	1,759
Available-for-sale financial assets (AfS)	–	–	–	–4,714	–	–4,714	–8,074
Financial assets at fair value through profit or loss (FVPL)	–	229	–	–	–	229	381
Financial liabilities (FLAC)	–6,380	–	1,037	–	–	–5,343	–4,995
Financial liabilities at fair value through profit or loss (FLPL)	–	–1,253	–	–	–	–1,253	–2,554

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

Management of financial risks

The Group is exposed to various financial risks resulting from its operating and financing activities. Financial risks can be broken down into the categories of liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks). These risks are monitored centrally within the Highlight Group. The risk situation is tracked by the risk manager on the basis of a risk management directive that applies to the whole Group using standardized risk reports and reported to the Board of Directors of Highlight Communications AG. Please refer to the presentation of risks in the report on the Highlight Group's situation.

Liquidity risks

Liquidity risk arises if the Group's payment obligations cannot be covered by its available liquid resources or corresponding credit facilities. As of the balance sheet date, Highlight Communications AG and the Highlight Group had sufficient liquidity reserves taking into account the available short-term credit facilities.

The following table shows the maturity structure of the primary financial liabilities and an analysis of the cash outflows from derivative financial liabilities and assets.

Liquidity risk 2009

(TCHF)	Carrying amount Dec. 31, 2009	Cash flows 2010 Fixed interest	Cash flows 2010 Re-payment	Cash flows 2011 Fixed interest	Cash flows 2011 Re-payment
Liabilities due to banks and bonded loans and similar liabilities	317,871	621	317,871	–	–
Other non-interest-bearing financial liabilities	117,570	–	117,570	–	–
Derivative financial liabilities					
Currency derivatives without hedge relationship	141	–	1,282	–	–
Derivatives in connection with fair value hedges	606	–	5,804	–	–
Derivative financial assets					
Currency derivatives without hedge relationship	89	–	5,951	–	–

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 bonded loans and similar liabilities	294,741	–1,213	–294,741	–	–
Other non-interest-bearing financial liabilities	132,016	–	–124,506	–	–8,063
Derivative financial liabilities					
Currency derivatives without hedge relationship	2,554	–	–2,554	–	–
Derivatives in connection with fair value hedges	261	–	–5,305	–	–
Derivative financial assets					
Currency derivatives without hedge relationship	376	–	–8,933	–	–

In general, the Group companies are responsible for the management of cash and cash equivalents on their own, including current deposits of excess liquidity and the procurement of loans to bridge liquidity shortages. Highlight Communications AG partly supports its subsidiaries in credit financing and at times acts as a coordinator with banks for purposes of maintaining the most cost-effective coverage of financial requirements. In addition, the Group's creditworthiness enables efficient use of the capital markets for its financing activities. This also includes the ability to issue equity and debt instruments on the capital market. It should be noted 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. The financial ratios required by the lending banks were complied with in the fiscal year and the previous year.

Credit risks

A credit risk exists if a debtor cannot pay a receivable or cannot pay it on time.

Credit risks can relate to cash and cash equivalents, bank balances and customer receivables. The banks with which the Highlight Group performs transactions must have a good credit standing. In addition, any risks to cash and cash equivalents are minimized by allocating cash deposits among several banks. Furthermore, potential risks of default on customer receivables are assessed regularly and allowances for bad debts are recognized if necessary. The risks of default identified are taken into account by allowances for bad debts. The company therefore rates the credit quality of receivables that are neither overdue nor impaired as predominantly good.

As of December 31, 2009, CHF 187.5 million (93 %) 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 37.89 %, 31.69 % and 12.93 % of the total portfolio of cash and cash equivalents.

The maximum credit risk of the Highlight Group is equal to the carrying amount of its financial assets.

Fair value

The stages of the fair value hierarchy are described below:

- Prices (unadjusted) quoted in active markets for identical assets or liabilities (level 1)
- Input data that can be observed either directly (as prices) or indirectly (derived from prices) for the asset or liability that do not constitute quoted prices under level 1 (level 2)
- Information not based on observable market data (non-observable input data) (level 3)

The fair values of derivative financial instruments and available-for-sale financial assets carried at fair value are calculated using official quoted prices.

The fair value of loan liabilities is approximately the carrying amount as interest is in line with current standard interest rates. The fair values of cash and cash equivalents, receivables from and liabilities to third parties, receivables from and liabilities to associated companies and joint ventures and other financial instruments are approximately the carrying amounts on account of their short-term nature.

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

(TCHF)	Level 1	Level 2	Level 3	Total
Financial assets measured at market value (current and non-current)				
Derivative financial instruments	–	1,760	–	1,760
Held for trading	318	1,000	–	1,318
Available-for-sale financial assets	22,084	–	–	22,084
Financial assets measured at market value (current and non-current)				
Held for trading	–	5,619	–	5,619

Market risks

Market risks are the risks of changes in exchange rates and interest rates as well as other risks of changes in a price base.

Currency risk

As a result of its international orientation, the Highlight Group is exposed to currency risks as part of its ordinary operating activities. In particular, these relate to the euro and the US dollar. Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities. Every subsidiary is subject to risks associated with exchange rate fluctuations when it performs transactions with international contractual partners and incurs future cash flows in a currency other than its functional currency. The Highlight Group does not enter into any operating activities in currencies with above-average volatility or that are otherwise considered to be especially prone to risk. In significant transactions, particularly in US dollars, the Group attempts to minimize currency risks by using suitable derivative and non-derivative financial instruments. Derivative financial instruments are transacted with banks. The financial instruments predominantly relate to future cash flows 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.

The Constantin Film Group entered into a series of currency forwards for hedging purposes in the current fiscal year, some of which were still outstanding as of the reporting date. These are recognized as fair value hedges under IAS 39. They relate to pending rights purchases in US dollars.

The nominal amount of all outstanding foreign currency forwards for hedging purposes is TCHF 10,027 (previous year: TCHF 5,305). The total fair value of these transactions is TCHF –747 (previous year: TCHF –261). The fair 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. The changes in market value of the currency forwards and the pending hedged items are recognized offsetting each other in the profit and loss account. The market value of hedging instruments breaks down as follows:

	Dec. 31, 2009		Dec. 31, 2008	
(TCHF)	Assets	Liabilities	Assets	Liabilities
Currency - cash flow hedges	–	–	–	–
Currency - fair value hedges	–	–1,671	–	–261

Foreign currency liabilities were also used as hedging instruments for currency risks in the fiscal year. They are used to hedge firm claims in USD not yet recognized on the balance sheet. These hedges are reported as fair value hedges. The change in the fair value of the hedged item resulted in income of TCHF 1,081 (previous year: TCHF 0) while the change in the fair value of the hedge resulted in expenses of TCHF 1,081 (previous year: TCHF 0). These were recognized in the operating result.

As of December 31, 2009, currency forwards of TCHF 8,233 (previous year: TCHF 5,305) were designated as hedging instruments in fair value hedges. The profit from the change in the carrying amount of hedged items recognized in the operating result amounted to TCHF 584 in fiscal 2009 (previous year: profit of TCHF 277). Losses on changes in the fair values of hedges of TCHF 584 (previous year: losses of TCHF 277) were recognized in the operating result.

Interest risk

Interest risks arise when market interest rates fluctuate, which could improve or worsen the proceeds from deposits or payments for money procured.

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 mismatching of maturities, there is a risk of changes in interest rates which is actively controlled by the Group, in particular by monitoring changes in the yield curve.

Fixed interest agreements provide protection against additional expenses in phases of rising interest rates. They have the disadvantage that the company does not profit from corresponding developments in times of falling interest rates. Fixed interest agreements provide sufficient planning security for financial liabilities without flexible regulations on utilization and repayment. In contrast, for credit agreements with high flexibility, variable interest agreements take into account future fluctuations in credit utilization. If necessary, there is also the option to establish a fixed interest base using interest hedges.

For further information on financial liabilities please see note 5.17.

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

Sensitivities

IFRS 7 requires the presentation of a sensitivity analysis showing the effects of possible changes in market interest rates on earnings or equity. Changes in market interest rates affect interest income and expenses on floating rate financial instruments. The interest rate sensitivity analysis was prepared assuming a change in the market interest rate of 1 % upwards and downwards. A rise would have resulted in an increase in expenses before taxes of around TCHF 1,168 (previous year: TCHF 929). A drop in interest rates of the same amount would have increased profit before taxes by TCHF 1,168 (previous year: TCHF 929).

The Group's currency sensitivities were calculated for the main currency pairings of CHF/EUR, EUR/USD and EUR/CAD (each expressed in Swiss francs) assuming a 10 % appreciation and depreciation in Swiss francs and US dollars against the euro. The sensitivity analysis does not include translation risks.

Assuming that the euro traded 10 % lower against the Swiss franc as of December 31, 2009 and all other parameters remained the same, profit before taxes would have been TCHF 6,575 (previous year: TCHF 2,409) higher. Assuming that the euro traded 10 % higher against the Swiss franc as of December 31, 2009 and all other parameters remained the same, profit before taxes would have been TCHF 7,904 (previous year: TCHF 2,409) lower.

Assuming that the US dollar traded 10 % lower against the euro as of December 31, 2009 and all other parameters remained the same, profit before taxes would have been TCHF 1,695 (previous year: TCHF 122) lower. Assuming that the US dollar traded 10 % higher against the euro as of December 31, 2009 and all other parameters remained the same, profit before taxes would have been TCHF 2,071 (previous year: TCHF 122) higher.

Assuming that the Canadian dollar traded 10 % lower against the euro as of December 31, 2009 and all other parameters remained the same, profit before taxes would have been TCHF 977 (previous year: TCHF 0) lower. Assuming that the Canadian dollar traded 10 % higher against the euro as of December 31, 2009 and all other parameters remained the same, profit before taxes would have been TCHF 1,192 (previous year: TCHF 0) higher.

Other price risks were defined as the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of changes in market prices not already arising from interest or currency risks. Other price risks apply to financial assets measured at fair value through profit or loss and available-for-sale financial assets. The other price risk was calculated assuming that the market value of the asset available for sale would increase or decrease by 10 %. Equity would rise by TCHF 2,788 (previous year: TCHF 2,707) on an increase of 10 % and profit would rise by TCHF 544 (previous year: TCHF 670). On a decrease of 10 %, profit would decline by TCHF 2,788 (previous year: TCHF 2,886).

Sensitivity analysis 2009

(TCHF)	Carrying amount Dec. 31, 2009	Interest rate risk –1%	+1%
Financial assets			
Cash and cash equivalents	201,090	–2,011	2,011
Trade accounts receivable	70,508	–	–
Receivables due from associated companies and joint ventures	–	–	–
Other financial assets (current and non-current)	23,491	–	–
Other receivables	85,321	–	–
Non-current receivables	2,484	–	–
Financial liabilities			
Trade accounts payable	28,733	–	–
Liabilities due to associated companies and joint ventures	3,832	–	–
Other liabilities (current and non-current)	89,503	–	–
Financial liabilities (current and non-current)	317,871	3,179	–3,179
Total increase/decrease in profit before taxes		**1,168**	**–1,168**

Sensitivity analysis 2008

(TCHF)	Carrying amount Dec. 31, 2008	Interest rate risk –1%	+1%
Financial assets			
Cash and cash equivalents	187,459	–1,940	1,940
Trade accounts receivable	35,307	–	–
Receivables due from associated companies and joint ventures	61	–	–
Other financial assets (current and non-current)	56,329	–228	228
Other receivables	67,078	–	–
Non-current receivables	4,101	–	–
Financial liabilities			
Trade accounts payable	33,289	–	–
Liabilities due to associated companies and joint ventures	–	–	–
Other liabilities (current and non-current)	98,397	–	–
Financial liabilities (current and non-current)	304,805	3,097	–3,097
Total increase/decrease in profit before taxes		**929**	**–929**

Exchange rate risk EUR/USD		Exchange rate risk EUR/CHF		Exchange rate risk EUR/CAD		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–900	1,099	–995	1,216	–1,812	2,214	–	–
–1,392	1,702	–3,014	3,684	–1,800	2,199	–	–
–	–	–	–	–	–	–	–
–	–	595	-595	–	–	–2,244	2,244
–	–	–64	78	–	–	–	–
–	–	–	–	–	–	–	–
18	–22	3,184	–3,892	24	–30	–	–
–	–	–	–	–	–	–	–
–	–	1,223	–1,495	–	–	–	–
579	–708	5,646	–6,900	2,611	–3,191	–544	544
–1,695	**2,071**	**6,575**	**–7,904**	**–977**	**1,192**	**–2,788**	**2,788**

Exchange rate risk EUR/USD		Exchange rate risk EUR/CHF		Exchange rate risk EUR/CAD		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–1,934	1,934	–1,568	1,568	–	–	–	–
–94	94	–1,362	1,362	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–64	64	–	–	–2,216	2,032
–	–	–38	38	–	–	–	–
–	–	–	–	–	–	–	–
514	–514	2.344	–2,344	–	–	–	–
–	–	–	–	–	–	–	–
–	–	127	–127	–	–	–	–
1,392	–1,392	2,970	–2,970	–	–	–670	670
–122	**122**	**2,409**	**–2,409**	–	–	**–2,886**	**2,702**

8. Segment reporting

The segment reporting of Highlight Communications AG has been in compliance with IFRS 8 “Operating Segments” since fiscal year 2009. The following segment information is based on the management approach.

The management of the company has been jointly identified as the chief operating decision maker (CODM). It makes decisions on the allocation of resources to the segments and rates their success on the basis of the figures for revenues and segment result. The Group’s management does not rate the segments on the basis of their assets and liabilities.

The Group is divided into two operating segments on the basis of its internal management reporting system and the organizational structure based on internal reporting.

The activities of Constantin Film AG and its subsidiaries as well as the Highlight investments in Rainbow Home Entertainment are combined in the Film segment. Its activities comprise the production and making of films, the exploitation of the rights to the films it produces and acquires and the distribution of theatrical, video/DVD and TV movies.

The Sports- and Event-Marketing segment comprises the activities of Team Holding AG, an 80 % subsidiary of Highlight Communications AG whose principal project is to market the UEFA Champions League via its subsidiaries. Further marketing projects are the UEFA Europa League, the Eurovision Song Contest and the Vienna Philharmonic Orchestra.

The administrative functions of the Highlight Communications AG holding company are reported under the “Other” segment.

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

Sales and services between the segments are performed as arm’s length transactions.

Business segments 2009

(TCHF)	Film	Sports- and Event-Marketing	Other	Group
External sales	424,534	93,384	–	517,918
Total revenues	424,534	93,384	–	517,918
Other segment income	128,295	255	–	128,550
Segment expenses	–530,988	–56,594	–5,986	–593,568
thereof depreciation/amortization	–146,051	–1,228	–	–147,279
thereof impairment	–9,029	–	–	–9,029
Segment result of continued operations	**21,841**	**37,045**	**–5,986**	**52,900**
Non-allocable items:				
Period result of associated companies and joint ventures				2,112
Financial income				1,581
Financial expenses				–12,347
Profit before taxes of continued operations				**44,246**
Other segment information				
Segment assets	533,041	16,602	79,882	629,525
non-allocable items				2,904
Group assets				**632,429**

Business segments 2008[1)]

(TCHF)	Film	Sports- and Event-Marketing	Other	Group
External sales	442,044	76,332	–	518,376
Total revenues	442,044	76,332	–	518,376
Other segment income	115,422	181	–	115,603
Segment expenses	–526,177	–43,199	–6,851	–576,227
thereof depreciation/amortization	–134,979	–836	–	–135,815
thereof impairment	–8,131	–	–	–8,131
Segment result of continued operations	**31,289**	**33,314**	**–6,851**	**57,752**
Non-allocable items:				
Period result of associated companies and joint ventures				–321
Financial income				5,844
Financial expenses				–18,723
Profit before taxes of continued operations				**44,552**
Other segment information				
Segment assets	530,991	6,328	100,358	637,677
non-allocable items				2,206
Group assets				**639,883**

1) The figures for the previous year have been adjusted (see notes to the consolidated financial statements, note 2.1, changes in accounting policies).

Group disclosures

Regions

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. In addition, the geographic allocation of assets and investments is not reported to the CODM.

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

(TCHF)	German-speaking	Rest of Europe	Rest of the world	Total
External sales Jan. 1 to Dec. 31, 2009	466,719	11,008	40,191	517,918
Non-current assets Jan. 1 to Dec. 31, 2009	242,758	–	–	242,758
External sales Jan. 1 to Dec. 31, 2008	457,192	31,128	30,056	518,376
Non-current assets Jan. 1 to Dec. 31, 2008	283,255	–	–	283,255

External sales by products

(TCHF)	External sales Jan. 1 to Dec. 31, 2009	External sales Jan. 1 to Dec. 31, 2008
Service production	131,225	160,041
Film	293,309	282,003
Sports- and Event-Marketing	93,384	76,332
Total external sales	**517,918**	**518,376**

Revenues by customers

In total, the Highlight Group generated more than 10 % of its total revenues from two customers. These revenues relate to the Film segment as well as the Sports- and Event-Marketing segment.

(TCHF)	Jan. 1 to Dec. 31, 2009	in percent	Jan. 1 to Dec. 31, 2008	in percent
Revenues with customer A (Film segment)	102,188	20 %	139,156	27 %
Revenues with customer B (Sports- and Event-Marketing segment)	90,294	17 %	74,512	14 %
Revenues with other customers	325,436	63 %	304,708	59 %
Total	**517,918**	**100 %**	**518,376**	**100 %**

9. Judgment/estimation uncertainty

In preparing the consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions influencing the reported income, expenses, assets, liabilities and contingent liabilities as of the time of recognition. These estimates and assumptions are based on the management's best possible assessment based on past experience and other factors including estimates of future events. Estimates and judgments are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based have changed or new or additional information has become available. Such changes are recognized in the reporting period in which the estimate is adjusted.

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

Impairment of non-financial assets

Goodwill and other intangible assets with an indefinite useful life are tested for impairment at least once a year or more frequently 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 the recoverable amount. To assess whether assets have become impaired, the expected future cash flows from the use and possible disposal of such assets are estimated per cash-generating unit. The actual cash flows may differ significantly from the discounted future cash flows based on these estimates. Changes in revenues 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 there is no active market is determined by using measurement methods. Measurement methods include using the most recent transactions between knowledgeable, willing parties in an arm's length transaction, comparing the fair values of other, mostly identical financial instruments, analyzing discounted cash flows and using other measurement models based on management's assumptions. The Group determines if a financial asset or a group of assets has become impaired on each balance sheet date.

Service productions

In determining the stage of completion of productions according to the percentage of completion method (PoC), the cost-to-cost method (realization of results in the amount of production costs incurred as of the balance sheet date in proportion to the expected total production costs) or the method of physical completion are applied. The expected production cost and the stage of completion are calculated on the basis of estimates. Changes in estimates have a direct effect on earnings generated.

Provisions for expected returns of merchandise

The Group's provisions for expected returns of merchandise are based on an analysis of contractual or legal obligations, 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.

Provisions for litigation

The Group companies are involved in various legal disputes. On the basis of current knowledge, the Group assumes that its provisions are adequate. However, further litigation could arise resulting in costs not covered by the existing provisions or insurance. Moreover, it cannot be ruled out that the extent of legal disputes could increase and that future lawsuits, disputes, proceedings and investigations will be insignificant. Such changes may affect the provisions recognized for litigation 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 laws and regulations. Management is of the opinion that the estimates are appropriate and take sufficient account of any uncertainty in the tax assets and liabilities recognized. In particular, the deferred tax assets arising from loss carryforwards that can be offset are dependent on future profits being generated. Deferred tax claims arising from remeasurement are also dependent on future profits. Moreover, tax loss carryforwards expire after a certain number of years in some countries. Actual profits may differ from estimates. Such changes 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 as of December 31, 2009:

(TCHF)	Contingent liabilities	Purchase commit-ments for licenses	Other financial obligations	Rental and lease obligations	Total
Due within one year	13,389	16,353	1,418	5,927	37,087
Due between one and five years	–	744	5,402	14,104	20,250
Due after five years	–	–	–	–	–
Total	**13,389**	**17,097**	**6,820**	**20,031**	**57,337**

10.1 Purchase commitments for licenses

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 24 million (previous year: CHF 51 million).

Other financial obligations are obligations resulting from the development of in-house productions.

10.2 Rental and lease obligations

The Highlight Group rents and leases offices, warehouses, vehicles and facilities.

As of December 31, 2009, the Group had the following minimum lease obligations:

(TCHF)	Building and room rental	Vehicle leases	Other	Dec. 31, 2009	Dec. 31, 2008
Up to one year	5,638	164	125	5,927	5,991
Between one and five years	13,722	75	307	14,104	15,532
More than five years	–	–	–	–	1,505
Total	**19,360**	**239**	**432**	**20,031**	**23,028**

The total rental expenses for the fiscal years 2009 and 2008 amounted to TCHF 7,036 and TCHF 6,571 respectively.

10.3 Contingent liabilities

Contingent liabilities amounted to TCHF 13,389 as of December 31, 2009 (previous year: TCHF 13,399). These were guarantees to various TV stations for service productions.

The probabilities of the contingent liabilities are significantly below 50 %.

11. Related party disclosures

The company maintains ordinary business relations with associated companies, joint ventures and companies controlled by members of the Board of Directors.

Please refer to the notes 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.

The following transactions took place with this group of people in the fiscal year:

As of December 31, 2009, there were trade accounts receivable from Constantin Medien AG of TCHF 22 (previous year: TCHF 399). The income generated in the reporting year amounted to TCHF 22 (previous year: TCHF 397). The expenses incurred in the year under review with Constantin Medien AG of TCHF 109 (previous year: TCHF 0) essentially relate to the allocation of Group-wide functions such as the Berlin offices of the Constantin Medien Group and other internal allocations. On December 31, 2009, there were liabilities of TCHF 115 (previous year: TCHF 0).

Expenses were incurred with DSF (Deutsches SportFernsehen GmbH) for the rental of server rooms in the amount of TCHF 19 in the reporting year (previous year: TCHF 10). There were no liabilities (previous year: TCHF 0) as of the end of the year. In addition, revenues of TCHF 65 were generated from service productions for DSF in the reporting period (previous year: TCHF 0). Receivables stood at TCHF 1 (previous year: TCHF 0) as of December 31, 2009.

Expenses of TCHF 766 were incurred with PLAZAMEDIA GmbH TV- und Film-Produktion in the year under review in connection with the eighth season of the in-house production “Hausmeister Krause” (previous year: TCHF 0). There were no liabilities as of December 31, 2009 (previous year: TCHF 0).

The revenues and other income of TCHF 1,643 generated by the Highlight Group in the reporting period (previous year: TCHF 1,160) with PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH essentially related to the service production “Dahoam is Dahoam”, as did the expenses of TCHF 6 (previous year: TCHF 0). As of December 31, 2009, there were receivables of TCHF 0 (previous year: TCHF 61), advance payments received of TCHF 0 (previous year: TCHF 442) and trade accounts payable of TCHF 3,832 (previous year: TCHF 0).

Related parties include the members of the Management Board and the Board of Directors and their relatives.

Highlight Communications AG did not perform services for companies controlled by related parties in fiscal year 2009. A consulting agreement was in place between the Highlight Group and Fred Kogel GmbH in fiscal year 2009. Expenses of TCHF 455 (previous year: TCHF 0) were incurred in fiscal year 2009. This agreement runs until December 31, 2010 and covers license trading, TV service production and film distribution. As in the previous year, there were no liabilities in connection with this agreement as of December 31, 2009.

Highlight Communications AG has concluded a consulting agreement with Mr Werner E. Klatten. The agreement has a fixed term from September 1, 2008 to December 31, 2010. The fee for the agreement is TEUR 300 p.a. This is paid in equal monthly instalments. In 2009, the instalments owed under this agreement of TCHF 453 (previous year: TCHF 156) were recognized as an expense. This contract resulted in a liability of the Group to Mr Werner E. Klatten of TCHF 37 as of the year end (previous year: TCHF 37).

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

As of December 31, 2009 there were further liabilities due to deferred bonuses and executive committee salaries to various members of the Board of Directors and Managing Directors of TCHF 896 (previous year: TCHF 45).

Information on the remuneration of the members of the Group management and the Board of Directors can be found in note 7 of the financial statements of Highlight Communications AG.

12. Disclosures on events after the balance sheet date

Constantin Film Schweiz AG, Basel, and the owners of Kontraproduktion AG, Zurich, agreed that Constantin Film Schweiz AG would take over Kontraproduktion AG, the producer of the film "Sennentuntschi", following the fulfilment of various obligations on the part of the parties to the contract. There were no effects on the consolidated financial statements as of December 31, 2009. The financial effects cannot be estimated at the current time.

REPORT OF THE STATUTORY AUDITOR

to the General Meeting on the consolidated financial statements 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, profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement and notes (pages 60 to 135), for the year ended 31 December 2009.

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 2009 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, 23 March 2010

FINANCIAL STATEMENTS

as of December 31, 2009 of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2009

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2009	Dec. 31, 2008
Current assets		
Cash and cash equivalents	11,561	12,527
Securities	27,481	25,932
Other receivables		
from third parties	2	129
from Group entities	344	351
Prepaid expenses/accrued income	14	19
	39,402	**38,958**
Non-current assets		
Financial assets		
Investments	274,320	273,402
	274,320	**273,402**
Total assets	**313,722**	**312,360**

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2009	Dec. 31, 2008
Liabilities		
Trade accounts payable		
to third parties	64	13
to Group entities	16,732	22,126
Current bank liabilities	94,436	106,298
Other current liabilities		
to third parties	4,671	7,161
to related parties	37	37
to Group entities	65,570	43,669
Deferred income/accrued expenses	1,336	1,313
Provisions	500	500
Other non-current liabilities	–	346
	183,346	**181,463**
Equity		
Subscribed capital	47,250	47,250
Legal reserves		
General reserve	58,008	60,245
Reserve for treasury stock	8,611	6,374
Retained earnings		
Profit carried forward	9,129	16,833
Profit for year	7,378	195
	130,376	**130,897**
Total equity and liabilities	**313,722**	**312,360**

PROFIT AND LOSS ACCOUNT 2009

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Dec. 31, 2009	Jan. 1 to Dec. 31, 2008
License income	1,026	833
Other revenues	316	968
Financial income		
Interest income	236	4,523
Income on securities	309	309
Income on investments	32,250	37,008
Total income	**34,137**	**43,641**
License expense	–553	–383
Personnel expense	–4,544	–6,090
Office and administrative expense	–2,911	–3,700
Depreciation on investments	–7,833	–8,174
Financial expense		
Interest expense	–3,746	–7,122
Expense on securities	–7,172	–17,977
Total expense	**–26,759**	**–43,446**
Profit before taxes	**7,378**	**195**
Income taxes	–	–
Net profit for the year	**7,378**	**195**

NOTES TO THE FINANCIAL STATEMENTS 2009

Highlight Communications AG, Pratteln

1. Pledged assets as collateral for own obligations

	2009	2008
Shares in Constantin Medien AG		
Number	7,422,331	5,527,847
TCHF	22,084	20,577
Shares in Constantin Film AG		
Number	12,742,600	12,466,062
TCHF	161,368	163,732
Shares in Highlight Communications AG		
Number	303,000	300,000
TCHF	1,830	2,233
Credit facility utilized		
TCHF	94,436	106,298

As of December 31, 2009, there was a restriction of the disposal of cash and cash equivalents in the amount of TCHF 4,619 (previous year: TCHF 4,623).

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	Shareholding in %	Share 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*	100.00 % (previous year: 97.83 %)	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 %	2009	2008
Constantin Medien AG	47.31 %	47.31 %
MarCap Investors L.P.	–	8.06 %
DWS Investment GmbH	8.25 %	–

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 stock (held directly or indirectly via subsidiaries)

	Number of shares	Average transaction price CHF	Transaction value TCHF	Reserve for treasury stock TCHF
Balance on January 1, 2009	759,803			6,374
Sales	–200,000	6.28	–1,255	–1,547
Acquisitions	586,764	6.45	3,784	3,784
Balance on December 31, 2009	**1,146,567**			**8,611**

7. Information on the remuneration of the Board of Directors and the Group management as well as ownership of company shares

Remuneration 2009

(TCHF)	Basis remuneration	Variable remuneration	Remuneration as member of the Board of Directors	Social security/ pension provisions	Total
Werner E. Klatten, Chairman, non-executive member	453	–	50	4	507
Bernhard Burgener, Delegate, executive member (highest remuneration)	1,216	295	156	214	1,881
Martin Wagner, Vice Chairman, executive member	900	216	107	218	1,441
Dr. Ingo Mantzke, executive member	405	172	10	125	712
Antonio Arrigoni, non-executive member	–	–	10	1	11
René Camenzind, non-executive member	–	–	50	4	54
Dr. Erwin V. Conradi, non-executive member	–	–	50	2	52
Martin Hellstern, non-executive member	–	–	50	2	52
Total Board of Directors	**2,974**	**683**	**483**	**570**	**4,710**
Group management (consisting of two Managing Directors)	817	243	29	211	1,300
Total Group management	**817**	**243**	**29**	**211**	**1,300**

Remuneration 2008

(TCHF)	Basis remuneration	Variable remuneration	Remuneration as member of the Board of Directors	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	150	61	10	31	252
René Camenzind, non-executive member	–	–	50	4	54
Dr. Erwin V. 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. Five 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 first quarter of 2010.

In fiscal year 2009, Werner E. Klatten received compensation for consultancy in the amont of TCHF 453 (previous year: TCHF 156), which is shown under basis remuneration.

Certain members of the Board of Directors receive additional remuneration for their activities in various Boards of Directors of subsidiaries. These are disclosed under remuneration as member of the Board of Directors.

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.

In fiscal years 2009 and 2008, no remuneration was granted to former members of the Board of Directors or Group management members. Also no remunerations 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, 2009 and December 31, 2008, 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, 2009, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2009	2008
Bernhard Burgener, Delegate, executive member	1,616,153	1,616,153
René Camenzind, non-executive member	628,715	628,715
Martin Hellstern, non-executive member	200,000	200,000
Dr. Ingo Mantzke, executive member	100,000	100,000
Antonio Arrigoni, non-executive member	–	–
Dr. Erwin V. Conradi, non-executive member	–	–
Werner E. Klatten, Chairman, non-executive member	–	–
Martin Wagner, Vice Chairman, executive member	–	–
Dr. Paul Graf, Managing Director	–	–
Peter von Büren, Managing Director	–	–

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 19, 2009 and it was approved by the Board of Directors on November 25, 2009.

PROPOSAL FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

Highlight Communications AG, Pratteln

(TCHF)	2009
Profit carried forward	9,129
Net profit for the year	7,378
Retained earnings	**16,507**

The Board of Directors recommends to the Annual General Meeting 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	8,474
	16,507

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 stock as of the date on which the dividend is paid.

REPORT OF THE STATUTORY AUDITOR

to the General Meeting on the financial statements 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, profit and loss account and notes (pages 140 to 148), for the year ended 31 December 2009.

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 2009 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, 23 March 2010

CALENDAR OF EVENTS 2010

Film

Cannes Film Festival	May 12 – 23
Locarno Film Festival	August 4 – 14
Venice Film Festival	August 30 – September 19
Toronto Film Festival	September 9 – 18

Sports- and Event-Marketing

UEFA Europa League Final	May 12
UEFA Champions League Final	May 22
Eurovision Song Contest, semifinals	May 25 and 27
Eurovision Song Contest, final	May 29
Vienna Philharmonic's Summer Night Concert	June 8

Investor Relations

Quarterly reports	May/August/November
Annual General Meeting	May 28
German Equity Forum	November 22 – 24

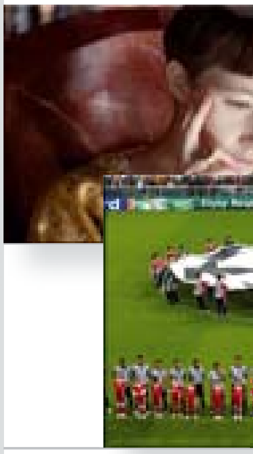
Imprint

Publisher and responsible for content:
Highlight Communications AG, Pratteln

Design, copy, layout and production: GFD Finanzkommunikation, Frankfurt am Main

Pictures:
dpa Picture-Alliance, Frankfurt am Main (pages 2/3, 20/21, 26/27, 27, 30/31, 40/41, 41, 58/59, 59)
T.E.A.M. Marketing AG, Lucerne (cover and pages 42, 43, 44, 45)
Constantin Film Group, Munich (cover and pages 1, 3, 21, 28, 29, 31, 32, 33, 36, 38, 39)

HIGHLIGHT COMMUNICATIONS AG **ANNUAL REPORT 2009**



HIGHLIGHT COMMUNICATIONS AG

Netzibodenstr. 23 b · 4133 Pratteln BL, Switzerland
Phone +41 (0) 61-816 96 96 · Fax +41 (0) 61-816 67 67

info@hlcom.ch · www.highlight-communications.ch