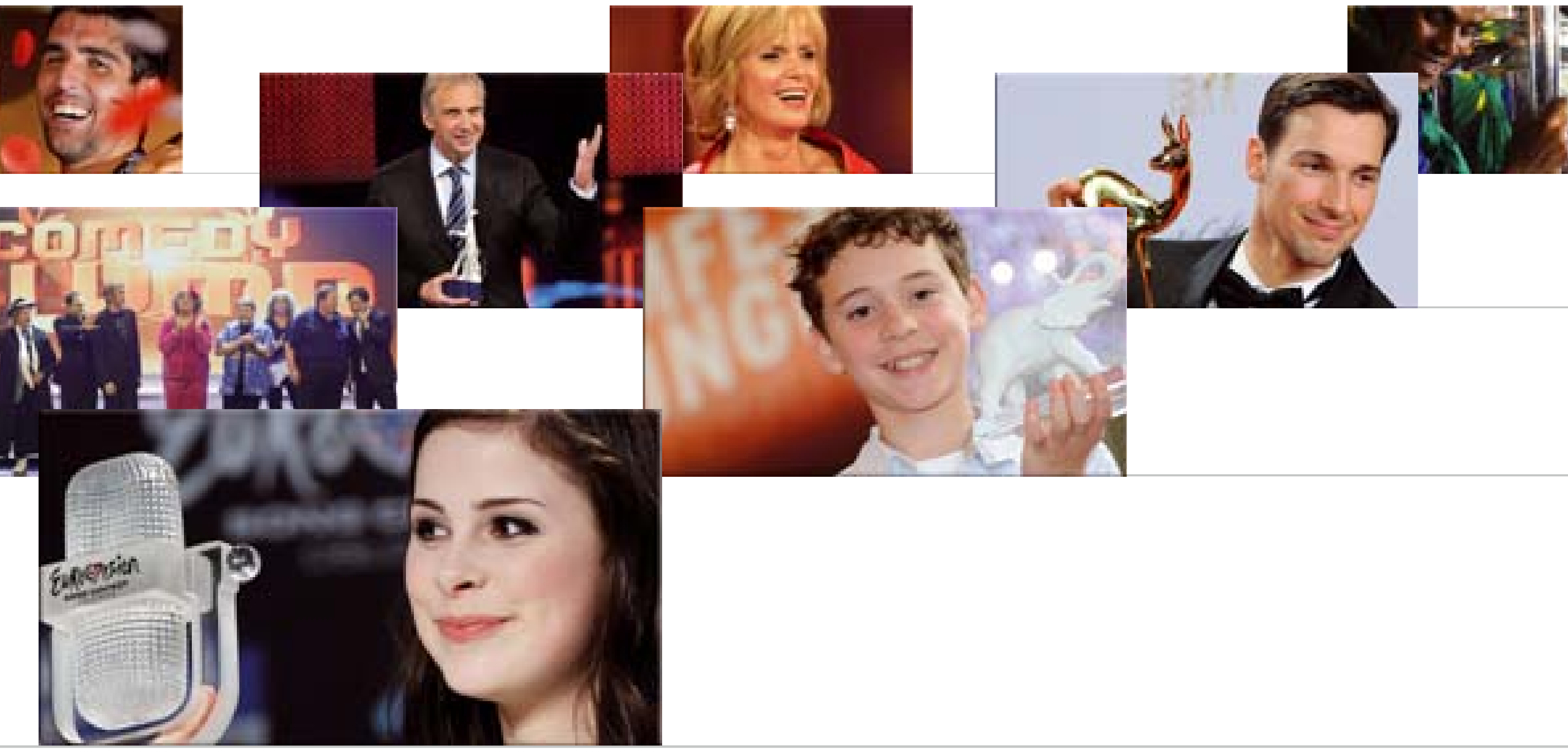
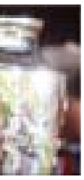
Highlight

ANNUAL REPORT 2010



The Swiss Highlight Group comprises companies exhibiting strong synergistic potential. It is one of the largest media stocks on the German capital market.



Highlight Communications AG at a glance (TCHF)		**2010**	2009
Consolidated balance sheet	Total assets	525,569	632,429
	Film assets	175,801	205,746
	Cash and cash equivalents	166,039	201,090
	Financial liabilities	251,391	317,871
	Equity attributable to the shareholders	67,621	106,091
Consolidated profit and loss account	Sales	434,562	517,918
	Profit from operations	50,497	52,900
	Profit before taxes	52,509	44,246
	Net profit (Highlight shareholders)	36,172	31,999
	Earnings per share (CHF)	0.78	0.69
Consolidated cash flow statement	Cash flow from operating activities	174,572	122,841
	Cash flow for investing activities	-110,811	-94,992
	thereof payments for film assets	-106,844	-120,676
	Cash flow for financing activities	-75,810	-14,067
	thereof dividend payments	-2,005	-9,726
	Cash flow for the reporting period	-12,049	13,782
Personnel	Headcount as of December 31	787	670

The expertise of the Highlight Group encompasses the design, production and marketing of top events and first-class entertainment in the areas of film, sports and music.

Highlight Communications AG, Pratteln, Switzerland

Film		Sports- & Event-Marketing
100 %	100 %	100 %
Constantin Film AG MUNICH, GERMANY	**Highlight Communications (Deutschland) GmbH** MUNICH, GERMANY	**Team Holding AG** LUCERNE, SWITZERLAND
Subsidiaries of Constantin Film AG	**Rainbow Home Entertainment AG** PRATTELN, SWITZERLAND	**T.E.A.M. Television Event And Media Marketing AG** LUCERNE, SWITZERLAND
Constantin Film Schweiz AG BASEL, SWITZERLAND	**Rainbow Home Entertainment GmbH** VIENNA, AUSTRIA	**Team Football Marketing AG** LUCERNE, SWITZERLAND

Top movies and TV formats, first-class DVD/ Blu-ray releases, premium European football and major world-famous musical events form the Highlight portfolio.

Members of the Highlight Group

Cinema

Highlight subsidiary Constantin Film is Germany's leading producer and distributor of theatrical films. With
- "Animals United",
- "Resident Evil: Afterlife" and
- "vincent will meer",

three of the four most popular German productions of 2010 belonged to Constantin Film.

Television

Constantin's subsidiaries produce very successful TV formats on behalf of major TV stations:
- Daily shows (such as the courtroom show "Richter Alexander Hold"),
- Primetime shows ("Die Hit-Giganten", "Die Comedy-Falle" etc.),
- Crime series ("Kommissarin Lucas", "Rosa Roth" etc.) and
- TV movies/mini series (for example "Krupp – Eine deutsche Familie").

Home entertainment

The Highlight Group has its own distribution organization for the best possible exploitation of video rights of theatrical films on DVD and Blu-ray. Distribution in Switzerland and Austria is performed by the Rainbow Home Entertainment subsidiaries.

Highlight Communications (Deutschland) GmbH cooperates with Paramount Home Entertainment to cover the German market.

The best sellers of 2010 were
- "Wickie und die starken Männer" and
- "Pope Joan".

Football

Based in Lucerne, the TEAM Group is one of the world's leading agencies in the global marketing of international major events. On behalf of the Union of European Football Association, it markets the following exclusively worldwide:
- the UEFA Champions League,
- the UEFA Europa League and
- the UEFA Super Cup.

Music

Other well-known projects handled by the TEAM Group include the marketing of the historic
- Eurovision Song Contest

on behalf of the EBU and a marketing cooperation with the Vienna Philharmonic Orchestra. As part of this cooperation, it markets the orchestra's world-famous
- New Year's Day Concert and the
- Summer Night Concert.

CONTENTS

Sensation in Oslo:
After 28 years with no German winner, newcomer Lena Meyer-Landrut won the 2010 Eurovision Song Contest.

FOREWORD BY THE CHAIRMAN AND THE DELEGATE

In spite of a difficult market environment at times, the Highlight Group concluded fiscal year 2010 with highly positive results.

- Consolidated sales were at the top end of the planning horizon and earnings per share were significantly better than the forecast figure.
- Four films of Highlight subsidiary Constantin Film attracted more than one million viewers to German cinemas. In addition, the most successful movie of the year in Switzerland was distributed by Constantin Film Schweiz AG.
- Highlight subsidiary TEAM succeeded in extending the agency agreements with UEFA and the Vienna Philharmonic Orchestra.

Dear shareholders and other interested parties,

Once again the Highlight Group can look back on a very successful fiscal year. We have consistently implemented our maxim of controlled and profitable business development and in the process again achieved top results:

- Consolidated sales of CHF 434.6 million were at the upper end of our planning corridor of CHF 420 to CHF 440 million.
- Consolidated net profit after taxes increased to a new record of CHF 42.8 million, up 27.0 % year-on-year.
- The same applies to the net profit attributable to Highlight shareholders which increased by 13.1 % to CHF 36.2 million.
- As a result earnings per share rose to CHF 0.78 or EUR 0.57, significantly exceeding our target of EUR 0.42 to EUR 0.44.

The Highlight Group also made good progress from a strategic point of view in the year under review. As of June 30, 2010 we acquired UEFA's 20 % stake in Team Holding AG, making it a wholly-owned subsidiary of our company now.

TEAM: record results and key agreements extended

Due to the marketing success of the sale of TV and sponsoring rights for the current three-year periods of the UEFA Champions League and the UEFA Europa League, sales in the Sports- and Event-Marketing segment rose by 8.0 % to CHF 100.9 million. Segment earnings were even better, rising by 11.1 % to CHF 41.1 million.

In March 2010, the successful cooperation with UEFA was extended by another three-year period. The agency agreement for the marketing of the commercial rights to the UEFA Champions League, UEFA Europa League and UEFA Super Cup initially includes the 2012/13 to 2014/15 seasons. If the contractual performance targets are achieved, this contract will be automatically extended by a further marketing period until at least June 2018.

In September 2010, the agency agreement with the Vienna Philharmonic Orchestra was extended early until 2017. The focus of this cooperation is the global marketing of the TV and sponsoring rights of the orchestra's two main annual events: the historic New Year's Day Concert and the Summer Night Concert held in the park of Schönbrunn Palace.

Constantin Film: solid results and maintaining the top position among German production companies

Five Constantin own and co-productions were ranked in the top ten German films attracting the largest audiences in the year under review. 3-D was the dominant global trend in the movie industry last year. Constantin Film joined the 3-D trend extremely early, distanced itself from cheap conversion projects, and achieved excellent results with its in-house productions "Resident Evil: Afterlife" and "Animals United" as well as the licensed title "Step Up 3D".

The action spectacular "Resident Evil: Afterlife" took in EUR 11.6 million at the box office in Germany alone and was the biggest selling production of 2010. Completely filmed and edited in 3-D for the first time, the fourth installment in the "Resident Evil" series was also one of the most successful international movie releases in the history of Constantin Film. This franchise was at the top of the global movie charts at its opening weekend already and almost trebled the earnings of its predecessor "Resident Evil: Extinction". In total, "Resident Evil: Afterlife" had global box office takings of around USD 300 million.

The Constantin title with the highest audience figures was the 3-D animated film “Animals United” which attracted more than 1.4 million moviegoers and took in around EUR 10.4 million at the box office. The road movie “vincent will meer” became a real surprise hit. It was released in April and ran for more than half a year in German cinemas, delighting roughly one million visitors in the process.

With three awards, Constantin Film also won big at this year’s Bavarian Film Awards. Screenwriter and lead actor Florian David Fitz took home the prize for best screenplay for “vincent will meer”. The film also came away with the audience award. The 2011 Bavarian Film Award for best children’s film went to “Animals United”.

In the year under review, production activities were extended to Switzerland and Constantin Film Schweiz AG was established. This company restructured and took over the troubled enterprise owned by Swiss hit movie director Michael Steiner. With the successful conclusion of the theatrical production “Sennentuntschi”, Constantin Film Schweiz landed the most successful Swiss movie of 2010 right in its first year.

Constantin’s movie hits are also successful in home entertainment

We maintained our market position as one of the leading providers in the German home entertainment market, which remained on a growth course in 2010 due to strong increases in Blu-ray sales and digital sales. Our best-selling product was the new release of “Wickie und die starken Männer”. With a total of 645,000 DVDs and Blu-rays sold by the end of the year, the adaptation of the popular cartoon series went on to become the second most successful independent production of the year.

International Constantin co-production “Pope Joan” also became a sales hit. After the historical epic with Johanna Wokalek in the title role drew an audience of more than 2.3 million to cinemas in 2009, 370,000 units of the home cinema version were sold since it went on sale at the beginning of March. Further best-sellers in our slate included the culture clash comedy “Maria, ihm schmeckt’s nicht!”, the young adults’ adventure film “The Crocodiles Strike Back” and the action-packed licensed titles “Law-Abiding Citizen”, “Centurion” and “Solomon Kane”.

Optimistic for fiscal year 2011

2010 was an extraordinary year for the Highlight Group. We achieved our goals and even exceeded some of them. We are resolutely continuing on the path we have started upon so that 2011 will also be a successful fiscal year. From today's perspective and based on nearly stable exchange rates (CHF/EUR), we expect consolidated sales of between CHF 430 million and CHF 450 million and earnings per share of between EUR 0.52 and EUR 0.54.

Our optimism is based on several pillars: Constantin's 2011 slate is expected to encompass ten films, among them a number of highlights. There are high expectations for the large 3-D production "The Three Musketeers" with an international star cast including Milla Jovovich, Orlando Bloom and Oscar-winner Christoph Waltz. The same is true for the young adults' adventure "Wickie auf grosser Fahrt" which was also filmed in 3-D.

In the home entertainment business area, we are mainly focusing on DVD/Blu-ray marketing of Constantin's 2010 cinematic hits, primarily "Resident Evil: Afterlife", "Animals United" and dance phenomenon "Step Up 3", which was released back at the beginning of February and immediately established itself in the top ten of the sales charts.

In Sports- and Event-Marketing, activities will concentrate on marketing of the commercial rights for the UEFA Champions League and UEFA Europa League. Providing organizational support and development of the current competitions until the finals will also take up a lot of time. This also applies to the music area with its two main events – the Eurovision Song Contest and the Vienna Philharmonic's Summer Night Concert.

On behalf of the entire Board of Directors, we would like to thank you for the trust you have again shown in us and in our company in 2010. We will also make every effort in future to keep writing Highlight Group's success story and would be glad if you would continue to accompany us on this path. Special thanks to all our employees, whose motivation, creativity and commitment have contributed to our company's success once again.

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 Swiss stock exchange SIX. 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, 2010, the market capitalization of the company was around EUR 193.2 million at a closing stock price for the year of EUR 4.19.

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. It is a member of the Main Standard and its shares (ISIN: CH 000 358 3256, securities number: 358 325, ticker: ESRI) belong to the Mid & Small Caps Swiss Shares. As of December 31, 2010, the market capitalization of the company was around CHF 28.15 million at a closing stock price for the year of CHF 22.75.

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.

1.4. Principal shareholders

As of December 31, 2010, Highlight Communications AG was aware of the following shareholders with a share of more than 5 % of its subscribed 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 can be bought back.

In the year under review, no treasury shares were bought back or sold. As of December 31, 2010, 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 28, 2010, 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 Chairman, its 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, 2010, 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 between Highlight Communications AG and Werner E. Klatten ended on December 31, 2010; 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 Supervisory 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
Advisory Board of teNeues Verlag GmbH + Co. KG, Kempen, Germany
Supervisory Board of MAMA Sustainable Incubation AG, Berlin, 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 KONTRAPRODUKTION AG, Zurich, 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
President of the Board of Directors of Lechner Marmor S.p.A., Laas, Italy
President of the Board of Directors of Lasamarmo S.p.A., Laas, Italy
Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland

Martin Wagner

Vice Chairman, member of the Board of Directors since 2000

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

Other (corporate) activities and interests:
Supervisory Board of Constantin Film AG, Munich, Germany
Board of Directors of Constantin Film Schweiz AG, Basel, Switzerland
Board of Directors of KONTRAPRODUKTION AG, Zurich, Switzerland
Vice President of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Delegate of the Board of Directors of Team Holding AG, Lucerne, Switzerland
Delegate of the Board of Directors of Team Football Marketing AG, Lucerne, Switzerland
Delegate of the Board of Directors of T.E.A.M. Television Event And Media Marketing AG, Lucerne, Switzerland
Delegate of the 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 Weltwoche Verlags AG, Zurich, Switzerland
Board of Directors of Köppel Holding 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 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

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
President, Chief Financial Officer and Secretary of Haffa Inc., Hermosa Beach, USA

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
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
President and Delegate of the Board of Directors of Praesens-Film AG, Zurich, Switzerland
President of the Board of Directors of Atlantis Investment AG, Wil, Switzerland
President of the Board of Directors of MH Movie Holding AG, Glarus, Switzerland
Delegate of the Board of Directors of Atlantic-Immobilien und Investment AG, Zurich, Switzerland
Board of Directors of Stella Movie SA, Comano, Switzerland
President of the Board of Directors of Stella Finanz AG, Glarus, Switzerland
President of the Board of Directors of Stelle Investment AG, Glarus, Switzerland
Board of Directors of Allied Enterprises AG, Wil, Switzerland
Chairman of the Management Board of MPLC Switzerland GmbH, Zurich, 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 Group 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 (profit and loss account, 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, 2010.

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)

Martin Wagner, Delegate of the Board of Directors

Swiss national, lawyer, member of the Board of Directors of Team Holding AG, T.E.A.M. Television Event And Media Marketing AG and Team Football Marketing AG since 2002, today as the Delegate of the Board of Directors.

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 as Managing Director responsible for the Marketing division.

Simon Thomas, Managing Director Television & Event

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 & Event.

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.

Patrick Murphy, Managing Director Content Sales

Irish national, marketing expert, worked selling TV and media rights in Asia from 1993 to 2001; since 2001, he has been with TEAM as Director of Sponsorship Sales, today as Managing Director Content Sales.

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 (Film and television) and Franz Woodtli (Cinema and home entertainment operations).

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 Group 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 4.784 million (previous year: CHF 4.710 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, 2010, 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 (MH 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 1.953 million (previous year: CHF 1.881 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 clause

The shares of Highlight Communications AG in Team Holding AG and Team Holding AG's shares in the other TEAM Group companies are subject to a share transfer restriction declaration under the terms of TEAM's agency agreement with UEFA. Under the terms of this agency agreement, UEFA also has a termination right in the event of a change in control of either Highlight Communications AG or Constantin Medien AG.

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 2010.

8.2. Auditing fees

A sum of TCHF 97 was provided for auditing services of PricewaterhouseCoopers in fiscal year 2010, and TCHF 71 were paid. Additional fees of TCHF 6 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.

Proud winner: Ulrike Kriener won the 2010 German Television Prize for "Best Actress" for her role in the TV mini-series "Klimawechsel".

HIGHLIGHT STOCK

The Highlight Group's good business performance and the generally positive sentiment on the German capital market were again not reflected in the price of Highlight's shares.

- At EUR 4.19, the closing price for the year was some 3% up year-on-year.
- Based on shares outstanding, market capitalization thus increased from EUR 187.2 million to EUR 193.2 million.
- Average trading volume per trading day increased from 20,400 to almost 30,100 shares.

Recognition earned: The jury of the Bavarian Film Prize chose Constantin co-production "Animals United" as the best children's film of 2010 (pictured: director Reinhard Klooss).

Mixed development on the stock markets

Investors in the international stock markets experienced a real emotional roller coaster in 2010 with performance varying widely from region to region. For example, the US stock market started the year on a promising note: positive corporate figures and the prospect that the economic crisis would soon end were reflected in increasing stock prices.

However, as the momentum of the US economy slowed noticeably around the middle of the year, and numerous experts even expressed fears of a new recession, the market reacted with sharp price corrections. Not until the US central bank Federal Reserve announced it was loosening its monetary policy again did sentiment change again in the last quarter. Due to this year-end rally, the Dow Jones Industrial Average Index climbed 11 % compared to the end of 2009 to close trading on December 31, 2010 at 11,578 points.

The European exchange landscape suffered due to the debt crisis in several eurozone countries, including Italy, Spain and Portugal. Although the impending bankruptcy of the Greek and Irish governments was avoided with a comprehensive bailout package totaling EUR 750 billion, this disruption led to significant price losses at those European banks that held a large portion of these countries' government bonds.

In turn, this development negatively impacted all leading indices in which these bank shares have a relatively high weighting – especially the Euro Stoxx 50, which suffered a loss of more than 5 % over the course of the year. The same applied to the French index CAC 40, which suffered a loss of over 3 %, while the British FTSE 100 added more than 9 %.

XETRA closing prices of Highlight stock compared to SDAX and DAXsector Media*

- Highlight Communications
- SDAX
- DAXsector Media

*Indices indexed at Highlight closing price as of December 31, 2009 for comparison

The Swiss Market Index (SMI), which reflects the price performance of the 20 Swiss companies with the largest market capitalization, was also one of the losers in the stock markets of 2010. Although the SMI generated growth of 5% in the second half of the year, this was not enough to offset the losses of the first six months. The SMI closed at 6,436 points, generating a decrease of almost 2% over the year as a whole.

The situation was very different in Germany. Despite the debt crisis in the countries on the periphery of the eurozone, the German economy picked up momentum, something which positively impacted share prices. For example, the DAX recorded a jump of around 16% to close at 6,914 points. This German leading index generated 11% of this increase in the last quarter alone.

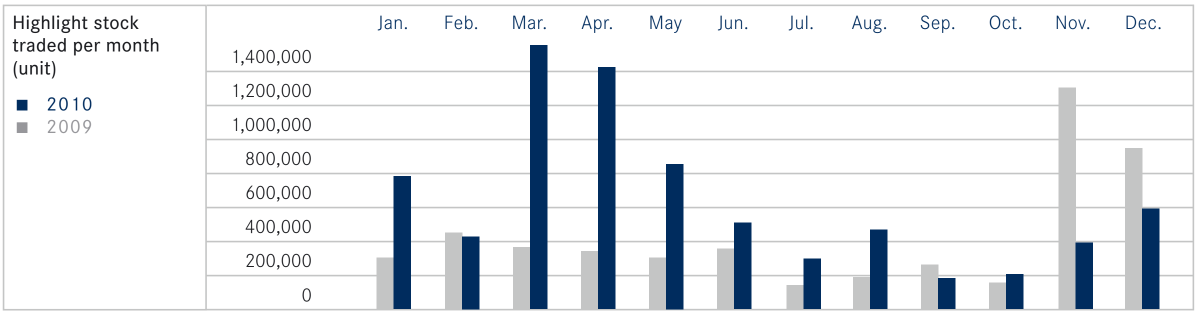
Small caps and media stocks on the German market put in an even better performance. The small cap index SDAX, which also includes the Highlight stock, ended the year up by approximately 46% and closed at 5,174 points, while the index for German media stocks (DAXsector Media) even rose by more than 62% from 89 to 144 points from January to December.

Highlight stock remains undervalued

As in the previous year, the Highlight stock did not benefit from the generally extremely positive performance of the SDAX and DAXsector Media shares in the period from January to December 2010. However, its closing price of EUR 4.19 in Xetra trading meant it did generate a slight price increase of somewhat more than 3%.

After starting the new year at the previous year's closing price of EUR 4.06 (December 31, 2009), the stock traded in a range of between EUR 3.73 and EUR 4.11 until mid-March. After publishing our very positive financial results for 2009, a significant upturn began that took the price up to EUR 4.57 (based on the closing price) for a short time. However, due to the general market weakness as a result of the Greek crisis, the Highlight stock did not maintain this level and declined steadily until mid-May. The subsequent recovery phase bumped the price above the EUR 4 mark for a short time again, before another slight decline began which yielded to a sideways movement.

Throughout almost all of August and September, the stock price was above EUR 4 while it moved in a corridor between EUR 3.73 and EUR 4.05 in October and November. December was initially characterized by a sharp price increase, which again changed to a sideways movement by the end of the month. As of the end of the year 2010, the Highlight stock's 52-week high was EUR 4.70 (April 26) while the 52-week low was EUR 3.53 (May 25).



Significant increase in trading volume

Approximately 7.67 million Highlight shares were traded in Deutsche Börse's Xetra trading system from January to December 2010, corresponding to an increase of almost 50 % as compared with the previous year (approximately 5.14 million). Average trading per trading day therefore increased from 20,400 to almost 30,100 shares. Among the stocks ranking in the MDAX and SDAX segments on the Deutsche Börse, Highlight shares were number 103 as of December 31, 2010 (December 31, 2009: 105) by trading volume and also number 103 (December 31, 2009: 87) according to the assessment criterion of free-float market capitalization.

Planned resumption of dividend distributions

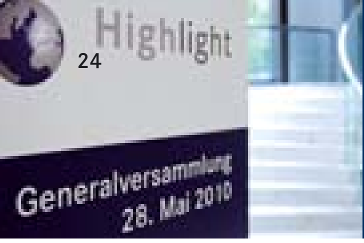
After we – due to the acquisition of the 20 % stake in Team Holding AG – did not pay out any dividends for fiscal year 2009, we would now like to regularly include our shareholders again in the company's earnings power. For this reason, the Board of Directors will propose to the Annual General Meeting, which will be held on May 27, 2011, to approve the distribution of a dividend of CHF 0.17 per share for fiscal year 2010.

No changes in the shareholder structure

As of December 31, 2010, the subscribed capital of Highlight Communications AG was CHF 47.25 million (as in the previous year), divided into 47.25 million bearer shares with a nominal value of CHF 1.00 per share. There were no treasury stock transactions in the year under review, so there were no changes in the holdings. As of the end of fiscal year 2010, Highlight Communications AG 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.

The shareholder structure also remained unchanged from the previous year: Constantin Medien AG holds 47.3 % of Highlight's shares, while around another 8.3 % are owned by DWS Investment GmbH. In addition, members of the Board of Directors as well as private and institutional investors hold significant share packages. As of December 31, 2010, the free float amounted to 50.3 % as per the definition of Deutsche Börse.

As of December 31, 2010, 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 were as follows as of December 31, 2010:



The most important event for our shareholders: the Annual General Meeting

Board of Directors	Shareholdings	Share interest from options
Bernhard Burgener, Delegate, 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	–	–

In the fiscal year 2010 as a whole, Highlight Communications AG received no notifications from members of the Board of Directors or the management of the Highlight Group regarding acquisitions or sales transactions subject to reporting.

Direct communication in the focus of investor relations activities

Since the beginning, the strategy of the Highlight Group has been focused on the sustainable increase of enterprise value. A key element supporting this strategy is the ongoing and open communication with capital market players. This is why we continued to provide detailed information to the target group of financial analysts, fund managers and institutional investors in numerous one-on-one discussions in the year under review in order to make it easier for them to assess our current business situation and the future performance of the Highlight Group.

The number of direct contacts to capital providers was also increased further. This was fostered by roadshows and presentations at important financial centers such as Frankfurt, London and Luxembourg. We also gave market players at the German Equity Forum – the most important investors' fair for small and medium-sized enterprises in Europe – detailed insights into the positioning of our business areas in the respective market environment as well as the strategic alignment of the Highlight Group as a whole.

However, our website remains the main information instrument for all interested parties. In line with the principle of fair disclosure, we publish all relevant company information there in a timely manner. This primarily refers to our quarterly reports, annual reports, press releases and ad-hoc releases that can be either read online or requested from us at any time in printed form free of charge. An even more convenient option is our newsletter service. Following a simple registration process on the Internet, users of this service receive all publications immediately and automatically via e-mail.



Information on Highlight stock as of December 31, 2010

Subscribed capital	CHF 47.25 million
Number of shares	47,250,000
Stock class	Ordinary bearer shares
Shares in circulation	46.10 million
Market capitalization (in relation to shares in circulation)	EUR 193.2 million
Year-end price	EUR 4.19
52-week high (April 26)	EUR 4.70
52-week low (May 25)	EUR 3.53
Earnings per share	EUR 0.57

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

Highlight reflected by current analyses

Close Brothers Seydler Research	November 2010	Buy
DZ BANK	November 2010	Buy
Silvia Quandt Research	November 2010	Buy
TradeCentre.de	November 2010	Recommended buy

Double reward: After receiving a BAMBI for his acting performance in “vincent will meer”, multi-talented Florian David Fitz was also awarded a Bavarian Film Prize for best screenplay.

REPORT ON THE HIGHLIGHT GROUP’S SITUATION

The Highlight Group has continuously pursued its controlled and profitable corporate development in fiscal year 2010.

- Consolidated sales of CHF 434.6 million were at the upper end of the planning corridor of CHF 420 to CHF 440 million.
- The consolidated net profit for Highlight’s shareholders rose to a new record of CHF 36.2 million.
- This lifted earnings per share from CHF 0.69 in the previous year to CHF 0.78 currently.
- Net debt was reduced by CHF 31.4 million to CHF 85.4 million in the year under review.

BUSINESS AND GENERAL CONDITIONS

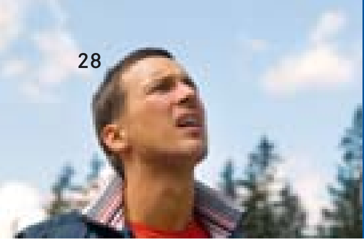
Business activity

Success with film and sports

Highlight Communications AG is an internationally oriented strategic and financial holding company based in Pratteln near Basel, which operates in the Film and Sports- and Event-Marketing segments through its operational subsidiaries.

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

To expand the Highlight Group's position on the Swiss movie market, Constantin Film Schweiz AG, Basel, which is indirectly wholly-owned by Highlight Communications AG, was founded in December 2009. The company specializes in the production and distribution of movie, television and video productions and the performance of entertainment and new media services.



The surprise hit
of the year:
“vincent will meer”

Highlight Communications AG has established its own distribution organization in order to best exploit video rights for its in-house and licensed films. Distribution in Switzerland and Austria is performed by the Rainbow Home Entertainment subsidiaries, which are wholly-owned by the company. In addition, third-party products are marketed in these countries. The wholly-owned Highlight Communications (Deutschland) GmbH cooperates with Paramount Home Entertainment to cover the German market.

In the Sports- and Event-Marketing segment, Highlight Communications AG wholly owns Team Holding AG (TEAM). Based in Lucerne, the TEAM Group specializes in global marketing of major international events. As one of the world’s leading agencies in this area, it exclusively markets the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup on behalf of the Union of European Football Association (UEFA). Other attractive projects handled by the TEAM Group include the marketing of the Eurovision Song Contest and a marketing cooperation with the Vienna Philharmonic Orchestra. In this cooperation, TEAM markets the Orchestra’s internationally famous New Year’s Day Concert and the Summer Night Concert, the open-air event held each year in the park of Schönbrunn Palace.

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

Value management system for controlling operations

Highlight Communications AG’s Board of Directors is responsible for the strategic orientation and management of the Highlight Group. Responsible for operating activities at Constantin Film AG is the Management Board consisting of four members, while operating activities at Team Holding AG are executed by a two-member Board of Directors.

The primary objective of the Highlight Group is to sustainably increase 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 EBIT margin calculated as the ratio of EBIT and sales. Another key parameter is earnings per share.

The economic performance of the Group is also influenced by non-financial performance indicators that result from the requirements of the respective business model in each segment:

- Competitive pressure on the movie market was high in 2010. Against this backdrop, Constantin Film AG is watching the activities of its competitors very closely to achieve the best possible placement of its own movie launches in terms of market environment and time of year. In producing its movies, the company is increasingly focusing on titles that are emotionally highly geared towards an audience’s needs, are based on certain brands, are of an event nature and/or can be created in 3-D. This is why Constantin Film AG has been working closely with renowned and experienced screenwriters, directors and producers with extensive expertise in producing movie and TV formats at home and abroad for decades.

Visually stunning non-stop action in 3-D: “Resident Evil: Afterlife“

The particular skill of Constantin Film AG in terms of developing and producing movies is documented by the fact that 13 of Germany’s top 30 films shown in theaters from 2002 to 2010 were distributed and/or produced by Constantin Film. Over the same period, virtually 40 % of the movie tickets sold for a German production was for a Constantin title.

- 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 such marketing contracts is close and trusting business relationships with the rights owners.

Main features of the remuneration system

Highlight Communications AG’s Board of Directors is responsible for the handling of contracts for members of the Group management. A Compensation Committee was established to determine the respective remuneration, which consists of fixed and variable components. This committee, most of the members of which are non-executive members of the Board of Directors, determines the structure of the remuneration system and reviews it regularly. The criteria for determining appropriate remuneration are primarily the duties of the respective member of Group management, his personal performance, the performance of Group management overall and the economic situation of the Highlight Group, taking into account the comparative environment.

Important events in fiscal year 2010

Cooperation agreement with Little Shark Entertainment extended

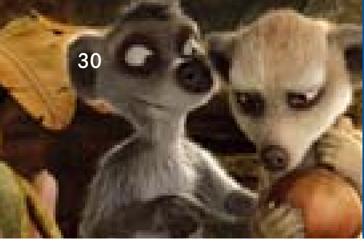
In January 2010, Constantin Film AG prematurely extended its cooperation agreement with the Cologne-based production company Little Shark Entertainment (founded in 1998 by director Sönke Wortmann) by two further years. The purpose of the cooperation is to develop, produce and exploit the co-productions of both companies.

Extension of the TEAM mandate by UEFA

As of March 24, 2010, UEFA concluded a new agency agreement with TEAM. Therein, UEFA appointed its long-standing partner TEAM to market the commercial rights for the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup, initially for three additional seasons (2012/13 to 2014/15). Subject to achieving contractual performance targets, this contract will automatically renew for an additional term lasting until at least June 2018.

Constantin Film again top producer and distributor of German films

Constantin Film AG was again awarded the “Golden Industry Tiger” in the categories of production and distribution for the fifth time when the German Federal Film Board awarded reference funding in April 2010. This award comes with reference funding of EUR 2.0 million for production and funding of more than EUR 0.8 million for distribution. Furthermore, Constantin’s majority holding Rat Pack Filmproduktion GmbH was awarded funding of almost EUR 0.3 million.



CGI animation at its highest technological level: “Animals United”

Acquisition of Kontraproduktion AG

By way of agreement dated May 14, 2010, Constantin Film Schweiz AG acquired a 79 % interest in Kontraproduktion AG, Zurich. The operations of this company primarily include theatrical and TV movie production. The remaining shares (21 %) were acquired on August 13, 2010. The first project by Kontraproduktion AG was the completion of the Alpine saga “Sennentuntschi”, which had its world premiere as the opening film at the Zurich Film Festival on September 23. The movie by the hit director Michael Steiner was released in Switzerland in mid-October 2010. With audiences of more than 145,000, it was the most successful Swiss movie of 2010.

Period for authorized capital extended

The shareholders of Highlight Communications AG passed the following key resolutions at the Annual General Meeting on May 28, 2010:

- The actions of all members of the Board of Directors in fiscal year 2009 were officially approved and these members were then re-elected for fiscal year 2010.
- The motion to distribute a dividend of CHF 0.17 per share for fiscal year 2009 was rejected in favor of acquiring the UEFA interest in Team Holding AG. In forgoing a profit distribution, the shareholders followed a new recommendation of the Board of Directors.
- The motion to extend the period for authorized capital was approved. As a result, the Board of Directors was authorized to increase the share capital of the company by up to CHF 12.75 million until May 27, 2012. Up to 12,750,000 bearer shares with a nominal amount of CHF 1.00 can be issued for this purpose. The capital increase can also be implemented in installments.

New management at TEAM

As of June 10, 2010, changes in the management structure of TEAM Television Event And Media Marketing AG were announced. As of this date, the company’s Board of Directors has consisted of Bernhard Burgener (Chairman) and Martin Wagner (Delegate). The overall responsibility for the operating management is to be executed by a Senior Management Group.

Acquisition of UEFA interest in Team Holding AG

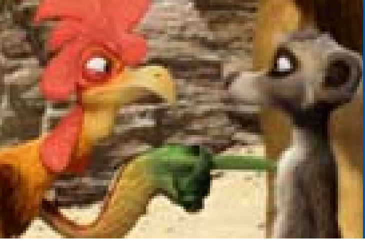
Effective June 30, 2010, UEFA sold its 20 % stake in Team Holding AG to Highlight Communications AG, which since that date has held all shares in Team Holding AG.

Constantin Entertainment pushes ahead with international strategy

As part of the ongoing implementation of its expansion strategy for foreign markets, Constantin Entertainment GmbH founded two further subsidiaries in 2010: Constantin Entertainment Middle East FZ LLC, Abu Dhabi/UAE, on July 22, 2010 and Constantin Entertainment SRB d.o.o., Belgrad/Serbia, on August 31, 2010.

Premature extension of cooperation agreement with the Vienna Philharmonic Orchestra

On September 6, 2010, TEAM announced the premature extension of its successful partnership with the Vienna Philharmonic Orchestra for a further five years until 2017.



Spectacular acrobatics and hot rhythms: “Step Up 3D”

General economic conditions

Global economic recovery

Following the worst recession since the end of the Second World War, the global economy recovered faster than expected in 2010. Especially in the first half of the year, gross domestic product (GDP) grew strongly worldwide. Stimulus was generated by the – at times – highly expansive monetary and fiscal policy in some countries and the clear recovery in world trade.

As a result of this development, growth forecasts repeatedly had to be revised upwards in many countries over the course of the year. For example, the latest data from the International Monetary Fund (IMF) published at the end of January 2011 indicate significant growth in the global economy of 5.0 %. The strongest growth was again observed in the emerging economies, with China again taking the lead with a surge of 10.3 %. India was just behind with growth of 9.7 % and Brazil and Russia – the two other BRIC nations – posted high growth rates of 7.5 % and 3.7 % respectively.

Averaging at 3.0 %, the economic upswing was much more moderate in most industrialized nations. After getting off to a good start, for example, the US economy performed only modestly with expansion of 2.8 % over the year. Thanks to a sharp rise in exports, the Japanese economy grew by 4.3 %, while the euro zone was practically marching on the spot with growth of just 1.8 %.

The Swiss economy, relatively unscathed by the 2009 recession, posted a powerful recovery in the year under review. Projections by the State Secretariat for Economic Affairs (SECO) from mid-December 2010 put the increase in GDP at 2.7 %. This recovery was primarily driven by exports, which rose by 7.0 %. Furthermore, there was growth in plant and equipment investments of 4.5 %.

However, the powerhouse of the European economy was Germany. According to the calculations of the Federal Statistical Office (Destatis), adjusted GDP increased by 3.6 % (previous year: –4.7 %) – the strongest figure since Reunification. The average economic performance for the year, therefore, was just 1.3 % below the level Germany had achieved before the global financial and economic crisis broke out. The upswing was carried by booming exports, which rose by 14.2 %. Besides, German companies invested 9.4 % more in machinery, vehicles and other equipment than in the previous year.

Given the general economic recovery – particularly in Germany – the Austrian economy also expanded significantly over the year. The preliminary figures from the Austrian Institute of Economic Research (WIFO) published in mid-December 2010 reported an increase in real gross domestic product of 2.0 % (previous year: –3.9 %). The main growth stimulus was generated by the export sector (+12.3 %), while private consumer spending increased only slightly by 1.1 %, gross investments even declined by 3.1 %

Major movie: Constantin co-production “The Crocodiles” received the award for best children’s film at the 2010 German Film Prize awards ceremony (pictured: producer Lena Olbrich).

REPORT ON BUSINESS PERFORMANCE AND THE SITUATION IN THE **FILM** SEGMENT

THEATRICAL PRODUCTION/ACQUISITION OF RIGHTS

3-D delights moviegoers

3-D was the dominant global trend in the movie industry in 2010. Movies such as “Alice in Wonderland”, “How to Train Your Dragon”, “Toy Story 3” and “Tangled” successfully continued the trend started by “Avatar”. However, many 2-D productions (including “Inception”, “Sherlock Holmes”, “Sex and the City 2” and “Harry Potter and the Deathly Hallows Part I”) also found large audiences, ensuring a good year for movies in 2010. Hence, Hollywood studios will again focus on hit franchises and the adventures of comic book heroes in 3-D in 2011.

Enthusiasm for 3-D titles again continued unabated in Germany in the past year. However, there were only two German 3-D productions that hit the ground running: The Constantin Film productions “Resident Evil: Afterlife” and “Animals United” took the top two slots for the top German movies in 2010 – in terms of revenues.

Top acting performance: Jonas Hämmerle won the DER WEISSE ELEFANT children's media prize for his portrayal of the main character in "Wickie und die starken Männer".

In order to create enough movie screens capable of showing 3-D, a fast decision is essential in the debate surrounding the German Film Subsidies Act (FFG). After the theater chains UCI, CineStar and Cinemaxx even completely stopped their payments to the German Federal Film Board (FFA) at times in the year under review, citing the provisional legal protection, the Leipzig Federal Administrative Court declared the FFA to be legitimate on February 23, 2011. Thus, the continued existence of this vital element of financing of German film is secure. This ruling will have a positive impact on the entire German movie landscape as the payment of reference and subsidy funding is essential for production activities and the ongoing digitalization of theaters.

Constantin Film reduces number of movie productions

In light of the competitive movie market, Constantin Film AG pursues the strategy of producing fewer movies in future and focusing on grand 3-D productions, movies of an event nature, family entertainment productions and bestseller adaptations. As a result, principal photography began on only five own and co-productions in 2010 – a clear reduction as against the previous year.

In mid-July, the first take was completed in North Rhine-Westphalia for "Vorstadtkrokodile 3", the third and final adventure of the famous young group. The movie was produced by the Constantin majority holdings Rat Pack Filmproduktion and Westside Filmproduktion. Nora Tschirner, Axel Stein and Michael Kessler again appeared on camera alongside the young crocodiles from the first two films. "Vorstadtkrokodile 3" has been showing successfully in German theaters since mid-January 2011.

Guaranteed ratings at primetime: “Die Comedy-Falle” and “Die Hit-Giganten”

Principal photography on the lavish 3-D production “The Three Musketeers” took place between the end of August and the middle of November 2010. The dashing new version of the famous classic by Alexandre Dumas will star Logan Lerman, Matthew MacFadyen, Orlando Bloom, Milla Jovovich and Oscar-winner Christoph Waltz. The cloak-and-dagger adventure, which was sold successfully in almost every country at the Cannes Film Market, will be hitting the big screen at the start of September 2011.

The latest adventures of the clever young Viking Wickie (“Wickie auf grosser Fahrt”), also produced in 3-D, were filmed by Rat Pack Filmproduktion from the end of August to the middle of December. The sequel to the hit film “Wickie und die starken Männer”, which was seen by almost 4.9 million people in 2009, will appear in German theaters from the end of September 2011.

In third-party productions, Constantin Film acquired the German rights to the French hit “La Rafle”, which was released in German theaters in the middle of February 2011. Constantin Film also acquired the German rights to the US comedy “LOL: Laughing Out Loud”, featuring teen star Miley Cyrus and Demi Moore, and the action-packed fantasy epic “Immortals”. As yet there is no German release date for these two films.

At the American Film Market (AFM), Constantin Film also acquired the German rights to several promising movies. First up is the grand production “Walking with Dinosaurs 3D”, which tells the story of a dinosaur’s life – from its birth to its death caused by a meteor strike. Production on the movie started in October 2010 and it is scheduled for release at the end of 2013.

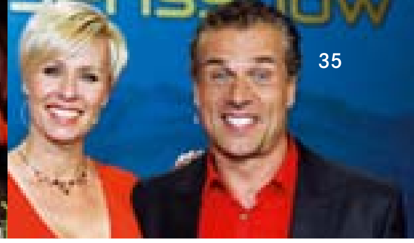
However, action comedy “So Undercover”, principal photography of which began in December 2010, is expected to hit screens before the end of this year. Also lined up is “Step Up 4 3D” the fourth part of the hit franchise. Production on the dance spectacular is set to begin in March 2011 with an expected release in early 2012.

TV SERVICE PRODUCTION

Rising advertising income for TV channels

As quickly as it crashed in the wake of the banking crisis from the fall of 2008, the advertising market recovered just as quickly in 2010. After adjusting its forecast for the total net television advertising market upwards from 4 % in November, the German Association of Commercial Broadcasters and Audiovisual Services (VPRT) is now predicting a 6 % increase in advertising income. It can be assumed that the higher advertising revenues for TV stations will also result in a revival in service productions in the near future. In Germany, a total of approximately EUR 3 billion is spent each year for TV productions, with approximately a quarter of the contract volume relating to the commercial TV stations ProSieben-Sat.1 and RTL. Approximately two thirds of production volume is ordered by the public channels ARD and ZDF.

The best in
TV entertainment:
“Ich bin Boes” and
“Die grosse
Welt der Wunder
Wissensshow”



Constantin productions continue to score high ratings

In spite of rising advertising revenues, TV stations stuck by their savings measures in programming in the year under review as well. While fewer projects went ahead than even in the previous year, the Constantin Film TV service production business area still enjoyed ratings hits with its high-quality productions.

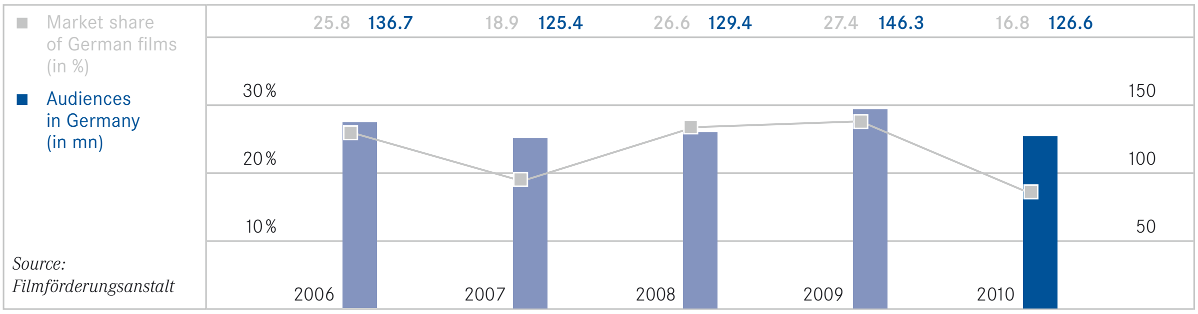
For example, the “Whiteout” two-parter based on the best-selling novel by Ken Follett, which was broadcast on ZDF in January, was seen by up to 1.43 million viewers with a market share of up to 10.3 % among 14 to 49-year olds. The third film in the Johannes Mario Simmel series “Liebe ist nur ein Wort” was shown on ZDF in March and drew 4.34 million viewers with a market share of 13.3 % in the target demographic.

The event action thriller “Der grosse Stromausfall”, a Constantin Television production, was shown on Sat.1 at the end of November and enjoyed a good market share of 11.4 % in the 14 to 49-year old target group. The pilot for the action series “Die Draufgänger”, featuring Jörg Schüttauf and Dominic Boeer, was broadcast on RTL in mid-December and received an excellent market share of 18.6 % among 14 to 49-year olds.

In terms of production, PolyScreen Produktionsgesellschaft für Film und Fernsehen has been producing the fourth season of the prize-winning soap “Dahoam is Dahoam” since the start of September. The program has been aired very successfully in Bayerischer Rundfunk’s early evening schedule since 2007 and consistently enjoys a high market share. At Constantin’s subsidiary Olga Film, a new episode of the popular ZDF crime series “Kommissarin Lucas” has been in post-production at the end of 2010. Preparations are currently underway on the next installment with shooting scheduled to begin from April 2011.

Ongoing cutbacks at TV channels in 2010 continued to influence the production volume at the Constantin subsidiary Constantin Entertainment in the TV entertainment area. For example, the fourth season of the Sat.1 event show “Die Comedy-Falle” achieved an average market share of 12.9 % in its target demographic when broadcast in March. The prime-time show “Der Comedy Olymp” was broadcast at the beginning of January 2010 on RTL and achieved top ratings of 22.0 % of viewers between 14 and 49 years. The courtroom show “Richter Alexander Hold” (now in season nine) is still a perennial hit on Sat.1, claiming an average market share of up to 14.5 %.

Elsewhere in Europe, the Constantin Entertainment Group produced the third season of the successful Croatian casting show “Hrvatska Trazi Zvijezdu” (“Croatian Idol”) in the fourth quarter of 2010, which has been on air since the end of February 2011. Other shows in production included the second season of the cooking show “Kuchenne Rewolucje” (a Polish version of the smash international format “Kitchen Nightmares”) and the new reality show “Sunshine Girls”, which Constantin Entertainment Hellas is making for the Greek station Alpha TV.



THEATRICAL DISTRIBUTION

Decline in moviegoers for German productions

On the world's largest theatrical market, the US, the number of moviegoers declined by 5.4% in the past year. By contrast, revenues remained virtually at the level of 2009 (USD 10.54 billion) at USD 10.51 billion thanks to the higher ticket prices for 3-D screenings. Thus, the US theatrical industry took a figure in the double-digit billions for the second time in a row.

However, the German theatrical industry cannot help but be dissatisfied with the figures for 2010. According to analysis by the FFA, audience figures dropped significantly by 13.5% to 126.6 million (previous year: 146.3 million). This decline again highlights the importance of German productions, which failed to repeat their solid 2009 performance in the year under review. At a total of 20.9 million, German films attracted only around half the number of moviegoers as they did in the previous year (39.9 million). Accordingly, the market share of German productions decreased from 27.4% to 16.8%. The fact that box office takings fell only relatively low is due to the mark-ups for 3-D tickets. Overall, the industry generated revenues of around EUR 920.4 million in 2010, down 5.7% on the previous year (EUR 976.1 million).

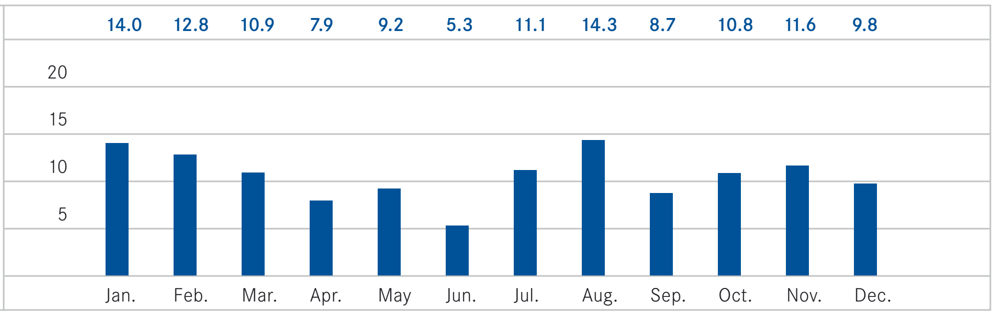
The most successful movie of the year at the German box office was the science fiction adventure "Avatar", which was released in December 2009 and has generated revenues of more than EUR 114 million having been seen by a total of 11.2 million people. Second place went to "Harry Potter 7", seen by 5.2 million people. The most-watched German production was the comedy "Friendship!", seen by around 1.5 million people, followed by the Constantin Film co-production "Animals United". The international Constantin Film production "Resident Evil: Afterlife" had the highest box office takings of a German movie at around EUR 11.6 million.

Constantin enjoys success with 3-D films

In total, Constantin Film released 14 feature films in German theaters in the year under review, eleven of which own or co-productions and three licensed titles. Four films of this slate broke the magic one-million-viewer mark. Furthermore, every second film in the top ten of the most popular German productions of the year – based on moviegoer response – was produced and distributed by Constantin Film. With these impressive results, the Highlight subsidiary secured a market share of 6.9% in terms of viewers and 6.8% of revenues.

The Constantin title with the highest audience figures was the CGI co-production "Animals United" – the first German animated movie in 3-D. Since being released at the start of October, the big screen adaptation of Erich Kästner's classic delighted more than 1.4 million moviegoers by the end of the year, 54% of whom chose to watch 3-D screenings. Thus, "Animals United" generated box office takings of around EUR 10.4 million in Germany alone. It was also named best children's film of the year at the Bavarian Film Awards in mid-January 2011.

Box office admissions in Germany 2010 (in mn)



Source: Filmförderungsanstalt

The international Constantin co-production “Resident Evil: Afterlife” did even better, generating revenues of EUR 11.6 million in Germany and thereby taking first place in the year’s charts. Completely filmed and edited in 3-D for the first time, the fourth installment of the “Resident Evil” series was seen by more than 1.1 million people (96 % of which in 3-D screenings) in German theaters. Besides, it achieved one of the most successful international movie releases in the history of Constantin Film. The action spectacular went straight to number one in the international movie charts on its opening weekend, almost trebling the results for its predecessor “Resident Evil: Extinction”. In total, “Resident Evil: Afterlife” generated a global box office of around USD 300 million.

The licensed title “Step Up 3D” also generated very good results. After a successful launch at the end of August, the third part of the smash dance movie series went to the top of the German movie charts and was seen by more than one million moviegoers (93 % of which in 3-D screenings). Only slightly behind was the tragicomic road movie “vincent will meer”. The Constantin subsidiary Olga Film production starring Florian David Fitz, Karoline Herfurth and Heino Ferch became an absolute surprise hit. This success was honored when the lead actor and screenwriter Florian David Fitz was awarded the prize for best screenplay at the Bavarian Film Awards while the film also took the audience prize.

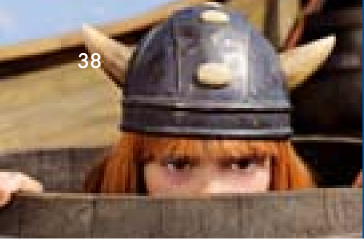
HOME ENTERTAINMENT

Blu-ray and digital sales drive growth

The biggest home entertainment markets by far are the US and the UK. UK home entertainment providers generated total revenues of around EUR 3 billion, thus maintaining the level of the previous year. Declines in the DVD sector were offset by significant growth in Blu-ray business (+55 % in unit sales) and pay downloads (+123 % in revenues).

The US market again posted a decrease in revenues of 3.3 % to USD 18.8 billion, although total Blu-ray income rose by 53 % to USD 2.3 billion. Digital sales (video-on-demand and electronic sell-through) showed a similar pattern, with sales up 19 % to USD 2.5 billion. In contrast, the DVD sector remained the industry’s worst performer with another double-digit percentage decrease of 11.4 %.

Market penetration by the high-definition format also continued in Germany with significant growth. According to the German market research company GfK, 12 million Blu-ray discs were sold in the year under review, almost double the previous year’s figure (6.2 million). They thus accounted for almost one-tenth of data-carrier sales. However, a further sharp fall in unit prices by an average of EUR 3.11 to EUR 16.03 meant that Blu-ray revenues only increased by 62 % to EUR 193 million (previous year: EUR 119 million).



Sales hits of the year: “Wickie und die starken Männer”, “Pope Joan” and “Maria, ihm schmeckt’s nicht!”

At EUR 1.67 billion, total revenues of the German home entertainment industry were again just under 1 % up on the very high level of the previous year (EUR 1.65 billion). The DVD sell-through market, which grew slightly in 2009, saw sales fall by just under 6 % to EUR 1.19 billion (previous year: EUR 1.26 billion). This decrease resulted from a decline in unit sales from 106.6 million to 103.5 million DVDs and a further slight drop in the average retail price from EUR 11.80 to EUR 11.51.

In contrast, there was a pleasing development on the digital sell-through market – a sales form in which films are no longer offered on physical data carriers, but as files that can then be downloaded onto the user’s computer. Revenues from this sell-through segment almost tripled within a year from EUR 8 million (2009) to EUR 22 million (2010), meaning that nearly 2 % of all film content sold is purchased in purely digital format.

Downward trend in rental business easing off

With a revenue volume of EUR 264 million, the income of German rental outlets was only slightly below the level of 2009 (EUR 269 million) – a significant improvement compared with the declines in previous years. The main impetus came from the positive development in digital rental business (video-on-demand and pay-per-view), where revenues increased from EUR 13 million to EUR 21 million (+61 %). Consequently, almost one of twelve euros in rental is now generated from online business.

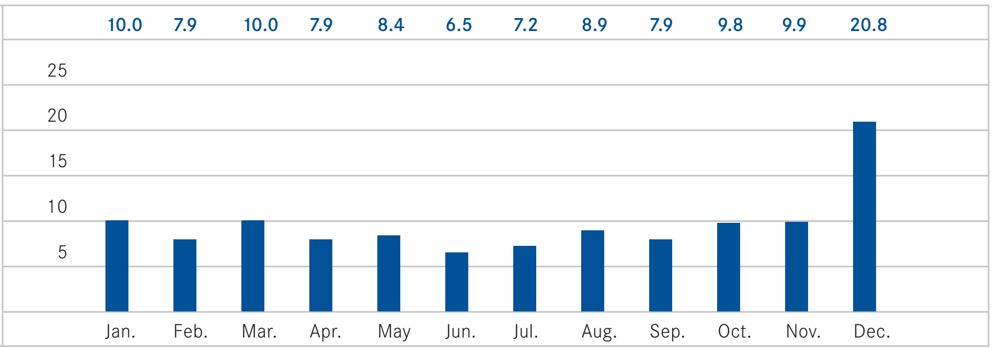
In contrast, income from rental of physical data carriers – either from rental outlets, a machine or by mail – fell by a further 5 % to EUR 243 million (previous year: EUR 256 million). A significant increase in revenues (+60 % to EUR 24 million) in the Blu-ray segment failed to offset the declines in the DVD sector (EUR –23 million). The main problem of conventional rental outlets remains the ongoing loss of customers. After the number of rental customers had already fallen to 7.8 million in 2009, it again fell by more than 5 % to 7.4 million in the year under review.

Highlight Group maintains its position on the market

In this environment, the Highlight Group comfortably maintained its market position in German-speaking countries with top-quality new releases and a large number of successful secondary market releases. In the German market, which is covered in cooperation with Paramount Home Entertainment, the share of the sell-through market remained stable at 9 %. A joint market share of 10 % was achieved in the rental market (previous year: 12 %).

The biggest-selling new release – the Michael Bully Herbig comedy “Wickie und die starken Männer” – went on sale in mid-March 2010. With a total of 645,000 DVDs and Blu-rays sold by the end of the year, the adaptation of the popular cartoon series went on to become the second most successful independent production of the year, ranking 9th in the German sales charts. In addition, “Wickie” won the best production prize in the “German Film” category at the Video Champion 2010 industry awards ceremony.

DVD/Blu-ray discs sales in Germany 2010 (in units mn)



Source: Gesellschaft für Konsumforschung

The international Constantin co-production “Pope Joan” enjoyed a similar sales success. After the historical epic with Johanna Wokalek in the title role drew an audience of more than 2.3 million to cinemas in 2009, the home cinema version sold 370,000 units since it went on sale at the beginning of March.

The spirited culture-clash comedy “Maria, ihm schmeckt’s nicht!” also performed very well with 205,000 copies sold. Further highlights of the slate for 2010 included the fast-paced road movie “vincent will meer”, the young adults’ adventure film “The Crocodiles Strike Back” and the action-packed licensed titles “Law-Abiding Citizen”, “Centurion” and “Solomon Kane”.

LICENSE TRADING/TV EXPLOITATION

Broadening palette for use of TV content

The future of television in the digital age has been much discussed in the past year. Contrary to the popular thesis that the future of television is over and only its demise awaits, its market position is currently still very good. A great deal of excitement has also been triggered by the announcement of plans by Internet and technology companies (including Google and Apple) to join the television market. It remains to be seen whether these business models will measure up.

While the use of classic, linear television has risen steadily in Europe over the last ten years, today – thanks to ever-increasing digitalization with new forms of use such as digital video recorders, on-demand platforms and mobile applications – viewers have a growing say in what they want to watch and where and when they want to watch it. As a result, the shift away from linear viewing, which is tied to a fixed programming schedule, and towards the non-linear use of TV content is already tangible.

TV broadcasters are also already offering interesting on-demand platforms, and developing a sustainably profitable business model to meet this viewer demand will be one of the central challenges they face moving forwards. This is why acquiring TV rights to high-quality movies will also remain an important component of their programming ranges. Movies can not only be offered on on-demand portals on the one hand, but they also increase the attraction of television programming and will therefore constitute an alternative to offerings by Internet companies in future.

Constantin Film continues collaboration with major TV stations

Thanks to its high-quality movie catalogue, the Highlight subsidiary Constantin Film is an interesting partner for the major German TV stations, with which it continues to maintain close contact. In free TV exploitation, significant sales were generated from licensing movies such as “Fantastic Four – Rise of the Silver Surfer”, “Resident Evil: Extinction”, “Asterix at the Olympic Games”, “Der Wixxer”, “Hui Buh – Das Schlossgespenst” and “Kirschblüten – Hanami”. Rights licensed for pay TV included “Maria, ihm schmeckt’s nicht!”, “Freche Mädchen”, “Männersache”, “Defiance” and “The Women”.

The best team in Europe: FC Internazionale Milan triumphed over FC Bayern München in the UEFA Champions League final.

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

The 2010 business year – as already described – was characterized by a strong recovery in the media markets, whereby the pay TV market in particular continued to expand. Global growth was driven by the ongoing digitization of cable networks, the launch of pay TV offerings in newly rolled-out digital terrestrial networks, the ongoing implementation of IPTV services as well as a growing middle class in emerging markets.

Premium sports rights increasingly important to broadcasters

The rapid recovery in the TV advertising market considerably improved the TV channels' financial status, thus contributing to the affordability of acquiring sports rights. Even though competition in the broadcast sector continues to increase, as new entrants from previously distinct market sectors overlap with programming content, in many cases these new entrants are interested observers rather than active bidders for premium sports rights for the time being.

However, the structural changes to the media market, driven by digitization, increased channel offerings and alternative consumption platforms, are creating positive conditions for premium sports rights. As some of the most desirable, ad-friendly audience groups fragment across an increasing number of channels or move to online and to on-demand offerings, it becomes more challenging for broadcasters and advertisers to reach the young, affluent mass audiences needed to drive revenues.

As a result, premium live sports rights such as the UEFA Champions League and the UEFA Europa League are becoming increasingly important content offerings for broadcasters seeking to address these valuable audiences.

Sports sponsorship return to growth

In 2009, sports sponsorship suffered a slight setback as a result of the difficult macro-economic environment. However in 2010, according to the consultancy specialist IEG, global sponsorship spending grew by 5.2 % up to some USD 46.3 billion, reflecting continued confidence in the effectiveness of sports sponsorship.

So, sponsorship rights for premium sports events have continued to perform pleasantly, in terms of delivering valuable communication platforms for sponsors, and therefore also in terms of delivering increased rights fees for rights-owners.

Successful renewal of TEAM's agency mandates

The Highlight subsidiary TEAM successfully extended its mandate with UEFA for the marketing of the commercial rights for both of the UEFA's leading club football competitions. In March 2010, the UEFA and TEAM concluded a new agency agreement, in which UEFA appointed TEAM to further market the commercial rights for the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup, initially for three seasons (2012/13 until 2014/15) and, subject to achieving certain contractual performance targets, for an additional term lasting until at least June 2018.

Furthermore, TEAM successfully concluded a new agency agreement with the Vienna Philharmonic Orchestra. TEAM's mandate to market the Orchestra's main TV and sponsorship rights was extended for an additional five-year term until 2017.

Strong start into the new UEFA sales cycle

After the extension of TEAM's mandate with UEFA, the focus shifted to the start of the marketing process for TV and sponsorship rights, which started in the fourth quarter of 2010 following extensive preparations. Early results have been very positive despite the difficult economic and market conditions. Deals have already been concluded for the new rights cycle with major broadcasters such as Sky Italia, Mediaset, Fox USA and Al Jazeera. These results illustrate once again the commercial strength of these UEFA competitions. Furthermore, they underscore that the long-standing experience and expertise enables TEAM to achieve the best possible sales results.

First-class operational handling in the football sector

In operational terms, the initial focus was on the successful handling of the knock-out phases of the UEFA Champions League and UEFA Europa League 2009/2010 season. During this "Road to the Final" stage of the competitions, 88 matches were delivered with TEAM's usual reliability and professionalism with clubs such as Manchester United FC, FC Barcelona and AC Milan (UEFA Champions League) and Ajax Amsterdam, Juventus Turin and Werder Bremen (UEFA Europa League).

At the same time, TEAM managed the extensive preparations for the commercial handling of the finals of Europe's two leading club football competitions. The first final of the new UEFA Europa League was played in Hamburg between Fulham FC and Atlético Madrid. The prestigious UEFA Champions League final between FC Bayern München and FC Internazionale Milan, battling for the title of the best team in Europe, was played at the famous Santiago Bernabéu Stadium in Madrid.

Classical music in unique surroundings: Vienna Philharmonic's Summer Night Concert

TEAM also once again managed the commercial handling of the UEFA Super Cup, which was played at the end of August in Monaco between current UEFA Champions League winner, FC Internazionale Milan, and the UEFA Europa League winner, Atlético Madrid. As in previous years, the UEFA Super Cup and other "Monaco week" events marked the kick-off of the new European club football season.

After the UEFA Super Cup, TEAM shifted attention to the group stages of the UEFA Champions League and UEFA Europa League for the 2010/2011 season. Between August and December 2010, a total of 260 matches were successfully handled by TEAM throughout Europe.

Successful music projects

There was a sustainable performance by TEAM's music division in relation to the sales of TV and sponsorship rights for its music projects. On the one hand, the exclusive partnership between the Vienna Philharmonic Orchestra and Rolex, established by TEAM, successfully continued for its second year. On the other hand, the sponsorship rights for the Eurovision Song Contest were once again sold-out, with major brands such as Telenor and Nivea seizing the opportunity to associate with this highly popular event.

On the operational side, the initial focus of TEAM's music division was on the 2010 New Year's Day Concert of the Vienna Philharmonic Orchestra, led by French conductor Georges Prêtre for the second time. About 45 million people in 72 countries around the world followed the performance on a live or delayed basis. This international coverage again underlined the value of the New Year's Day Concert as the worldwide leading music event in the classical genre.

The Eurovision Song Contest 2010 took place in Oslo from May 25 (first semifinal) to May 29 (final). 39 countries took part in the contest, the 55th staging of the most important popular music event in Europe. With 18,000 people in attendance, the event hall was completely sold-out, and the live broadcast of the eagerly-awaited final again generated outstanding TV ratings in many countries. In the winning country of Germany alone, up to 14.7 million viewers watched the event, corresponding to a market share of 49.1 % of total viewers and 61.4 % of viewers aged 14 to 49. In total, over 105 million TV viewers tuned-in around the world.

The second musical highlight of the summer – the Summer Night Concert of the Vienna Philharmonic Orchestra, conducted by Franz Welser-Möst – took place on June 8, 2010. This open-air event in the unique ambiance of the park of Schönbrunn Palace not alone fascinated the 100,000 people on site, but also the many fans of classical music in front of their TVs in over 60 countries.

Impressive backdrop and euphoric mood: the 2010 Eurovision Song Contest

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

RESULT OF GROUP OPERATIONS

Highlight Group posts significant earnings increase

In spite of a difficult market environment at times, the Highlight Group concluded fiscal year 2010 with highly positive results. With consolidated sales at the upper end of the planning horizon, it improved its EBIT margin and generated earnings per share well in excess of the forecast levels. The consolidated net profit for Highlight shareholders rose to a new record of CHF 36.2 million.

Consolidated sales down year-on-year

In the year under review, the Highlight Group generated consolidated sales of CHF 434.6 million. This marks a decline of CHF 83.3 million or 16.1 % as against fiscal year 2009 (CHF 517.9 million). 39.3 % of these total sales were generated in Switzerland (2009: 40.8 %), 36.5 % in Germany (2009: 46.7 %) and 24.2 % elsewhere (2009: 12.5 %).

The drop in sales was caused by several factors: In traditionally volatile theatrical distribution, Constantin Film's 2010 slate failed to continue the high sales and audience figures for the previous year, which had been dominated by crowd-pleasers such as "Wickie und die starken Männer", "Pope Joan" and "Männersache". In the TV service production and license trading/TV exploitation business areas, the ongoing savings measures at major TV stations meant that less income was generated from licensing TV rights on the one hand, while fewer TV productions were commissioned on the other.

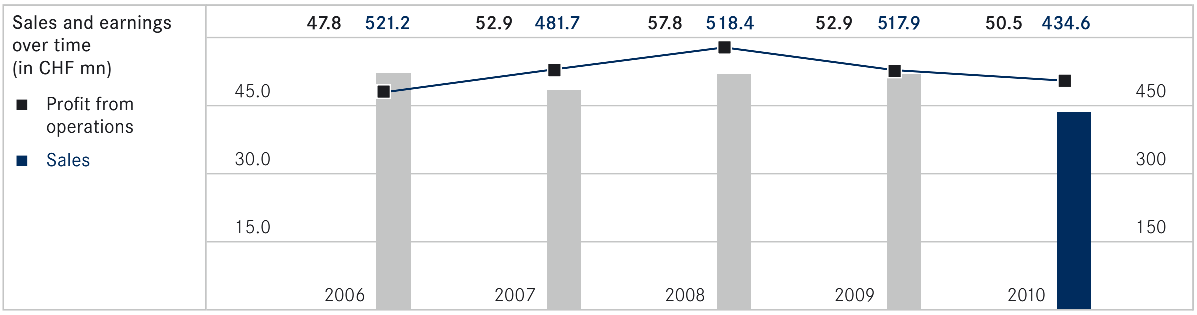
This decline in production volume is also reflected in the "Capitalized film production costs and other own work capitalized" item, which was down on the previous year's level (CHF 114.6 million) by CHF 17.5 million at CHF 97.1 million. By contrast, other operating income increased by CHF 6.3 million to CHF 20.2 million, much of which resulted from compensation for copyright violations.

EBIT margin climbs to 11.6 %

In terms of costs, consolidated expenses fell by CHF 92.3 million or 15.5 % as against the previous year (CHF 593.6 million) to CHF 501.3 million. The decline is primarily due to the cost of materials and licenses, which decreased by CHF 48.3 million to CHF 205.0 million on account of the lower number of theatrical and TV productions. There was also a significant reduction in amortization, depreciation and impairment, which slid by CHF 42.8 million to CHF 113.5 million.

Personnel expenses were down by CHF 4.6 million to CHF 129.6 million, while other operating expenses rose by CHF 3.4 million to CHF 53.2 million. This increase was essentially a result of higher legal, consulting and auditing costs.

As a result of these developments, profit from operations (EBIT) declined slightly by 4.5 % as against the same period of the previous year (CHF 52.9 million) to CHF 50.5 million. In relation to the drop in sales, however, the EBIT margin – one of the central financial parameters of the Highlight Group – improved significantly from 10.2 % in fiscal year 2009 to currently 11.6 %.



New record for consolidated net profit

The financial result amounted to a profit of CHF 2.1 million in the year under review, after the Highlight Group had reported a loss of CHF 10.8 million in fiscal year 2009. This improvement is largely due to the early adoption of IFRS 9 (2009), whereby all changes in the value of the shares that the Highlight Group holds in Constantin Medien AG are now recognized in equity. This reduced financial expenses from CHF 12.4 million to CHF 6.0 million. Furthermore, financial income increased by CHF 6.5 million to CHF 8.1 million due to exchange rate gains from financing activities.

After deducting tax expenses (current taxes and deferred taxes), which declined slightly from CHF 10.5 million to CHF 9.8 million year-on-year, the Highlight Group reported a consolidated net profit for fiscal year 2010 of CHF 42.8 million. This marks an increase of CHF 9.1 million or 27.0 % as against the previous year (CHF 33.7 million).

CHF 6.6 million of this relates to non-controlling interests. The significant rise as against the same period of the previous year (CHF 1.7 million) reflects the fact that the 20 % interest that UEFA held in Team Holding AG until June 30, 2010 was reported under this item until this time.

CHF 36.2 million relates to the shareholders of Highlight Communications AG, whose record share of earnings from the previous year (CHF 32.0 million) was therefore increased again by a further 13.1 %. In relation to the average number of shares outstanding in the year under review, this resulted in earnings per share of CHF 0.78 – an increase of CHF 0.09 over fiscal year 2009.

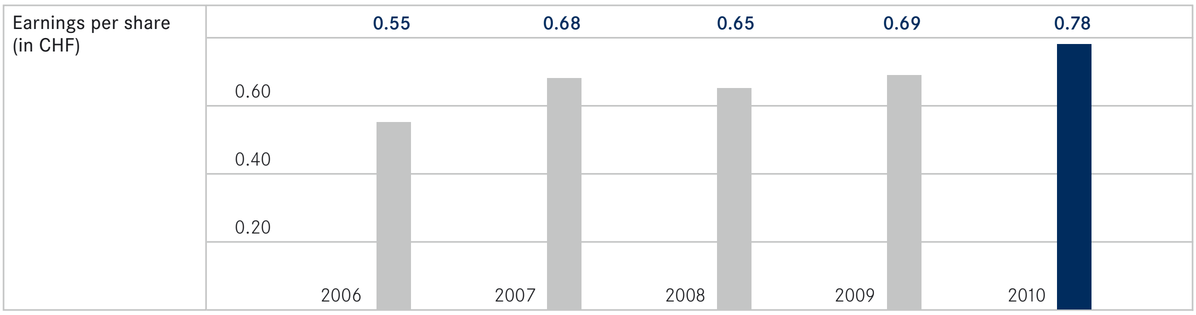
RESULT OF SEGMENT OPERATIONS

Varying developments in the segments

As a result of the lower income from the theatrical distribution, TV service production and license trading/TV exploitation business areas, the Film segment's external sales decreased by 21.4 % year-on-year to CHF 333.7 million (CHF 424.5 million). Taking into account other segment income (including capitalized film production costs), the figure was down by 18.5 % from CHF 552.8 million in the previous year to currently CHF 450.6 million. A reduction in segment expenses of 17.8 % to CHF 436.3 million (previous year: CHF 531.0 million), was unable to offset this decrease, with the result that segment earnings declined from CHF 21.8 million in fiscal year 2009 to CHF 14.2 million in the year under review.

The Sports- and Event-Marketing segment performed significantly better, with external sales up 8.0 % to CHF 100.9 million (previous year's period: CHF 93.4 million) on account of the marketing successes for the UEFA Champions League and the UEFA Europa League. This, coupled with the slower rise of 6.2 % in segment expenses from CHF 56.6 million to CHF 60.1 million, meant that the segment result improved by 11.1 % to CHF 41.1 million (previous year's period: CHF 37.0 million).

The costs of holding activities, which totaled CHF 6.0 million in fiscal year 2009, were down again by 18.3 % in the period under review to CHF 4.9 million.



NET ASSETS SITUATION

Lower total assets than in previous year

The total assets of the Highlight Group as of December 31, 2010 amounted to CHF 525.6 million, a reduction of CHF 106.8 million as against the end of the previous year (CHF 632.4 million). The main reductions in assets were in film assets (down CHF 29.9 million), trade accounts receivable and other receivables (down CHF 45.9 million) and cash and cash equivalents (down CHF 35.1 million). However, receivables due from associated companies and joint ventures climbed by CHF 11.5 million.

Currency effects reduce value of film assets

The value of film assets amounted to CHF 175.8 million as of the end of the year under review after CHF 205.7 million as of the end of 2009. CHF 147.1 million of this total related to in-house productions (December 31, 2009: CHF 169.0 million) and CHF 28.7 million to third-party productions (December 31, 2009: CHF 36.8 million). The decline in both areas was primarily due to currency effects totaling CHF 33.1 million.

Investments in film assets, which amounted to CHF 108.1 million in fiscal year 2010, were virtually stable year-on-year (CHF 110.6 million). However, amortization and impairment losses on films being exploited fell significantly as against the previous year from CHF 153.0 million to CHF 110.3 million.

Reduction of liabilities

The main reductions in liabilities related to current liabilities in particular. Financial liabilities declined by CHF 66.5 million, trade accounts payable and other liabilities by CHF 19.1 million and provisions by CHF 5.0 million. By con-trast, non-current liabilities rose by CHF 17.5 million, resulting largely from an increase of CHF 13.2 million in other liabilities.

Equity reduced by acquisition of Team stake

Consolidated equity (including non-controlling interests) declined by CHF 38.2 million from CHF 110.8 million as of the end of the previous year to CHF 72.6 million. The reduction primarily resulted from the acquisition of the 20 % interest in Team Holding AG, which was reported in equity. Currency translation differences had an additional negative effect of CHF 20.7 million, but were more than offset by the consolidated net profit for the period of CHF 42.8 million.

This equity corresponds to a calculated equity ratio of 13.8 % as against 17.5 % as of December 31, 2009. After netting cash and cash equivalents against financial liabilities and film assets against advance payments received, the adjusted equity ratio amounts to 24.0 % (December 31, 2009: 29.3 %). For detailed information on the development of consolidated equity please see changes in consolidated equity (pages 64 and 65).

FINANCIAL SITUATION

Significant reduction in net debt

As of December 31, 2010, the Highlight Group had cash and cash equivalents of CHF 166.0 million, a reduction of CHF 35.1 million as against the end of 2009 (CHF 201.1 million). Parallel to this, financial liabilities decreased by CHF 66.5 million to CHF 251.4 million (December 31, 2009: CHF 317.9 million). As a result of this development, net debt was reduced significantly from CHF 116.8 million to CHF 85.4 million.

Operating activities generated a net cash inflow of CHF 174.6 million in fiscal year 2010 – a surge of CHF 51.8 million as against the previous year's period (CHF 122.8 million). This rise is essentially a result of the changes in the operating net current assets, which had a positive effect of CHF 22.6 million in the reporting period after a negative effect of CHF 73.6 million in the previous year. In addition, there were notable changes in amortization, depreciation and impairment on non-current assets, which were down CHF 42.8 million on the previous year's level.

Net cash used in investing activities increased by CHF 15.8 million as against fiscal year 2009 to CHF 110.8 million. This was largely due to transactions with financial assets, which led to a net cash outflow of CHF 1.8 million in the year under review after a net inflow of CHF 28.2 million in the previous year. This was countered by payments for film assets, which declined by CHF 13.9 million year-on-year to CHF 106.8 million.

The Highlight Group's financing activities used cash of CHF 75.8 million in the year under review (previous year's period: CHF 14.1 million). This increase of CHF 61.7 million is primarily due to the net repayment of financial liabilities in the amount of CHF 33.5 million, while there was a net borrowing of CHF 12.5 million in fiscal year 2009. As a result of the purchase price payment for the 20 % stake in Team Holding AG, payments for purchase of non-controlling interests also increased from CHF 14.3 million in the previous year to currently CHF 40.3 million.

External and internal financing sources ensure liquidity

The Highlight Group has access to credit facilities with variable interest rates as external sources of financing. These have been partially utilized. These facilities are loans that usually have a remaining term of one month. Interest rates were between 2.774 % and 2.782 % in the euro zone in the year under review. For other foreign currencies, especially USD and CAD, interest rates were between 2.233 % and 3.010 %.

The only internal sources of financing are the returns on operating activities. Owing to the present level of cash and cash equivalents and credit facilities available, the Highlight Group was able to meet its payment obligations at all times during the year under review.

PERSONNEL REPORT

As of December 31, 2010, the Highlight Group employed 787 people (December 31, 2009: 670). Of this number, 172 employees (previous year: 165) worked in Switzerland, 602 (previous year: 492) worked in Germany and 13 (previous year: 13) worked in Austria. Employees on non-permanent, project-based contracts have been included in this total figure if the remaining term of their contracts was at least six months on the reporting date. The increase as against the previous year is essentially due to a considerably higher number of project staff.

EVENTS AFTER THE BALANCE SHEET DATE

Cooperation between EBU and TEAM continues

On January 14, 2011, it was announced that the European Broadcasting Union (EBU) and TEAM had agreed to continue their successful marketing cooperation until 2015. If the agreed performance targets are achieved in this period, the agreement will be extended by a further three-year term.

Since the start of their cooperation in 2004, the EBU and TEAM have established a centralized marketing platform for the Eurovision Song Contest comprising sponsoring, televoting and merchandising elements. As part of their joint activities, they have also succeeded in attracting well-known international companies as partners for this event. The historic competition is one of the few truly pan-European TV programs transmitted live via the free-to-air Eurovision satellite network in prime time.

Mourning Bernd Eichinger

The producer Bernd Eichinger unexpectedly died of a heart attack in Los Angeles on January 24, 2011. In him, Constantin Film AG has lost a friend and a companion who shaped the company and the film industry on both the national and international stage for more than 30 years.

Bernd Eichinger became shareholder of Constantin Film AG in 1979. Following the IPO in 1999, he became the CEO of Constantin Film AG. He gave up this position in 2001 and withdrew from the management of the company. Nevertheless, he maintained close ties with Constantin Film AG as a producer and member of the Supervisory Board.

With his unique knowledge of the film business, he helped and encouraged a new generation of producers who today work closely with the company and have already been responsible for a constant flow of product in the last few years. They will ensure that Constantin Film AG continues to produce successful movies in the future as well.

RISK REPORT

RISK POLICY AND RISK MANAGEMENT

Binding directive as the basis for the risk management system

The risk policy of Highlight Communications AG is geared towards ensuring the continued existence of the Group and increasing its enterprise value sustainably. Following these principles, business decisions are always made only after a detailed risk analysis and assessment. Inappropriately high risks or those that are hard to quantify are not taken on principle.

The aim of the risk management system of the Highlight Group is to identify individual risks, analyze them transparently and show appropriate control options. The tracking, assessment and controlling of risks are performed on the basis of a risk management directive that applies to all subsidiaries and equity interests of the Highlight Group. In the risk management system, all identified risks are first broken down by quantifiable and non-quantifiable risks and cataloged.

Each risk is then evaluated according to the criteria of “probability” and “possible damage”. Quantifiable risks are displayed in monetary figures and non-quantifiable risks are presented graphically on a risk map. If individual risks exceed a set acceptance line, the Group’s management initiates corresponding countermeasures and monitors their effectiveness. The results of the risk assessment (including action plan) are discussed and approved by the Board of Directors.

In line with this risk assessment, the following areas that directly affect the result of operations, net assets and financial situation of the Highlight Group, are subject to a particularly intensive analysis:

RISKS IN FILM PRODUCTION

Movie productions require part pre-financing

The production of theatrical and TV movies and their marketing are cost-intensive and therefore entail corresponding financial risks. The production costs of an averagely dimensioned German theatrical movie are between EUR 3 million and EUR 7 million, while major international productions can be many times this amount. Some of these costs must be financed in advance by the Highlight Group because the respective budget cannot be covered fully by funds from film grants and co-production contributions. Due to the high financial requirements of a production, the partial or complete failure of individual film projects could have considerable disadvantageous consequences for the business situation, earnings and financial situation of the Group.

In addition, there can be budget overruns in the production of a movie that must be borne by the Group. Thanks to its experience in producing movies, the Highlight subsidiary Constantin Film has usually managed to fully cover production costs with the exploitation revenues in the past. Furthermore, Constantin Film kept film productions on schedule and on budget and largely avoided unplanned costs or covered these with appropriate insurance policies. However, the Highlight Group cannot guarantee that it will only create successful movie projects in the future.

TV service productions past the worst?

In TV production, similar formats are produced worldwide, which results in the risk of legal disputes over format rights. As the Highlight Group is also affected by this risk, appropriate provisions have been made.

In the area of non-fictional service productions, there are risks of dependence on a single station and its future direction. Furthermore, the entire TV industry faced a tough market environment due to the massive cutbacks in advertising budgets in the wake of the economic crisis. While this situation improved in the year under review, it remains to be seen how far the better general conditions translate into higher programming investments by TV stations and when this happens. Thus, the risk of a further reduction in sales in the TV service production area remain relatively high for the Highlight Group.

RISKS IN PURCHASING MOVIE LICENSES

Potential rise in competitive pressure

The Highlight Group competes with a number of other companies to acquire the rights to promising third-party productions. Although the situation on this market has relaxed somewhat in the year under review, competition for the rights to attractive theatrical movies remains high. On the one hand, this results in the risk of relatively high prices for the acquisition of such licenses. On the other, there is the residual risk or whether the movie in question finds a large audience and is therefore a commercial success. Both risks are reduced by the distinct and extensive experience of Constantin Film AG in buying movie rights.

The existing situation on the market could be upset by the entry of new players as this would increase competitive pressure correspondingly. In this context, it must be mentioned that the major studios are increasingly buying German productions and thus positioning themselves as competitors for local product on the market.

RISKS IN EXPLOITATION

Risks on the sales markets hard to assess

The Highlight Group exploits the movie rights to its in-house and third-party productions along the entire value chain. As a result, it competes with a number of providers at all stages of exploitation. In addition to this competitive situation, the income in the theatrical distribution and home entertainment areas are also influenced by popular taste and – especially in times of economic difficulty – private consumer propensity.

Furthermore, economic success in exploitation is linked to a number of industry-specific risks, the probability and effects of which on the result of operations and financial situation of the Highlight Group are hard to assess. For example, risks can result at all stages of exploitation from a change in the market situation among the parties exploiting rights. Thus, changes in media laws, the advertising market or the structure of forms of TV broadcasting (pay TV, TV on demand) can influence the exploiter's selection of movies and TV stations' programming and purchasing policy.

Changes in consumer behavior and customer taste can also cause market adjustments by the rights exploiters. Finally, the strong trend towards consolidation among TV channels could lead to changes in the sales markets. This trend can be reinforced by tendencies towards digital distribution over the Internet, such as through online shops. Thanks to the increasing availability of sufficient bandwidth for downloading and streaming, this sales form is already highly popular among 20 to 25-year olds. This could result in a competition – to pay TV in particular – in the medium to long term.

Increasing piracy can lead to significant declines in revenue. The rise in illegal copies could have the effect of reducing the number of moviegoers and reducing revenues for home entertainment and TV exploitation of films. The measures already taken by the Highlight Group include raising viewer awareness and increasing legal Internet content offerings in addition to supporting various interest groups. These measures, together with the prosecution of offenders, have continued to make an important contribution to the fight against piracy in 2010.

RISKS IN SPORTS- AND EVENT-MARKETING

Potential default risks in rights marketing

In connection with the Sports- and Event-Marketing projects, risks may arise from the TEAM Group’s dependence on a major client such as UEFA. Previous success and the company’s positioning in the market, as well as the targeted strategic orientation towards the European Football Association, help qualify this situation. This is reflected in the recent extension of TEAM’s successful partnership with UEFA until at least June 2015. Subject to achieving contractual performance targets, this contract will automatically renew until at least June 2018.

Following the acquisition of UEFA’s 20% stake in Team Holding AG by Highlight Communications AG, the shares of Team Holding AG are no longer encumbered by an UEFA call option. The shares of Highlight Communications AG in Team Holding AG and Team Holding AG’s shares in the other TEAM Group companies, are subject to a share transfer restriction declaration under the terms of TEAM’s agency agreement with UEFA. Under the terms of this agency agreement, UEFA also has a termination right in the event of a change in control of either Highlight Communications AG or Constantin Medien AG.

The effects of the current economic climate remain unclear. In general, the TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League have been granted to partners of very good financial standing, and credit default rates to date – also during the recent economic downturn – have been insignificant. However, it cannot be ruled out that individual TV broadcasters or sponsors could run into financial difficulties.

FINANCIAL RISKS

Strict handling of financial risks

The Highlight Group is exposed to a variety of financial risks resulting from its business and financing activities. The most significant financial risks result from changes in currency exchange rates, interest rates and the liquidity, credit rating and solvency of the Group's counterparties.

Currency risks primarily arise when purchasing movie rights on a US dollar basis as the proceeds from exploiting these rights are only incurred in euro. Fluctuations in either direction in the USD/EUR exchange rate can therefore influence the result of operations and financial situation of the Highlight Group. To minimize this risk, the Group uses suitable derivative financial instruments (such as currency forwards) concluded with banks. It generally ensures that the amount of the hedge does not exceed the value of the hedged item.

Furthermore, the currency risk of the Highlight Group increased as a result of exchange rate movements and the volatility of the euro in relation to the Swiss franc in fiscal year 2010. Currency losses incurred in the Sports- and Event-Marketing segment have been more than offset to date due to higher income from marketing. However, it cannot be assumed that this will also be the case in future reporting periods.

Changes in market interest rates can entail an interest rate risk if this leads to increases or decreases in incoming payments when investing funds or outgoing payments when borrowing funds respectively. The interest rate risk of the Highlight Group mainly relates to mismatched terms as current financial liabilities usually have a shorter term than the receivables from customers they finance. Currently, this risk is not hedged with corresponding financial instruments and is therefore subject to ongoing, active controlling.

Detailed information on financial risks can be found in the notes to the consolidated financial statements (note 7).

ASSESSMENT OF OVERALL RISK

The Highlight Group's risk areas have not changed significantly in the year under review as against fiscal year 2009. The overall risk situation also remains limited and manageable. In addition, based on the information currently available, no risks have been identified that could threaten the existence of the Group as a going concern, either individually or combined.

REPORT ON OPPORTUNITIES

OPPORTUNITIES IN THE FILM SEGMENT

In the TV service production business area, Constantin Film AG is systematically implementing its strategy of increasing the expansion efforts abroad – by tapping new markets among other activities – and to push sales with additional programming providers. These measures will reduce the current dependency on domestic business on the one hand and – at least partially – offset a not impossible decline in this area on the other.

Given Constantin Film AG's major international projects that are currently being produced – especially in the 3-D area – the Highlight Group's Film segment might be able to benefit from significant shares of income if these films are very successful in non-German speaking countries, as was the case with "Resident Evil: Afterlife" in the year under review, for example.

OPPORTUNITIES IN THE SPORTS- AND EVENT-MARKETING SEGMENT

Following a strong start to the marketing process for TV broadcasting and sponsorship rights for the UEFA Champions League and UEFA Europa League (seasons 2012/13 until 2014/15), good prospects may arise for a positive overall result. If a contractual performance target for that marketing process is achieved, then TEAM's mandate with UEFA will be automatically extended until at least June 2018. Any business activities in the sports sector with clients other than UEFA will be subject to a careful selection process. In this context it will be a priority to ensure that TEAM's core projects for UEFA are not adversely affected.

On the basis of past success and strong customer relationships, the prospects are also good in relation to TEAM's music projects. The recent extension of TEAM's mandate with the Vienna Philharmonic Orchestra provides a good platform for developing this sector. The same applies to the extension of TEAM's mandate with the European Broadcasting Union (EBU) for the Eurovision Song Contest.

FORECAST

GENERAL ECONOMIC ENVIRONMENT

Stable global economic growth

At the start of 2011, experts on the economy largely agreed on a forecast continuation of the recovery of the global economy, albeit at a weakened level. The International Monetary Fund (IMF) is anticipating a rise in global economic performance of 4.4 %. The IMF considers the main reason for the diminishing momentum to be the discrepancy between the rapid development in many emerging nations, where growth of 6.5 % is forecast, and the more modest development of the industrialized nations, for which an increase of 2.5 % is anticipated. Furthermore, both the severe public debt of key industrial nations and doubts as to the solvency of some peripheral euro zone countries is muting optimism for 2011.

The IMF again sees the Chinese economy as the largest growth driver, predicting that it will grow by 9.6 % in the current year. India is a close second with estimated growth of 8.4 %, while expectations for the world's largest economic area, the US, are for growth of 3.0 %.

The IMF is forecasting a 2.2 % increase in GDP in Germany for 2011. Thus, Germany would again grow faster than the euro zone, which is expected by the IMF to see growth of only 1.5 %. Forecasts for the Swiss economy are exactly the same: As a result of stifled exports and a persistently robust domestic economy, the Swiss Expert Group also estimated a rise in Swiss GDP of 1.5 % in its forecast published in mid-December 2010.

FILM SEGMENT

Theatrical production/acquisition of rights

In the theatrical production business area, the strategy of the Highlight subsidiary Constantin Film will focus on the ongoing optimization of the consistently high quality of its national and international productions in the coming months. Its primary goal is to mainly produce titles that are emotionally highly geared towards the audience's needs. However, it is also interested in conceptually convincing productions with manageable budgets and a moviegoer risk that can be calculated accordingly.

Accordingly, projects being worked on in 2011 include the following own and co-productions: the movie adaptation of the popular play "God of Carnage" (directed by Roman Polanski) with a star-studded cast (Kate Winslet, Jodie Foster and Christoph Waltz), the comedy "Türkisch für Anfänger – Der Film" (directed by Bora Dagtekin), the 3-D CGI movie "Tarzan" and a project with top comedian Kaya Yanar.

TV service production

In the field of TV service production it remains to be seen how much rising advertising income leads to a revival in the creative economy. A survey conducted by the German Producers' Alliance in the summer painted a rather pessimistic picture. At this time, only a small number of producers anticipated higher order volumes and rising budgets for TV service productions. This is due to the fact that, given the long development times for TV projects, the improved conditions will not affect producers until some time later. However, the positive sentiment in the industry gives hope for greater broadcaster investment in fictional programming in future. It remains to be seen how the role of producers will develop over the coming years.

It is still the strategic objective of this business area to offer TV stations a high-quality and innovative product at adequate prices in a highly competitive arena. Close observation of developments and trends on the TV market worldwide, the acquisition of promising material and economically profitable production form the basis for good results. Another priority is the further expansion of international activities by the Constantin Entertainment subsidiaries.

For the German TV market, the Constantin majority holding MOOVIE – the art of entertainment is planning the TV movie "Das Versteck" for ZDF. Constantin Television GmbH is working on "A Dangerous Fortune", a movie adaptation of the successful novel by best-selling author Ken Follett. Olga Film GmbH is planning a new episode of the popular ZDF crime series "Kommissarin Lucas" starring Ulrike Kriener in 2011.

In the current fiscal year, the Constantin majority holding Rat Pack Filmproduktion GmbH will work on a new TV movie, a six-part comedy series and a ten-part TV show, while Constantin Entertainment GmbH is currently busy on the following projects: an eighth season of the sketch comedy show "Die Dreisten Drei", six episodes of the docusoap "Stellungswechsel", the event report "Wie verrückt ist Deutschland?", a weekly science quiz for the Austrian channel Servus-TV as well as the production of other off-air events.

Theatrical distribution

In the theatrical distribution business area, it has to be assumed that the German movie theater market will see year-on-year improvements in both revenues and admissions in 2011. High-quality 3-D productions from the world's biggest movie makers – such as Steven Spielberg, Martin Scorsese, Peter Jackson and Michael Bay – and a resurrection of recently dwindling German films could significantly increase revenues. In addition to several Constantin 3-D productions, other movies contributing will include "Kokowääh", "Dschungelkind" and "Hexe Lilli". Furthermore, Paramount will become the last major studio to begin distributing German movies, while the resurgent independents can offer promising movies such as "The King's Speech", "True Grit", "Black Swan" and "The Fighter".

In the current fiscal year, the Highlight Group is again employing the proven combination of national and international own and co-productions in addition to high-quality third-party titles, with around ten releases currently on its slate. As in previous years, the release of the Constantin's top titles "The Three Musketeers" and "Wickie auf grosser Fahrt" will be early in the fall at the end of the summer vacations.

The first release in 2011 was the own production "Die Superbullen" starring Tom Gerhardt, which came out at the beginning of January and has so far been seen by around 340,000 moviegoers. The third and last "Vorstadtkrokodile" installment then came out in mid-January and has drawn audiences of more than 710,000 to date. According to current planning, the last releases on Constantin's slate for 2011 will be the co-production "God of Carnage" (release date: end of November) and the adaptation of Cornelia Funke's bestseller "Als der Weihnachtsmann vom Himmel fiel", which will be hitting the big screen in December.

Home entertainment

The strategy in the home entertainment business area is still to augment Constantin's high-quality theatrical release slate with promising licensed titles and to place this product range on the sell-through and rental market with good strategic timing. A clear marketing strategy, an adequate price policy and an enhancement of DVDs and Blu-rays (e.g. with bonus material) are also of major importance. The first quarter already offers a successful start to 2011 with the debut release of Constantin's hits "Step Up 3D", "Resident Evil: Afterlife" and "Animals United".

Furthermore, the Highlight Group has also been working intensively for years on video-on-demand and its new forms download-to-own or electronic sell-through. In this context, it began looking for suitable partners early on with whom new strategies can be jointly developed to open up these sales channels under economically reasonable conditions.

License trading/TV exploitation

In the field of license trading and TV exploitation, the Highlight Group will further expand its good contacts with major TV stations and offer high-quality productions at adequate prices. Free TV exploitation at the start of 2011 will essentially be dominated by sales from the movies "Freche Mädchen", "Bangkok Dangerous", "Cassandra's Dream" and "Urmel voll in Fahrt". In licensing pay TV rights income from the licensed titles "Red Cliff" and "The Box" is anticipated particularly in the first quarter.

SPORTS- AND EVENT-MARKETING SEGMENT

The marketing process for TV broadcasting and sponsorship rights for the UEFA Champions League and UEFA Europa League (seasons 2012/13 until 2014/15) will continue throughout 2011 and will last until summer 2012. Sales in TV markets and sponsor product categories will be staggered and tactically timed to achieve the optimum sales results.

On the operational side, a busy 2011 has begun with the Vienna Philharmonic Orchestra's New Year's Day Concert. The knock-out phases of the UEFA Europa League and the UEFA Champions League will be followed by the finals, which will be staged in Dublin (May 18, 2011) and at Wembley Stadium, London (May 28, 2011), respectively. In relation to TEAM's music projects, the final of the Eurovision Song Contest will be staged in Düsseldorf on May 14, 2011 and the Vienna Philharmonic Orchestra's open-air Summer Night Concert is scheduled for June 2, 2011. The UEFA Super Cup will once again be staged in Monaco in August 2011, followed by the group stages of the 2011/12 season of the UEFA Champions League and the UEFA Europa League in the period September through December.

Following the extension of TEAM's mandate for the marketing of the commercial rights for the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup, UEFA and TEAM have been discussing potential cooperation in relation to future match organisation aspects of those competitions regarding the seasons after 2011/12. Those discussions will continue in the current year to see if agreement can be reached on a new form of cooperation for the provision of match organisation services beyond the 2011/12 season.

HIGHLIGHT GROUP

The strategy of the Highlight Group is still geared towards controlled and profitable growth. On the basis of the activities described in the individual business areas as well as nearly stable exchange rates (CHF/EUR), consolidated sales of CHF 430 million to CHF 450 million are currently assumed in fiscal year 2011. Estimates for earnings per share are between EUR 0.52 and EUR 0.54.

Pratteln, March 2011

The Board of Directors

Please note that actual results can differ significantly from forecast developments if the assumptions on which forward-looking statements are based prove to be inaccurate. Material assumptions made by the Highlight Group relate to the success of individual films in theatrical release and in home entertainment exploitation as well as to financial expectations and risks.

Highlights of classical music:
the historic New Year's Day Concert
and the Summer Night Concert of the
Vienna Philharmonic Orchestra.

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2010 of Highlight Communications AG, Pratteln


WIENER PHILHARMONIKER
SOMMERNACHTSKONZERT
Schönbrunn

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2010

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2010	Dec. 31, 2009
Non-current assets			
In-house productions		147,091	168,960
Third-party productions		28,710	36,786
Film assets	5.1	175,801	205,746
Other intangible assets	5.2	1,080	942
Goodwill	5.2/5.3	20,481	21,651
Tangible assets	5.4	5,307	5,969
Investments in associated companies and joint ventures	5.5	7,542	8,450
Non-current receivables	5.7	860	2,484
Other financial assets	5.7	264	318
Deferred tax assets	5.13	2,438	2,075
		213,773	**247,635**
Current assets			
Inventories	5.6	3,323	4,191
Trade accounts receivable and other receivables	5.8/5.9	109,885	155,807
Receivables due from related parties	11	191	22
Receivables due from associated companies and joint ventures	5.10	11,537	–
Other financial assets	5.7	18,715	23,173
Tax receivables	5.11	2,106	511
Cash and cash equivalents	5.12	166,039	201,090
		311,796	**384,794**
Total assets		**525,569**	**632,429**

The notes on page 68 – 139 are an integral part of the consolidated financial statements.

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2010	Dec. 31, 2009
Equity	5.14		
Subscribed capital		47,250	47,250
Treasury stock		-1,147	-1,147
Capital reserve		-102,825	-54,519
Other reserves		-24,908	-4,704
Retained earnings		113,079	87,212
Shareholders' interests		36,172	31,999
Equity attributable to shareholders		67,621	106,091
Non-controlling interests		4,959	4,712
		72,580	**110,803**
Non-current liabilities			
Other liabilities	5.17	13,200	–
Pension liabilities	5.19	3,318	1,513
Provisions	5.20	2,127	466
Deferred tax liabilities	5.22	6,296	5,374
		24,941	**7,353**
Current liabilities			
Financial liabilities	5.18	251,391	317,871
Advance payments received	5.24	57,483	52,794
Trade accounts payable and other liabilities	5.16	98,078	117,188
Liabilities due to related parties	11	4,033	1,048
Liabilities due to associated companies and joint ventures	11	2,982	3,832
Provisions	5.20	7,886	12,914
Tax liabilities	5.21	6,195	8,626
		428,048	**514,273**
Total equity and liabilities		**525,569**	**632,429**

The notes on page 68 – 139 are an integral part of the consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2010

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Sales	6.1	**434,562**	**517,918**
Capitalized film production costs and other own work capitalized	6.2	**97,052**	**114,644**
Total output		**531,614**	**632,562**
Other operating income	6.3	**20,207**	**13,906**
Costs for licenses, commissions and materials		–53,410	–73,547
Costs for purchased services		–151,612	–179,706
Cost of materials and licenses	6.4	**–205,022**	**–253,253**
Salaries		–115,510	–119,088
Social security and pension costs		–14,100	–15,116
Personnel expenses	6.6	**–129,610**	**–134,204**
Amortization and impairment on film assets	5.1	–110,260	–152,960
Amortization/depreciation and impairment on intangible and tangible assets	5.2/5.4	–3,208	–3,348
Amortization/depreciation and impairment		**–113,468**	**–156,308**
Other operating expenses	6.7	**–53,224**	**–49,803**
Profit from operations		**50,497**	**52,900**
Earnings from investments in associated companies and joint ventures	6.8	**–75**	**2,112**
Financial income	6.9	8,062	1,662
Financial expenses	6.10	–5,975	–12,428
Financial result		**2,087**	**–10,766**
Profit before taxes		**52,509**	**44,246**
Current taxes		–8,392	–12,170
Deferred taxes		–1,365	1,625
Income taxes	6.11	**–9,757**	**–10,545**
Net profit		**42,752**	**33,701**
thereof shareholders' interests		36,172	31,999
thereof non-controlling interests		6,580	1,702

(CHF)	Note	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Earnings per share	6.12		
Earnings per share attributable to shareholders, basic		0.78	0.69
Earnings per share attributable to shareholders, diluted		0.78	0.69

The notes on page 68–139 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME 2010

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Net profit	**42,752**	**33,701**
Currency translation differences	–20,654	–260
Gains/losses from financial assets at fair value through other comprehensive income	–6,136	–
Other comprehensive loss, net of tax	**–26,790**	**–260**
Total other comprehensive income	**15,962**	**33,441**
thereof shareholders' interests	9,832	30,793
thereof non-controilling interests	6,130	2,648

The notes on page 68 – 139 are an integral part of the consolidated financial statements.

CHANGES IN CONSOLIDATED EQUITY 2010

Highlight Communications AG, Pratteln

			Equity attributable
(TCHF)	Subscribed capital	Treasury stock	Capital reserve
Balance as of January 1, 2009	**47,250**	**–760**	**–48,521**
Currency translation differences	–	–	–
Unrealized 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 other comprehensive income	–	–	–
Reclassification of prior year's net profit	–	–	–
Purchase of treasury stock	–	–587	–
Sale of treasury stock	–	200	–
Dividend payments	–	–	–
Change in non-controlling interests	–	–	–5,998
Other changes	–	–	–
Balance as of December 31, 2009	**47,250**	**–1,147**	**–54,519**
Balance as of January 1, 2010	**47,250**	**–1,147**	**–54,519**
Currency translation differences	–	–	–
Gains/losses from financial assets at fair value through other comprehensive income	–	–	–
Other changes recognized directly in equity	–	–	–
Total income and expenses recognized directly in equity	–	–	–
Net profit	–	–	–
Total other comprehensive income	–	–	–
Reclassification of prior year's net profit	–	–	–
Purchase of treasury stock	–	–	–
Sale of treasury stock	–		–
Dividend payments	–	–	–
Change in non-controlling interests	–	–	–48,306
Other changes	–	–	–
Balance as of December 31, 2010	**47,250**	**–1,147**	**–102,825**

The notes on page 68 – 139 are an integral part of the consolidated financial statements.

to the shareholders					
Other reserves	Retained earnings	Shareholders' interests	Total	Non-controlling interests	Total equity
–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**
–4,704	**87,212**	**31,999**	**106,091**	**4,712**	**110,803**
–20,204	–	–	–20,204	–450	–20,654
–	–6,136	–	–6,136	–	–6,136
–	–	–	–	–	–
–20,204	**–6,136**	**–**	**–26,340**	**–450**	**–26,790**
–	–	36,172	36,172	6,580	42,752
–20,204	**–6,136**	**36,172**	**9,832**	**6,130**	**15,962**
–	31,999	–31,999	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–2,005	–2,005
–	–	–	–48,306	–3,878	–52,184
–	4	–	4	–	4
–24,908	**113,079**	**36,172**	**67,621**	**4,959**	**72,580**

CONSOLIDATED CASH FLOW STATEMENT 2010

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Net profit		**42,752**	**33,701**
Deferred taxes		1,365	–1,625
Current taxes		8,392	12,170
Financial result (without currency result)	6.9/6.10	2,414	10,935
Earnings from investments in associated companies and joint ventures	6.8	75	–2,112
Amortization/depreciation and impairment on intangible and tangible assets	5.1/5.2/5.4	113,468	156,308
Profit (–)/loss (+) from disposal of non-current assets	6.3/6.7	–13	–14
Other non-cash items		–2,138	–239
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities		16,668	–52,016
Decrease (–)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities		5,962	–21,632
Interest paid		–3,403	–6,338
Interest received		948	1,292
Income taxes paid		–12,247	–7,780
Income taxes received		329	191
Cash flow from operating activities		**174,572**	**122,841**

The notes on page 68–139 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan.1 to Dec.31, 2010	Jan.1 to Dec.31, 2009
Change in cash and cash equivalents due to acquisitions of companies/shares in companies, net		73	–
Payments for intangible assets	5.2	–765	–630
Payments for film assets		–106,844	–120,676
Payments for tangible assets	5.4	–2,443	–2,655
Payments for financial assets		–2,568	–7,757
Dividends received/capital repayments from associated companies and joint ventures		741	665
Acquisition of associated companies		–4	–
Proceeds from disposal of intangible assets and film assets		244	–
Proceeds from disposal of tangible assets		28	92
Proceeds from disposal of financial assets		727	35,969
Cash flow for investing activities		**–110,811**	**–94,992**
Payments for purchase of treasury stock	5.14	–	–3,784
Proceeds from sale of treasury stock	5.14	–	1,255
Payments for purchase of non-controlling interests		–40,280	–14,279
Repayment of current financial liabilities		–146,577	–11,000
Proceeds from receipt of current financial liabilities		113,052	23,467
Dividend payments		–2,005	–9,726
Cash flow for financing activities		**–75,810**	**–14,067**
Cash flow for the reporting period		**–12,049**	**13,782**
Cash and cash equivalents at the beginning of the reporting period	5.12	201,090	187,459
Change in cash and cash equivalents due to exchange rate movements		–23,002	–151
Cash and cash equivalents at the end of the reporting period	5.12	166,039	201,090
Change in cash and cash equivalents		**–12,049**	**13,782**

The notes on page 68–139 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2010

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 21, 2011 and require the approval of the Annual General Meeting of May 27, 2011.

1.1 General information about the Group

The parent company Highlight Communications AG is based at Netzibodenstrasse 23b, Pratteln, Switzerland. Highlight Communications AG is included in the consolidated financial statements of Constantin Medien AG, Ismaning, Germany.

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” (see note 8).

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, 2010 have been applied. Concerning early adopted standards it is referred to note 2.

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.

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.

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 (see note 9).

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 Accounting standards and interpretations applied for the first time

The Group applies IFRS 3, Business Combinations (revised) and IAS 27, Consolidated and Separate Financial Statements (revised) for the first time since the beginning of the 2010 financial year and IFRS 9, Financial Instruments (2009) since July 1, 2010.

The revised IFRS 3 largely results in changes to the accounting of the residual value of goodwill (option to use the “full goodwill model” or the former “partial goodwill model”), the presentation of step acquisitions (revaluation of past acquisitions to profit or loss), the determination of acquisition costs (directly attributable incidental costs of acquisition are normally expensed immediately) and changes in individual aspects of recognition and measurement of identifiable assets and liabilities. The revised IFRS 3 has been applied for the first time to the 79 % shareholding in Kontraproduktion AG, Zurich, Switzerland acquired by Constantin Film Schweiz AG, Basel, Switzerland in May 2010. The impact from this transaction on the accompanying consolidated interim financial statements is presented in note 3 to these notes.

The revised IAS 27 mainly results in changes to transactions with non-controlling interests and losses for non-controlling interests in the consolidated financial statements. In addition, retained interests under transitional consolidations are generally recognized at fair value to profit or loss. An increase or decrease in the investment interest held in a subsidiary shall be presented directly in equity in the future, provided that the parent company continues to have control. The acquisition of the remaining 20 % shareholding in Team Holding AG, Lucerne, Switzerland by Highlight Communications AG as well as the acquisition of 21 % interest in Kontraproduktion AG, Zurich, by Constantin Film Schweiz AG in the second and third quarter of the financial year has been presented directly as an equity transaction in conformity with IAS 27. The impact from this transaction on the accompanying consolidated interim financial statements is presented in notes 3 and 5.14 to these notes.

After a thorough discussion, the Highlight Group decided to adopt the new standard IFRS 9 (2009) for the Group’s consolidated financial statements at an early stage starting in July 1, 2010. The early adoption as of July 1, 2010 allows the Highlight Group to present the fluctuations in the value of the interest in Constantin Medien AG in other comprehensive income.

The standard requires financial assets and their cash flows to be classified in line with the entity’s business model for managing the financial assets. The new standard differentiates between “financial assets at amortized cost” and “financial assets at fair value” only. The previous category “available-for-sale financial assets” no longer exists.

The Group will classify equity instruments previously held as “available-for-sale financial assets” as “financial assets at fair value through other comprehensive income” under IFRS 9 (2009). All realized and unrealized changes in value are thus recognized in other comprehensive income.

Fixed-interest bearing securities, which were previously shown as financial assets at fair value through profit or loss will now be accounted for as “financial assets at amortized cost”. This reclassification has no material effect on the Group’s interim financial statements, as there are no material differences between amortized costs and fair value of the corresponding financial assets.

The adoption is carried out according to the transition rules of IFRS 9 (2009) and IAS 8. Generally, IFRS 9 (2009) has to be adopted retrospectively. By virtue of the special transition rules of IFRS 9 (2009) 8.2.12, which has priority over the general rules in IAS 8, no restatement of previous year's figures is required if IFRS 9 (2009) is adopted before January 1, 2012.

The early and retrospective adoption of the standard has an impact on the Group's financial statements. An impairment on equity instruments of TCHF 7,205, which was carried as financial expense in the first half of 2010, became obsolete. Consequently, the Group's net profit for the first half of 2010 retrospectively increased to TCHF 19,225.

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

IFRS 1	Amendments to IFRS 1 – additional exemptions for first-time adopters (amendments)
IFRS 1	First-time adoption of IFRS (amendments)
IFRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions (amendment)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items (amendment)
IFRIC 18	Transfers of Assets from Customers

Amendments to IFRSs 2009/Improvement Project 2009*)

*) The following individual Standards and Interpretations have been impacted by this:
IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16

2.2 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 whose application is not mandatory as of December 31, 2010:

Standard/Interpretation		Date of adoption
IFRS 1	First-time Adoption of IFRS – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters	July 1, 2010
IFRS 1	First-time Adoption of IFRS (amendment)	July 1, 2011
IFRS 7	Financial Instruments: Disclosures: Transfers of Financial Assets (amendment)	July 1, 2011
IFRS 9	Financial Instruments (2010) – Financial Liabilities	January 1, 2013
IAS 12	Income Taxes (amendment)	January 1, 2012
IAS 24	Related Party Disclosures (amendment)	January 1, 2011
IAS 32	Classification of Rights Issues (amendment)	February 1, 2010
IFRIC 14	The Limit on A Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment)	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
Amendments to IFRSs 2010/Improvement Project 2010*)		July 1, 2010

*) The following individual Standards have been impacted by this:
IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IAS 39, IFRIC 13

Of particular significance for Highlight Communications AG are:

IFRS 9 – Financial Instruments (2010)

IFRS 9 (2009) and IFRS 9 (2010) mark the completion of the first part of a three-part project (classification and measurement, impairment, hedge accounting) to completely replace the former accounting treatment of financial instruments under IAS 39, Financial Instruments: Recognition and Measurement. With the completion of each part of the project, the relevant sections under IAS 39 will be extinguished and the new rules under IFRS 9 introduced.

In addition to IFRS 9 (2009), IFRS 9 (2010) also includes regulations on the classification and measurement of financial liabilities. Apart from the regulations on the recognition of changes in fair value when using the fair value option, IFRS 9 (2010) does not contain any material changes in comparison to the regulations in IAS 39.

IAS 24 – Related Party Disclosures (amendment)

The changes mainly relate to the revision of the definition of related parties and the introduction of simplification provisions for entities that are under government ownership, joint management or significant government influence (so-called "government-related entities"). The revised standard applied for the first time for annual periods beginning on or after January 1, 2011. The Group is currently evaluating the potential impact from the application of the revised standard, but does not expect any material effects.

IAS 32 – Classification of Rights Issues (amendment)

IAS 32 presents clarification of the classification of rights issues between equity and debt in cases when the rights issues are denominated in a currency other than the functional currency. The changes are to be applied for the first time for annual periods beginning on or after February 1, 2010. The amendments are not expected to materially impact the consolidated financial statements.

3. Scope of consolidation

The following changes occurred in the scope of consolidation in fiscal year 2010:

Acquisitions, new companies and first-time consolidation

Kontraproduktion AG

On May 14, 2010, Constantin Film Schweiz AG acquired 79 % of the shares in Kontraproduktion AG, Zurich, at a purchase price of CHF 8. The operating business of Kontraproduktion AG largely comprises the production of theatrical and television films. In conformity with IFRS 3.45 initial consolidation is preliminary, because in respect of the purchase price allocation additional information could arise as part of the fair value measurement. The transaction mainly consisted of the acquisition of film assets (CHF 5.3 million), cash and cash equivalents (CHF 0.1 million), advance payments received (CHF 2.7 million), trade accounts payable (CHF 2.5 million) and other liabilities (CHF 0.2 million). A difference amount did not arise from the business combination.

The fair values of the assets acquired do not differ significantly from the carrying amounts. The earnings from Kontraproduktion AG, which have been taken into account in the consolidated financial statements since May 14, 2010, amount to TCHF 1,728. The effect on profit before taxes and equity amounts to TCHF –698. On August 13, 2010 Constantin Film Schweiz AG, Basel, acquired the remaining shareholding interest of 21% in Kontraproduktion AG, Zurich, at a purchase price of CHF 2. The transaction did not have a material effect on shareholders equity and non-controlling interests. It is planned to recapitalize the company with TCHF 300. If Kontraproduktion AG had already been acquired and fully consolidated in the Highlight Group as of January 1, 2010, this would have resulted in sales of TCHF 1,730 and an earnings contribution of TCHF 476.

Team Holding AG

On June 30, 2010, Highlight Communications AG acquired a 20% share in Team Holding AG from UEFA. Therefore, Highlight Communications AG holds 100% of the capital of Team Holding AG starting on this date. The purchase price amounts to CHF 39.7 million (EUR 30 million) plus a profit-related purchase price payment of CHF 13.2 million (EUR 10 million, discounted as of June 30, 2010: CHF 12.4 million). The profit-related purchase price payment is due on January 16, 2013 upon reaching a performance target set between the completion of the transaction and January 15, 2013. If this performance target is reached, as the Highlight Group currently expects, the agency agreement between the Team Group and UEFA will be extended automatically until at least June 2018.

Constantin Entertainment Middle East FZ LLC, UAE

On July 22, 2010 Constantin Entertainment GmbH formed Constantin Entertainment Middle East FZ LLC, Abu Dabi, UAE. The company is fully consolidated in the consolidated financial statements of Highlight Communications AG for the first time as of that date.

Constantin Entertainment SRB d.o.o., Serbia

On August 31, 2010, Constantin Entertainment GmbH formed Constantin Entertainment SRB d.o.o., Belgrade, Serbia. The company is fully consolidated in the consolidated financial statements of Highlight Communications AG for the first time as of that date.

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	100 %	100 %
Team Football Marketing AG	Exploitation of sports licenses	CH	CHF	6,340,000	95.27 %	100 %
T.E.A.M. Television Event And Media Marketing AG	Marketing of sports and cultural events	CH	CHF	200,000	100 %	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 %
Kontraproduktion AG	Film and TV production	CH	CHF	100,000	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 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	131,100	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 %
Constantin Entertainment SRB d.o.o.	TV entertainment production	RS	RSD	526,944	100 %	100 %
Constantin Entertainment Middle East FZ LLC	TV entertainment production	AE	AED	5,000	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 Family GmbH	Film and TV production	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 subsidiaries of Highlight Communications AG are individually and as a whole of immaterial significance for the true and fair view of the Group's net assets, financial position and results of operations. Therefore, these companies are not 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 %
Constantin Entertainment Adria d.o.o.****	Croatia	HRK	20,000	100 %
T.E.A.M. UK*****	Great Britain	GBP	1	100 %

* *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 Constantin Entertainment GmbH, Germany*
***** *share held by T.E.A.M. Television Event And Media Marketing AG, Switzerland*

The non-consolidated companies have been reported at a carrying value of TCHF 0. The companies are currently inactive and have no operations. The estimated fair value is approximately equivalent to the carrying value.

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 consolidated financial statements	Currency	Share capital as of Dec. 31, 2010	Profit of last fiscal year
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	50 %	Jan. 1, 2010 – Dec. 31, 2010	EUR	804	750

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 consolidated financial statements	Currency	Share capital as of Dec. 31, 2010	Profit of last fiscal year
BECO Musikverlag GmbH*	50 %	Jan. 1 – Dec. 31, 2010	EUR	89	17
Escor Casinos & Entertainment SA**	24.97 %	Jan. 1 – Dec. 31, 2010	CHF	22,604	223
NEF-Production (Société par Action Simplifiée)	30 %	May 31 – Dec. 31, 2010	EUR	86	82

** Data from December 31, 2009*
***Including the treasury shares held by the company, it has a share of 27.55 %.*

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, the first-time capital consolidation is carried out by offsetting the acquisition costs of the investment against the revalued proportionate equity share in the subsidiary at the date of acquisition. For this purpose, assets and liabilities (including contingent liabilities) are stated at their fair values regardless of the amount of any non-controlling interests in equity. Acquisition-related costs are recognized as an expense. The remaining positive difference amount is recognized as goodwill, which is subject to an annual impairment test or tested whenever there are indications of impairment. Any impairment loss arising from this is immediately expensed. Any negative difference arising from capital consolidation following a re-assessment is reported in full as income in the year incurred. For each acquisition the acquirer can elect to measure non-controlling interests either at fair value or at the pro rata revalued equity.

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.

Non-controlling interests represent the share of profit and net assets not attributable to the Group. Non-controlling 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 effects from transactions with non-controlling interests which do not result in a loss of control are recognized in equity as transactions with equity providers. In contrast, if transactions lead to a loss of control the resulting profit or loss is recognized in profit or loss. The profit or loss also includes effects from revaluation of the retained shares at fair value.

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 balances and 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 operation constitute an exception to this. These gains/losses are taken to equity. Translation differences on non-monetary financial instruments are recognized either in equity or through profit or loss in line with the presentation of changes in value of the underlying financial instrument.

Currency translation differences of TCHF 4,501 were recognized in income in fiscal year 2010 (previous year: TCHF 169). There were no gains/losses on cash flow hedges or hedges of net investments in foreign operations.

Currency translation in the Group

The balance sheet items 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. Goodwill and fair value adjustments from the purchase price allocation denominated in a functional currency other than Swiss francs are also translated at the exchange rate at the balance sheet date. 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 from the translation of the assets and liabilities of that company which were recognized in consolidated equity are recognized as part of the gain or loss on its sale.

Exchange rates

		Rates at balance sheet date		Annual average rates	
				Jan. 1 to	Jan. 1 to
		Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Euro	(EUR)	1.24680	1.48770	1.38330	1.51022
US dollar	(USD)	0.94080	1.03800	1.04331	1.08573
Pound sterling	(GBP)	1.45540	1.65330	1.61123	1.69580
Canadian dollar	(CAD)	0.94090	0.98940	1.01261	0.95286

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 for impairment. 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 cash flows are discounted with an individual interest rate that takes into account the terms of the different periods of exploitation. The interest rates over the different periods of exploitation are between 5.5 and 8.3 % (previous year: up to 4.8 %). Estimated cash flows can vary significantly as a result of a number of factors such as market acceptance. The Highlight Group examines and revises the cash flow 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 or the standard useful life of three years.

4.6 Goodwill

Goodwill is carried at acquisition costs less any accumulated impairment losses. The acquisition cost of goodwill results from the sum of (i) the fair value of the consideration transferred at the acquisition date, (ii) the amount of any non-controlling interests and (iii) the fair value of shares of the acquired company previously held by the acquirer in a step acquisition less the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Non-controlling interests can be measured on a transaction basis either at fair value (full goodwill method) or at the proportional share of the net assets of the company acquired. In the latter case, the goodwill is recognized only at the percentage share of the acquirer in the goodwill.

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.

In line with IAS 36, goodwill is 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, technical equipment and machinery, other equipment, plant and office equipment as well as advance payments made and plant under construction. The category of land, land rights and buildings also includes tenant’s fixtures in rented premises and buildings.

Land, property rights and buildings are recognized at acquisition cost less scheduled depreciation based on an estimated useful life of up to 27.5 years on buildings, if applicable. The costs of tenant’s fixtures are usually depreciated over the term of the respective lease. Technical equipment and 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 and 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 each 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 4.20 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. 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 Financial instruments

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

Financial assets prior to application of IFRS 9 (2009)

Available-for-sale financial assets

This item primarily includes financial assets that cannot be assigned to any other IAS 39 category and investments in shell companies with no operating activities.

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 or accepted valuation techniques. 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 reasonably measured, the equity instrument is carried 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.

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, and 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. Transaction costs for financial assets measured at fair value through profit or loss are expensed immediately.

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, 2010.

Loans and receivables

The financial instruments assigned to this category are recognized at amortized cost using the effective interest method.

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 of the current receivables 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.

In general, financial assets and financial liabilities are not offset. They are offset and the net amount presented in the balance sheet when, and only when, the entity currently has a right to set off the recognized amounts and intends to settle on a net basis.

Financial assets after application of IFRS 9 (2009)

Financial assets at amortized cost

Financial assets are recognized at amortized cost if the business model specifies holding the financial asset and the contractual terms of the instrument lead only to cash flows that represent interest payments and repayments. Financial instruments that do not fulfill these criteria are recognized at fair value.

The financial instruments assigned to this category must be recognized at amortized cost using the effective interest method.

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

Financial assets that cannot be recognized at amortized cost are recognized at fair value.

Financial instruments recognized at amortized cost can be measured at fair value using the fair value option if this prevents or significantly reduces accounting mismatches.

Equity instruments are always measured at fair value. On initial recognition, there is an option to present realized and unrealized changes in value (including changes in value of foreign currency influences) in other comprehensive income instead of in the profit and loss account, provided the equity instrument is not held for trading.

The fair value 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 or using recognized measurement procedures. If the fair value of an active financial instrument cannot be reliably determined, the acquisition cost may represent the best estimate.

4.11 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.

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.

4.12 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.

4.13 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. Liabilities from outstanding invoices are reported under trade accounts payable and other liabilities.

In the case of compound financial instruments such as convertible bonds, the debt and equity components they contain are separated and recognized and measured separately in accordance with IAS 32.

4.14 Pension liabilities

Pension liabilities 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 liabilities 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. This fund manages another savings facility in addition to the pension plan required by law. The fund participates in the capital of Team Football Marketing AG. The dividend income of Team Football Marketing AG is added to the additional savings deposits of the members of management. No contributions for the additional saving facility were charged to the profit and loss account.

4.15 Other provisions, contingent liabilities and contingent assets

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.

4.16 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.

4.17 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.

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 also in equity.

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.

4.18 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.

4.19 Revenue recognition

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 4.20 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 hold-back 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, DVD/Blu-ray, 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 DVD/Blu-ray rights and 60 % for TV rights. The corresponding revenues are recognized as follows: movie revenues on cinema release in Germany, DVD/Blu-ray 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 DVD/Blu-ray exploitation, revenues from DVDs und Blu-rays sold are recognized as of release, taking into account the expected returns of merchandise. Revenues from licenses for DVD/Blu-ray 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.

The revenues are recognized excluding the invoiced value added tax, trade discounts and volume rebates.

Dividend income is recognized in the fiscal year in which the right to receive the payment arises. Interest income is recognized on accrual basis using the effective interest method.

4.20 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.

4.21 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, 2010 or in the previous year.

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.

4.22 Project promotion and subsidies

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), which are non-repayable subsidies.

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

Sales subsidies are non-repayable subsidies which a distributor is entitled to depending on the number of people who go to see the (subsidized) film in the 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 in profit or loss as a reduction of release costs at the time of the subsequent film's release.

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 2010			
Balance at January 1, 2010	452,057	721,027	1,173,084
Changes in scope of consolidation	–	5,299	5,299
Currency translation differences	–37,996	–125,857	–163,853
Additions	14,314	93,823	108,137
Disposals	1,807	484	2,291
Balance at December 31, 2010	**426,568**	**693,808**	**1,120,376**
Accumulated amortization 2010			
Balance at January 1, 2010	415,271	552,067	967,338
Currency translation differences	–32,272	–98,460	–130,732
Amortization for the year	14,155	87,492	101,647
Impairment	2,511	6,102	8,613
Disposals	1,807	484	2,291
Balance at December 31, 2010	**397,858**	**546,717**	**944,575**
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**
Net carrying amounts December 31, 2010	**28,710**	**147,091**	**175,801**
Net carrying amounts December 31, 2009	**36,786**	**168,960**	**205,746**

The line item “Changes in scope of consolidation” contains solely additions from acquisition of Kontraproduktion AG.

Impairment losses of TCHF 8,613 (previous year: TCHF 9,029) were recognized in fiscal year 2010, as the value in use no longer covers the acquisition costs or the carrying amount of certain films.

In fiscal year 2010, the Highlight Group received project subsidies and project promotion loans of TCHF 32,369 (previous year: TCHF 45,634), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to TCHF 2,391 as of December 31, 2010 (previous year: TCHF 3,721). Project promotions of TCHF 977 were repaid in fiscal year 2010 (previous year: TCHF 458).

Sales subsidies and distribution loans of TCHF 4,819 (previous year: TCHF 3,922) were also recognized in the consolidated profit and loss account in fiscal year 2010 as a reduction of release costs. These grants are recognized in the periods in which the corresponding release costs are incurred. Deferred distribution loans amounted to TCHF 0 (previous year: TCHF 0) as of December 31, 2010. Distribution loans of TCHF 362 (previous year: TCHF 976) were repaid over fiscal year 2010. As of December 31, 2010, there were receivables for subsidies and grants of TCHF 19,156 (previous year: TCHF 25,181).

In fiscal year 2010, directly attributable financing costs of TCHF 1,671 (previous year: TCHF 3,446) were capitalized. The costs to be capitalized were calculated using the interest rates from the funds borrowed specifically for the financing. The financing interest rate varied from 2.8 to 6.5 % (previous year: 1.7 to 2.4 %).

5.2 Other intangible assets/goodwill

As of December 31, 2010, other intangible assets comprise the following:

(TCHF)	Purchased intangible assets	Internally developed intangible assets	Total intangible assets	Goodwill
Acquisition and production costs 2010				
Balance at January 1, 2010	3,613	668	4,281	24,561
Currency translation differences	–432	–	–432	–1,641
Additions	765	–	765	–
Disposals	24	–	24	–
Balance at December 31, 2010	**3,922**	**668**	**4,590**	**22,920**
Accumulated amortization 2010				
Balance at January 1, 2010	2,671	668	3,339	2,910
Currency translation differences	–395	–	–395	–471
Amortization for the year	566	–	566	–
Balance at December 31, 2010	**2,842**	**668**	**3,510**	**2,439**
Net carrying amounts December 31, 2010	**1,080**	–	**1,080**	**20,481**

(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**
Net carrying amounts December 31, 2009	**942**	**–**	**942**	**21,651**

Purchased intangible assets primarily consist of software.

5.3 Goodwill

Total goodwill of TCHF 20,481 (previous year: TCHF 21,651) was recognized in the balance sheet as of December 31, 2010.

The allocation of goodwill is as follows:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Rainbow Home Entertainment AG	2,399	2,399
Constantin Film Verleih GmbH	12,025	12,025
Olga Film GmbH	1,274	1,520
Constantin Entertainment GmbH	4,334	5,171
Constantin Entertainment Croatia d.o.o.	393	469
Other	56	67
Total	**20,481**	**21,651**

Goodwill was tested for impairment at the level of the cash generating units below the operating Film segment. Recoverable amounts are calculated using the 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 three-year earnings planning. Growth of 0 to 1% (previous year: 0 to 2%) was assumed for the period subsequent to the detailed planning period. The post-tax interest rates used for discounting are calculated on the basis of a capital market-based risk assessment in line with the capital asset pricing model (CAPM). The discount factors before taxes amounted to between 8.7 and 10.3% as of December 31, 2010 (previous year: 8.0 and 10.5%). Goodwill was subjected to its annual impairment test as of December 31, 2010. This did not result in any impairment losses.

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.

5.4 Tangible assets

As of December 31, 2010, tangible assets comprise the following:

(TCHF)	Land, land rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Total tangible assets
Acquisition and production costs 2010				
Balance at January 1, 2010	1,549	3,884	14,142	19,575
Currency translation differences	-124	-237	-1,012	-1,373
Additions	75	454	1,914	2,443
Disposals	–	366	235	601
Reclassifications	–	8	-17	-9
Balance at December 31, 2010	**1,500**	**3,743**	**14,792**	**20,035**
Accumulated depreciation 2010				
Balance at January 1, 2010	457	2,634	10,515	13,606
Currency translation differences	-50	-189	-686	-925
Depreciation for the year	236	693	1,713	2,642
Disposals	–	366	220	586
Reclassifications	–	-180	171	-9
Balance at December 31, 2010	**643**	**2,592**	**11,493**	**14,728**
Acquisition and production costs 2009				
Balance at January 1, 2009	1,241	3,011	13,466	17,718
Currency translation differences	-2	-3	-15	-20
Additions	310	1,055	1,290	2,655
Disposals	–	179	599	778
Balance at December 31, 2009	**1,549**	**3,884**	**14,142**	**19,575**
Accumulated depreciation 2009				
Balance at January 1, 2009	224	1,722	9,682	11,628
Currency translation differences	-2	-5	-12	-19
Depreciation for the year	235	918	1,551	2,704
Disposals	–	1	706	707
Balance at December 31, 2009	**457**	**2,634**	**10,515**	**13,606**
Net carrying amounts December 31, 2010	**857**	**1,151**	**3,299**	**5,307**
Net carrying amounts December 31, 2009	**1,092**	**1,250**	**3,627**	**5,969**

As of December 31, 2010, fire insurance values stood at TCHF 17,836 (previous year: TCHF 19,152).

The category of other equipment, plant and office equipment was broken down into the two categories of technical equipment and machinery and other equipment, plant and office equipment in the year under review. The category Technical equipment and machinery chiefly includes IT hardware, while other equipment, plant and office equipment primarily consists of fixtures and fittings.

5.5 Investments in associated companies and joint ventures

Shares in associated companies and joint ventures developed as follows:

(TCHF)	2010	2009
January 1	8,450	6,919
Acquisition of associated companies	4	–
Share in net earnings	469	917
Impairment/reversal of impairment	–544	1,195
Other changes recognized in equity	4	–15
Dividend payments/capital repayments	–741	–557
Currency translation differences	–100	–9
December 31	**7,542**	**8,450**

Associated companies

The annual financial statements as of December 31, 2009 of BECO Musikverlag GmbH were used as a basis in reporting on associated companies as the annual financial statements as of December 31, 2010 have not yet been prepared. In the previous year the financial statements as of December 31, 2008 had been used as the financial statements for the year 2009 had not yet been prepared as of the balance sheet date. No circumstances arose in the current year that would have necessitated an adjustment to the annual financial statements used as a basis. The figures of Escor Casinos & Entertainment SA in the annual financial statements as of December 31, 2010 were based on the ad hoc disclosure by Escor Casinos & Entertainment SA dated March 13, 2011. At NEF-Production (Société par Action Simplifiée), the figures as of December 31, 2010 were used.

The condensed financial statements are as follows:

(TCHF)	Sales	Net profit	Total assets	Total liabilities
2010				
BECO Musikverlag GmbH	32	17	101	12
Escor Casinos & Entertainment SA	2,792	223	24,086	1,482
NEF-Production (Société par Action Simplifée)	761	82	121	35
2009				
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 7,030 (previous year: TCHF 7,818), that in BECO Musikverlag GmbH TCHF 85 (previous year: TCHF 91), and that in NEF-Production (Societé par Action Simplifiée) TCHF 26 (previous year: TCHF 0). As in the previous year, there were no contingent liabilities as of December 31, 2010.

Joint ventures

The carrying amount of the joint venture PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH as of December 31, 2010 amounts to TCHF 401 (previous year: TCHF 541). The condensed balance sheet and the profit and loss account comprise the following:

Assets (TCHF)	Dec. 31, 2010	Dec. 31, 2009
Non-current assets	5	7
Current assets	3,062	6,161

Liabilities (TCHF)	Dec. 31, 2010	Dec. 31, 2009
Non-current liabilities	–	–
Current liabilities	2,263	5,086

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

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Sales	14,100	15,291
Other operating income	10	–
Cost of materials	–12,512	–12,932
Personnel expenses	–459	–483
Amortization	–1	–2
Other operating expenses	–57	–520
Income taxes	–331	–446
Net profit	**750**	**908**

50 % of these figures relate to the Highlight Group. As in the previous year, there were no contingent liabilities as of December 31, 2010. Amortization was reported for the first time in the year under review. The previous year’s figures were adjusted accordingly.

5.6 Inventories

As of December 31, 2010, inventories comprise the following:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Net balance		
Unfinished goods and services	1,108	1,514
Blu-rays/DVDs	2,215	2,677
Total	**3,323**	**4,191**

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

Impairment losses of TCHF 14 (previous year: TCHF 5) were reversed in fiscal year 2010.

5.7 Other financial assets/non-current receivables

Other financial assets

	Current assets		Non-current assets	
(TCHF)	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Financial assets at fair value through profit or loss				
Preference shares	1,517	–	–	–
Bonds	–	1,000	–	–
Real estate funds	–	–	264	318
Derivative financial instruments	–	89	–	–
Financial assets measured at amortized cost				
Bonds	1,003	–	–	–
Financial assets at fair value through other comprehensive income (2009: available-for-sale financial assets)				
Shares	16,195	22,084	–	–
Total	**18,715**	**23,173**	**264**	**318**

Other current financial assets include a stake of 8.72 % in Constantin Medien AG (previous year: 8.72 %) with a carrying amount of TCHF 16,195 (previous year: TCHF 22,084). These shares were reported as financial assets at fair value through other comprehensive income in fiscal year 2010 (see note 2.1). In the previous year, the shares in Constantin Medien AG were classified as available-for-sale financial assets. The item also includes interest-bearing securities in the amount of TCHF 1,003, which are recognized at amortized cost, and preference shares in a Canadian partner company in the amount of TCHF 1,517 (previous year: TCHF 0) which were acquired in connection with the production of the film Resident Evil: Afterlife in the year under review. These shares are expected to be bought back by the partner over the course of 2011. There is no active market for these preference shares. Because the shares were acquired in the year under review, the acquisition costs represent the best estimate of the fair value for this financial instrument. In accordance with IFRS 9, non-listed equity instruments are also generally recognized at fair value.

Non-current receivables

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

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Non-current receivables and other receivables	917	2,622
Discounting (net)	–57	–138
Total	**860**	**2,484**

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

5.8 Trade accounts receivable

Trade accounts receivable consist of receivables from third parties and POC receivables. The carrying amount of receivables not yet due and receivables that are up to 90 days past due is approximately 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, 2010:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Trade accounts receivable		
Current receivables	52,423	64,325
POC receivables	8,432	12,799
Gross amount	**60,855**	**77,124**
Write-downs		
Trade accounts receivable (gross)	60,855	77,124
Individual write-downs	–4,431	–5,629
Portfolio write-downs	–388	–987
Net amount	**56,036**	**70,508**

Trade accounts receivable are in the following currencies:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
CHF	14,162	5,022
EUR	40,281	63,171
USD	1,593	1,610
Other	–	705
Total	**56,036**	**70,508**

Write-downs on trade accounts receivable developed as follows in 2010 and 2009:

(TCHF)	2010	2009
Balance write-downs January 1	**6,616**	**6,569**
Currency translation differences	–907	–5
Additions	548	150
Reversal/consumption	–1,438	–98
Balance write-downs December 31	**4,819**	**6,616**

Write-downs on trade accounts receivable comprise additions to write-downs, income from the reversals of write-downs and expenses for 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, 2010							
Trade accounts receivable	56,036	47,096	7,073	470	345	117	935
December 31, 2009							
Trade accounts receivable	70,508	55,329	9,097	3,661	181	–	2,240

5.9 Other receivables

As at December 31, 2010, other receivables comprise the following:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Prepaid expenses	5,963	15,672
Input tax	2,162	455
Other taxes	2,424	1,863
Advance payments	156	619
Suppliers with debit balances	799	1,003
Receivables due from personnel	273	132
Subsidies receivables	20,335	25,181
Underlying transactions of hedging relationships	14	–
Other assets	21,723	40,374
Total	**53,849**	**85,299**

Other taxes essentially relate to tax receivables.

Other assets include a current loan in connection with the production “Resident Evil” to the co-producer Davis Film Impact Pictures in the amount of TCHF 2,702 (previous year: TCHF 30,688).

In the previous year, the other assets item included further loans totaling TCHF 1,154 (year under review: TCHF 0) in addition to the above-mentioned loan to the co-producer Davis Film Impact Pictures. A receivable from a bank of TCHF 7,743 (previous year: TCHF 0) is also reported under other assets. This receivable is related to the equity swap transaction described in note 6.9 and is subject to a restriction on disposal. In the previous year this restriction was described in note 5.12 due to presentation under the cash and cash equivalents item.

The following table shows the maturities of other receivables:

(TCHF)	Other receivables	thereof not IFRS 7 relevant	total IFRS 7 relevant	thereof neither impaired nor overdue as of the closing date
Dezember 31, 2010				
Prepaid expenses	5,963	5,963	–	–
Input tax	2,162	2,162	–	–
Other taxes	2,424	2,424	–	–
Advance payments	156	156	–	–
Suppliers with debit balances	799	–	799	799
Receivables due from personnel	273	1	272	272
Subsidies receivables	20,335	20,335	–	–
Underlying transactions of hedging relationships	14	–	14	14
Other assets	21,723	1,161	20,562	12,775
Total	**53,849**	**32,202**	**21,647**	**13,860**
Dezember 31, 2009				
Prepaid expenses	15,672	15,672	–	–
Input tax	455	455	–	–
Other taxes	1,863	1,863	–	–
Advance payments	619	619	–	–
Suppliers with debit balances	1,003	–	1,003	1,003
Receivables due from personnel	132	–	132	132
Subsidies receivables	25,181	25,181	–	–
Underlying transactions of hedging relationships	–	–	–	–
Other assets	40,374	–	40,374	40,166
Total	**85,299**	**43,790**	**41,509**	**41,301**

Other receivables relate to the following currencies:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
CHF	6,864	12,940
EUR	17,832	39,031
USD	15,382	13,534
Other	13,771	19,794
Total	**53,849**	**85,299**

The “Other” category includes Canadian dollars (CAD) in the amount of TCHF 13,740.

	overdue (days)			
less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	22	1	7,747	17
–	**22**	**1**	**7,747**	**17**
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
208	–	–	–	–
208	–	–	–	–

5.10 Receivables due from associated companies and joint ventures

As of December 31, 2010, there were receivables due from the associated company NEF-Production (Société par Action Simplifiée) in the amount of TCHF 11,537 (previous year: TCHF 0).

5.11 Tax receivables

Income tax receivables developed as follows:

(TCHF)	Balance Jan. 1, 2010	Currency translation differences	Con-sumption	Reversal	Reclassi-fication	Addition	Balance Dec. 31, 2010
Income taxes Switzerland	345	–	–	100	–226	177	196
Income taxes Germany	166	–230	7	–	36	1,843	1,808
Income taxes rest of the world	–	–2	322	3	190	239	102
Total income taxes	**511**	**–232**	**329**	**103**	**–**	**2,259**	**2,106**

5.12 Cash and cash equivalents

As of December 31, 2010, there was a restriction of the disposal of cash and cash equivalents in the amount of TCHF 0 (previous year: TCHF 4,619). The restriction on disposal is related to an equity swap transaction (see also note 6.9), with the cash and cash equivalents serving as collateral for the counterparty. The restriction on disposal expires on early termination of the contract or on expiration of the contract.

Interest was incurred on any demand deposits or short-term sight deposits at between 0.0 and 0.8% (previous year: 0.0 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, 2010	Dec. 31, 2009
Tax loss carryforwards	4,870	7,476
Intangible assets/film assets	7,423	8,539
Trade accounts receivable	4,819	12,348
Other receivables	2,300	–
Other financial assets	–	1,598
Inventories	9,676	8,508
Trade accounts payable	6,492	–
Other liabilities	–	4,072
Advance payments received	10,719	12,705
Provisions	397	191
Total	**46,696**	**55,437**
Netting with deferred tax liabilities	–44,258	–53,362
Deferred tax assets (netted)	**2,438**	**2,075**

Of the deferred tax assets TCHF 877 are current (previous year: TCHF 296) and TCHF 1,561 non-current (previous year: TCHF 1,779).

The Group has total loss carry forwards of TCHF 1,600 (previous year: TCHF 2,219) 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, 2010, the subscribed capital of the parent company, Highlight Communications AG, totaled CHF 47,250,000, divided into 47,250,000 bearer shares with a par value of CHF 1.00 per share. No dividend was distributed for fiscal year 2009 in the reporting period.

On May 28, 2010, 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, 2010, the separately reported item for “Treasury stock” amounted to TCHF –1,147 (previous year: TCHF –1,147). The amount reflects the nominal capital of treasury shares held. As of December 31, 2010, the number of treasury shares held was 1,146,567 (December 31, 2009: 1,146,567). In the year under review, no treasury shares were acquired or sold.

Capital reserve

As of December 31, 2010, the Group’s capital reserve amounted to a total of TCHF –102,825 (previous year: TCHF –54,519).

The reduction of capital reserves primarily results from the acquisition of the remaining 20% in Team Holding AG in the second quarter of the financial year, which was directly recognized in equity. Due to this transaction, capital reserves decreased by TCHF 48,306.

In the previous year 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. A reduction in the capital reserve amounting to TCHF 175 resulted from the reclassification of the non-controlling interests of UEFA in Team Holding AG as of December 31, 2009. A further reduction of TCHF 481 is due to a transaction with non-controlling interests for a supplementary purchase price payment of former non-controlling shareholders.

Non-controlling interests

The TCHF 247 increase in non-controlling interests to TCHF 4,959 is based primarily on the net profit for the period attributable to non-controlling interests of TCHF 6,580 (previous year: TCHF 1,702). The purchase of the remaining 20 % in Team Holding AG from UEFA resulted in a reduction of TCHF 3,878. In addition, dividend payments led to a reduction of TCHF 2,005 (previous year: TCHF 1,870) from the non-controlling interests item. Differences from currency translation amounted to TCHF -450 (previous year: TCHF -22).

In the previous year there was a reclassification of TCHF 968 (addition to non-controlling interests). This reclassification amount relates to compensation for minority shareholders for negative results generated in previous years. The above-mentioned increase in Constantin Film AG to 100% had a negative effect of TCHF 2,928 on non-controlling interests in the previous year. The reclassification of the shares of UEFA in Team Holding AG as of December 31, 2009 resulted in an increase of TCHF 225 in the previous year. In addition, a further transaction with non-controlling shareholders led to a TCHF 88 addition to the item in the previous year.

Other reserves

As of the balance sheet date, other reserves totaled TCHF –24,908 (previous year: TCHF –4,704). As of December 31, 2010 and December 31, 2009, these related solely to translation differences.

The changes in other components of equity in fiscal years 2010 and 2009 were as follows:

2010 (TCHF)	before taxes 2010	Tax effect	after taxes 2010
Net profit	**42,752**	–	**42,752**
Foreign currency translation differences	–20,654		–20,654
Gains/losses from financial assets at fair value through other comprehensive income	–6,136	–	–6,136
Total income and expenses recognized directly in equity	**–26,790**	–	**–26,790**
Total other comprehensive income			**15,962**
thereof shareholders' interests			9,832
thereof non-controlling interests			6,130

2009 (TCHF)	before taxes 2010	Tax effect	after taxes 2010
Net profit	**33,701**	–	**33,701**
Foreign currency translation differences	–260	–	–260
Unrealized gains/losses from available-for-sale financial assets	–	–	–
Total income and expenses recognized directly in equity	**–260**	–	**–260**
Total other comprehensive income			**33,441**
thereof shareholders' interests			30,793
thereof non-controlling interests			2,648

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 Highlight Group aims to increase the capital provided to the company by the capital market and to generate an appropriate return for shareholders. The Group can also distribute a dividend, pay back capital to the shareholders or issue new shares.

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, 2010:

(TCHF)	less than 1 year	1 to 5 years	Total
Non-current liabilities			
Other liabilities	–	13,200	13,200
Pension liabilities	–	3,318	3,318
Provisions	–	2,127	2,127
Deferred tax liabilities	24	6,272	6,296
Total	**24**	**24,917**	**24,941**
Current liabilities			
Financial liabilities	251,391	–	251,391
Advance payments received	57,483	–	57,483
Trade accounts payable	17,536	–	17,536
Liabilities due to related parties	4,033	–	4,033
Liabilities due to associated companies and joint ventures	2,982	–	2,982
Other liabilities	80,542	–	80,542
Provisions	7,886	–	7,886
Tax liabilities	6,195	–	6,195
Total	**428,048**	–	**428,048**

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

(TCHF)	less than 1 year	1 to 5 years	Total
Non-current liabilities			
Other liabilities	–	–	–
Pension liabilities	–	1,513	1,513
Provisions	–	466	466
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 liabilities	8,626	–	8,626
Total	**514,273**	–	**514,273**

5.16 Trade accounts payable and other liabilities

The reported liabilities of TCHF 98,078 (previous year: TCHF 117,188) include trade accounts payable of TCHF 17,536 (previous year: TCHF 28,733) and other liabilities of TCHF 80,542 (previous year: TCHF 88,455).

Trade accounts payable

Apart from the normal retention of title, the reported trade accounts payable 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 contain POC liabilities of TCHF 507 (previous year: TCHF 0).

Trade accounts payable are in the following currencies:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
CHF	8,162	878
EUR	9,070	27,492
USD	304	289
Other	–	74
Total	**17,536**	**28,733**

Other current liabilities

Other current liabilities consist of the following:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Liabilities for conditional loan repayment (subsidies)	15,662	20,606
Personnel-related liabilities	18,424	18,335
Value-added tax liabilities	1,519	2,329
Other taxes	503	587
Social security	323	83
Deferred income	6,663	22,320
Customers with debit balances	227	546
Commissions and licenses	18,402	11,578
Current other loans	–	744
Derivative financial instruments with hedging relationships in accordance with IAS 39	14	–
Derivative financial instruments without hedging relationships	3,213	3,807
Other current liabilities	15,592	7,520
Total	**80,542**	**88,455**

Due to an adjustment to the level of detail and new Group guidelines on the presentation of liabilities as of December 31, 2010, the figures for the previous year were presented in a more transparent way for the balance sheet reader. On the basis of the new assessment, liabilities for personnel, commissions and licenses reported under deferred income in the previous year were shown in the items personnel liabilities, commissions and licenses.

Other current liabilities relate to the following currencies:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
CHF	16,542	20,889
EUR	51,594	66,284
USD	12,086	34
Other	320	1,248
Total	**80,542**	**88,455**

5.17 Other non-current liabilities

Other non-current liabilities of TCHF 13,200 (previous year: TCHF 0) mainly relate to a discounted, contingent purchase price payment of TCHF 11,859 (previous year: TCHF 0) in connection with the acquisition of shares in Team Holding AG.

5.18 Financial liabilities

Current financial liabilities

As of the balance sheet date, there were current liabilities to banks amounting to TCHF 251,391 (previous year: TCHF 317,871).

The Highlight Group had free short-term credit facilities totaling around TCHF 122,728 (previous year: TCHF 138,389) 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 170,648 (previous year: TCHF 205,746) and the resulting proceeds from exploitation as well as receivables of TCHF 45,224 (previous year: TCHF 61,330). Highlight Communications AG's credit facility of TCHF 95,500 (previous year: TCHF 98,000) is secured by shares in Constantin Film AG, the Constantin Medien shares held by Highlight Communications AG and treasury shares. The amounts drawn down are all due in 2011 when called.

Financial liabilities are in the following currencies:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
CHF	55,000	56,500
EUR	188,858	214,098
USD	7,287	37,413
Other	246	9,860
Total	**251,391**	**317,871**

5.19 Pension liabilities

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

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 (DBO) 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 liabilities in fiscal year 2010:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Present value of defined benefit obligation	40,308	33,752
Fair value of plan assets	29,077	25,219
Funded status	–11,231	–8,533
Actuarial losses (gains) not yet recognized	7,913	7,020
Balance sheet amount (liability)	**3,318**	**1,513**

The pension obligation developed as follows:

(TCHF)	2010	2009
Present value of defined benefit obligation as of January 1	**33,752**	**27,409**
Current service cost	3,521	3,275
Past service cost	1,072	–
Interest cost	1,119	997
Benefits paid	–584	473
Actuarial losses/(gains)	1,428	1,598
Present value of defined benefit obligation as of December 31	**40,308**	**33,752**

The plan assets developed as follows:

(TCHF)	2010	2009
Fair value of assets as of January 1	**25,219**	**20,897**
Expected return on assets	883	731
Employee contributions	1,360	1,272
Employer contributions	2,063	1,933
Benefits paid	–584	473
Actuarial gains/(losses)	136	–87
Fair value of assets as of December 31	**29,077**	**25,219**

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

(in %)	Dec. 31, 2010	Dec. 31, 2009
Cash and cash equivalents	6.50	4.90
Bonds	53.30	62.40
Shares	7.80	1.80
Real estate	29.70	30.90
Other	2.70	–
Total	**100.00**	**100.00**

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 1,019 (previous year: TCHF 644). The expected return on plan assets in 2011 amounts to TCHF 1,018.

In fiscal year 2010, retirement benefit expenses comprised the following:

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Current service cost	3,521	3,275
Interest cost	1,119	997
Expected return on plan assets	–883	–731
Amortization of actuarial losses/(gains)	399	317
Past service cost	1,072	–
Employee contributions	–1,360	–1,272
Total	**3,868**	**2,586**

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 and income, respectively. The cost of unwinding expected pension obligations and interest income from plan assets are also recognized in personnel expenses.

For fiscal year 2011, the expected employer contributions amount to TCHF 2,050.

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

	2010	2009
Interest rate	2.75 %	3.00 %
Expected return on plan assets	3.50 %	3.50 %
Pension trend	0.50 %	0.50 %
Salary trend	1.50 %	1.50 %
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)	2010	2009	2008	2007	2006
Present value of defined benefit obligation	40,308	33,752	27,409	22,329	19,728
Fair value of plan assets	29,077	25,219	20,897	19,275	17,203
Funded status	**–11,231**	**–8,533**	**–6,512**	**–3,054**	**–2,525**
Experience adjustments for plan liabilities	–581	–397	–868	598	152
Plan amendments DBO	–847	–1,201	–885	–883	–883
Experience-based adjustments for plan assets	136	–87	–1,635	–249	–122

Contributions to defined contribution plans (including government plans) recognized in profit or loss amounted to TCHF 7,968 in fiscal year 2010 after TCHF 5,983 in the previous year.

5.20 Provisions

(TCHF)	as of Jan. 1, 2010	Currency translation differences	Consumption	Reversal	Addition	as of Dec. 31, 2010
Licenses and returns	9,577	–1,597	4,366	7,121	10,020	6,513
Provisions for legal costs	2,837	–294	–	2,399	729	873
Personnel provisions	466	–68	118	136	183	327
Provisions for guarantees and contractual obligations	–	–	–	–	1,800	1,800
Other provisions	500	–	–	–	–	500
Total	**13,380**	**-1,959**	**4,484**	**9,656**	**12,732**	**10,013**
thereof non-current provisions	466	–68	118	136	1,983	2,127
thereof current provisions	12,914	–1,891	4,366	9,520	10,749	7,886

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 873 (previous year: TCHF 2,837). 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. The provisions for legal costs were reduced due to a possible settlement in ongoing legal proceedings with regard to two series.

Personnel provisions include obligations of TCHF 327 (previous year: TCHF 466) for anniversaries. Together with the provisions for guarantees and contractual obligations, they make up the long-term provisions.

5.21 Income tax liabilities

(TCHF)	as of Jan. 1, 2010	Currency translation differences	Consumption	Reversal	Addition	as of Dec. 31, 2010
Income taxes Switzerland	3,100	–	5,192	1	5,103	3,012
Income taxes Germany	5,526	–734	5,980	–34	3,472	2,250
Income taxes rest of the world	–	–	898	33	1,798	933
Total	**8,626**	**–734**	**12,070**	**–**	**10,373**	**6,195**

5.22 Deferred tax liabilities

Deferred tax liabilities as of December 31, 2010 comprise the following:

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Intangible assets/film assets	36,609	48,386
Trade accounts receivable	2,488	3,902
Other financial assets	–	655
Provisions	19	–
Trade accounts payable	2,168	4
Other liabilities	–	1,317
Advance payments received	9,245	4,469
Other temporary differences	25	3
Total	**50,554**	**58,736**
Netting with deferred tax assets	–44,258	–53,362
Deferred tax liabilities (net)	**6,296**	**5,374**

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

(TCHF)	Dec. 31, 2010	Dec. 31, 2009
Current deferred tax liabilities	24	–
Non-current deferred tax liabilities	6,272	5,374

5.23 Long-term service production

Receivables from customers for service productions amount to TCHF 8,432 (previous year: TCHF 12,799). Liabilities to customers for service productions amount to TCHF 507 (previous year: TCHF 0). 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 100,461 (previous year: TCHF 121,431). Total costs incurred for contracts in progress under IAS 11.40 and reported profits (less any reported losses) amount to TCHF 39,099 (previous year: TCHF 35,894). Advance payments received amount to TCHF 0 (previous year: TCHF 0) and retentions to TCHF 0 (previous year: TCHF 0).

5.24 Advance payments received

This item includes incoming payments from global distribution for which the revenue has not yet been recognized and other advance payment received in the amount of TCHF 57,483 (previous year: TCHF 52,794).

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

6.1 Sales

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

6.2 Capitalized film production costs and other own work capitalized

Capitalized film production costs and other own work capitalized, which amount to TCHF 97,052 (previous year: TCHF 114,644 after adjustment), relate to in-house film productions.

6.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Income from the reversal of provisions	2,534	1,557
Disposal of liabilities	1,086	–
Income related to other periods	571	1,031
Reversal of impairment	14	5
Recharges	1,177	1,521
Income from rents and leases	11	32
Income from the disposal of non-current assets	13	14
Income from settlements of claims for damages	12,491	5,372
Miscellaneous other operating income	2,310	4,374
Total	**20,207**	**13,906**

Income from settlements of claims for damages and settlement agreements primarily consists of income from compensation for copyright violations.

Income from the reversal of provisions is primarily due to the reversal of provisions for pending legal disputes.

Miscellaneous other operating income contains a number of items that cannot be allocated to separate items.

6.4 Cost of materials and licenses

Costs for licenses, commissions and materials amounting to TCHF 53,410 (previous year’s period: TCHF 73,547) result from expenses for licenses and commissions of TCHF 3,900 (previous year’s period: TCHF 1,600), overages of TCHF 14,712 (previous year’s period: TCHF 2,331) from the Film segment, and other costs of materials amounting to TCHF 34,798 (previous year’s period: TCHF 69,616).

The costs for services purchased of TCHF 151,612 (previous year’s period: TCHF 179,706) comprise production costs of TCHF 105,004 (previous year’s period: TCHF 142,968) and expenses for purchased services of TCHF 46,608 (previous year’s period: TCHF 36,738).

A new breakdown under the cost of materials and licenses item resulted in certain shifts to the previous year’s period in the costs for licenses, commissions and materials.

6.5 Amortization, depreciation and impairment

The impairment of film assets amounting to TCHF 8,613 (previous year's period: TCHF 9,029) relates to films whose carrying amount is no longer covered by the value in use.

In both the reporting year and the previous year, the impairment losses relate to a number of film rights. There were no impairments on individual films amounting to more than TCHF 1,000 in the reporting period. In the previous year, one film was written down by TCHF 2,338 and another film right by TCHF 1,421.

6.6 Personnel expenses

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Salaries	115,510	119,088
Social security	10,257	12,521
Retirement benefit costs	3,843	2,595
Total	**129,610**	**134,204**

6.7 Other operating expenses

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Rental costs	6,141	6,687
Repair and maintenance costs	417	958
Advertising and travelling expenses	9,197	4,731
Legal, consulting and auditing costs	13,210	7,344
IT costs	1,951	1,261
Administrative costs	4,799	7,746
Other personnel-related expenses	1,609	5,565
Insurance, dues and fees	212	73
Expenses related to other periods	877	637
Vehicle costs	640	736
Bank fees	127	82
Distribution costs	188	38
Other taxes	38	–
Earnings attributable to business partners	–	3,918
Advertising expense	1,102	–
Miscellaneous other expenses	12,716	10,027
Total	**53,224**	**49,803**

The categories of legal, consulting and financial statement costs, IT costs and release costs and advertising expenses were added to the other operating expenses in the year under review. This led to reclassifications in the previous year's figures of TCHF 8,605 from administrative expenses to legal, consulting and financial statement costs (TCHF 7,344) and to IT costs (TCHF 1,261). These reclassifications allow for a better comparison with the previous year.

Advertising and traveling expenses rose in the year under review due to increased travel.

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 increased in the year under review due to lawsuits relating to copyright violations.

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

The disappearance of earnings attributable to business partners of TCHF 3,918 is due to the fact that the shares held by UEFA in Team Holding AG were treated as non-controlling interests from January 1, 2010 until they were bought back by the Highlight Group. The share attributable to UEFA had previously been recognized as an expense.

6.8 Earnings from investments in associated companies and joint ventures

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Escor Casinos & Entertainment SA	–483	1,653
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	375	454
BECO Musikverlag GmbH	8	5
NEF-Production (Société par Action Simplifiée)	25	–
Total	**–75**	**2,112**

Loss from the investment in Escor Casinos & Entertainment SA includes impairment losses of TCHF 544 (previous year's period: reversal of impairment losses of TCHF 1,195). The impairment was due to the fact that the stock market value of the investment as of December 31, 2010, based on a price of CHF 22.75, was less than its carrying amount in the previous year. 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.

6.9 Financial income

The financial income for the previous year was adjusted on the basis of the gross presentation of the net currency result.

Of the financial income of TCHF 8,062 (previous year's period: TCHF 1,662), TCHF 638 (previous year's period: TCHF 1,183) relate to interest and similar income and TCHF 769 (previous year's period: TCHF 229) to gains from changes in the fair value of financial instruments. Income from accrued interest of TCHF 64 (previous year: TCHF 0) was generated in the year under review. There were also currency exchange gains from financing activities amounting to TCHF 6,591 (previous year: TCHF 250).

The gains from changes in the fair value of financial instruments include income of TCHF 766 (previous year's period: loss of TCHF 1,253) from an equity swap transaction. 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, 2010 and was extended by one year on November 17, 2010 with a new bank (counterparty) to December 23, 2011. As before, 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, 2010 and the original sale price leads to a financial liability of TCHF 3,041 (previous year: TCHF 3,807), which is reported in other liabilities. The sale of shares by the counterparty has to take place during the contractually agreed sale period (September 1, 2011 to December 21, 2011) unless payment is settled earlier. This item also includes other fair value adjustments of TCHF 3 (previous year's period: TCHF 140).

In the previous year, financial income also included a gain of TCHF 89 from a currency forward. This was a euro forward contract with a nominal value of EUR 4.0 million with a term of around one month.

6.10 Financial expenses

The financial expenses for the previous year were adjusted on the basis of the gross presentation of the net currency result.

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Interest and similar expenses	3,882	6,380
Losses from changes in the fair value of financial instruments	3	5,967
Currency exchange losses	2,090	81
Total	**5,975**	**12,428**

Losses from changes in the fair value of financial instruments of TCHF 3 (previous year's period: TCHF 5,967) do not include any losses (previous year's period: TCHF 4,714) due to shares held by the Highlight Group in Constantin Medien AG (as of December 31, 2010, share in capital of Constantin Medien AG was 8.72 %). This is because the early adoption of IFRS 9 means that changes in the value of this investment are reported through other comprehensive income. In addition, the previous year's figure included losses from the equity swap transaction described in note 6.9 in the amount of TCHF 1,253.

The financial expenses also include interest of TCHF 3,882 (previous year: TCHF 6,380) and exchange rate losses from financing activities of TCHF 2,090 (previous year: TCHF 81).

6.11 Income taxes

(TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Current taxes	–8,392	–12,170
Deferred taxes	–1,365	1,625
Total	**–9,757**	**–10,545**

Tax reconciliation (TCHF)	Jan. 1 to Dec. 31, 2010	Jan. 1 to Dec. 31, 2009
Profit before taxes	52,509	44,246
Expected taxes based on a tax rate of 21.00%	–11,027	–11,062
Differing tax rates	2,494	2,021
Utilization of unrecognized deferred tax assets	–133	717
Tax exempt income	114	858
Tax rate changes	29	–
Non-deductable expenses	–719	–2,521
Income taxes for prior accounting periods	42	–231
Other effects	–557	–51
Unrecognized deferred taxes	–	–276
Actual tax expense	**–9,757**	**–10,545**
Effective tax rate in %	**18.6**	**23.8**

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes on income. The expected tax rate of 21% (previous year: 25%) was adjusted due to lower taxes and relates to the tax rate applicable at the residence of Highlight Communications AG.

6.12 Earnings per share

(TCHF)	2010	2009
Net consolidated earnings attributable to shareholders in TCHF	36,172	31,999
Weighted average number of shares (basic)	46,103,433	46,170,916
Earnings per share (basic) in CHF	0.78	0.69
Earnings per share (basic) in EUR	0.57	0.46

As of December 31, 2010 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 reconciliation of the financial assets as of July 1, 2010 from IAS 39 to IFRS 9 represents the effect of adoption of IFRS 9 (2009) on the classification and measurement of financial assets:

(TCHF)	Total
Cash and cash equivalents	
Bank deposits	159,342
Other financial assets	
Bonds (not listed)	1,000
Constantin Medien AG shares	15,764
Trade accounts receivable	50,127
Other receivables	81,148
thereof no financial instruments under IAS 32	25,634
thereof financial instruments under IAS 32	55,514
these comprise: other receivables	47,600
these comprise: preference shares	1,612
these comprise: underlying transaction of hedging relationship IAS 39	5,629
these comprise: derivate of hedging relationship IAS 39	673
Other financial assets (non-current)	
Other equity instruments (investments, shell companies)	286

[1] In accordance with the business model aiming at the realization of cash flows.

Category under IAS 39	Valuation under IAS 39		IFRS 9	Option
LaR	Amortized cost	→	Amortized cost	
FVPL	Fair Value	→	Amortized cost [1]	
AfS	Fair Value	→	Fair Value	Through OCI
LaR	Amortized cost	→	Amortized cost [1]	
LaR	Amortized cost	→	Amortized cost	
AfS	Fair Value	→	Fair Value	Through P&L
without category	Fair Value	→	Fair Value	
without category	Fair Value	→	Fair Value	
FVPL	Fair Value	→	Fair Value	Through P&L

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 and IFRS 9 (2009).

ASSETS (TCHF)	Classification category IFRS 9 (2009) and IAS 39
Cash and cash equivalents	AC
Trade accounts receivable	AC
Receivables due from associated companies and joint ventures (current and non-current)	AC
Other financial assets (current)	
Financial assets measured at amortized cost (debt capital instruments)	AC
Financial assets at fair value (equity instruments)	FVPL
Financial assets at fair value (equity instruments)	FVOCI
Other receivables (current)	AC
Non-current receivables and other receivables	AC
Other financial assets (non-current)	
Financial assets at fair value through profit or loss	FVPL
Derivative financial instruments with hedging relationships in accordance with IAS 39	without category

LIABILITIES (TCHF)	
Financial liabilities (current and non-current)	OL
Trade accounts payable (current and non-current)	OL
Liabilities due to associated companies and joint ventures (current and non-current)	OL
Other liabilities (current and non-current)	
Financial liabilities measured at amortized cost	OL
Financial liabilities at fair value through profit or loss	FLPL
Other receivables (underlying transactions of hedging relationships in accordance with IAS 39)	without category

AGGREGATED BY CATEGORY (ASSETS AND LIABILITIES IN TCHF)	
Financial assets measured at amortized cost	AC
Financial assets (equity instruments)	FVOCI
Financial assets at fair value through profit or loss	FVPL
Financial liablities measured at amortized cost	OL
Financial liabilities at fair value through profit or loss	FLPL

The class of non-current financial assets measured at fair value through profit or loss comprises solely securities that were designated as measured at fair value through profit or loss in previous fiscal years.

Financial liabilities of TCHF 251,391 as of December 31, 2010 include only current financial liabilities.

Carrying amount Dec. 31, 2010	thereof not relevant under IFRS 7	Valuation in the balance sheet under IFRS 9 (assets)/IAS 39 (liabilities) Amortized cost	Fair value through OCI	Fair value through profit or loss	Fair value Dec. 31, 2010
166,039	–	166,039	–	–	166,039
56,036	–	56,036	–	–	56,036
11,537	–	11,537	–	–	11,537
1,003	–	1,003	–	–	1,003
1,517	–	–	–	1,517	1,517
16,195	–	–	16,195	–	16,195
54,026	–32,202	21,824	–	–	21,824
860	–	860	–	–	860
264	–	–	–	264	264
14	–	–	–	14	14
251,391	–	251,391	–	–	251,391
17,536	–	17,536	–	–	17,536
2,982	–	2,982	–	–	2,982
94,548	–12,405	82,143	–	–	82,143
3,213	–	–	–	3,213	3,213
14	–	–	–	14	14
289,501	–32,202	257,299	–	–	257,299
16,195	–	–	16,195	–	16,195
1,781	–	–	–	1,781	1,781
366,457	–12,405	354,052	–	–	354,052
3,213	–	–	–	3,213	3,213

AC: Financial assets at amortized cost
LaR: Loans and receivables
FVOCI: Financial assets at fair value through OCI
FVPL: Financial assets at fair value through profit or loss
AfS: Available-for-sale-financial assets
FLPL: Financial liabilities at fair value through profit or loss
OL: Other liabilities

Financial liabilities of TCHF 317,871 as of December 31, 2009 include only current financial liabilities.

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)	OL
Trade accounts payable	OL
Liabilities due to associated companies and joint ventures	OL
Other liabilities (current and non-current)	
Financial liabilities measured at amortized cost	OL
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	OL
Financial liabilities at fair value through profit or loss	FLPL

Carrying amount Dec. 31, 2009	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, 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

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	Impairment	2010	2009
Loans and receivables (LaR)	702	–	1,236	701	2,639	170
Available-for-sale financial assets (AfS)	–	–	–	–	–	–4,714
Financial assets at fair value through other comprehensive income (FVOCI)	–	–6,136	–	–	–6,136	–
Financial assets at fair value through profit or loss (FVPL)	–	15	–	–	15	229
Financial liabilities (FLAC)	–3,882	–	3,265	–	–617	–5,343
Financial liabilities at fair value through profit or loss (FLPL)	–	560	–	–	560	–1,253

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. In this context, please also 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 2010

(TCHF)	Carrying amount Dec. 31, 2010	Cash flows 2011 Fixed interest	Cash flows 2011 Re-payment	Cash flows 2012 Fixed interest	Cash flows 2012 Re-payment
Liabilities due to banks and bonded loans and similar liabilities	251,391	285	251,391	–	–
Other non-interest-bearing financial liabilities	102,661	–	89,461	–	13,811
Derivative financial liabilities	–				
Currency derivatives without hedge relationship	172	–	13,256	–	389
Derivatives in connection with fair value hedges	–	–	–	–	–
Other derivatives	3,041	–	7,743	–	–
Derivative financial assets	–				
Currency derivatives without hedge relationship	14	–	–	–	1,557

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	–	–

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 or assets pledged as collateral lose value and therefore cause financial losses. Credit risks include direct counterparty risk and the risk of deterioration in creditworthiness.

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 past due nor impaired as predominantly good.

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Risks from the international distribution of film licenses are minimized by concluding business only with companies of reliable creditworthiness, by transferring rights to the contractual partner only after payment, or entering into transactions in exchange for corresponding collateral (e.g. letters of credit).

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

Fair value

Financial assets and liabilities that are measured at fair value shall be allocated to a three-level fair value hierarchy:

- Prices (unadjusted) quoted on 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 following table shows the allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

2010 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	without category	–	14	–	14
Financial assets at fair value through profit or loss	FVPL	264	–	1,517	1,781
Financial assets (equity instruments)	FVOCI	16,195	–	–	16,195
Financial liabilities measured at fair value					
Derivative financial instruments	FLPL	–	3,213	–	3,213

2009 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL	–	1,760	–	1,760
Financial assets at fair value through profit or loss	FVPL	318	1,000	–	1,318
Available-for-sale financial assets	AfS	22,084	–	–	22,084
Financial liabilities measured at fair value					
Derivative financial instruments	FLPL	–	5,619	–	5,619

The financial assets measured at fair value through profit or loss are included in Level 1 and are determined by means of stock prices. The derivative financial instruments included in Level 2 are measured at the current bank rates. To determine the fair value of financial instruments in Level 2, the discounted cash flow method has been applied. The Level 3 financial assets were acquired in the in the year under review. There were no changes in fair value.

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

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.

As of December 31, 2010 the nominal amount of all forward contracts designated as hedging instruments in fair value hedges amounted to TCHF 1,557 (previous year: TCHF 8,233). The fair value of these forwards totals TCHF 14 (previous year: TCHF –605) and arises from the difference between the forward rate on the date the transaction is concluded and the market value of the forward contract on the balance sheet date. The market value changes of the forward contracts and the forecast transaction are recognized in opposite amounts in the profit and loss account.

The loss recognized in the operating result in 2010 for carrying value adjustments made to the hedged items amounted to TCHF 116 (previous year: gains of TCHF 584). Gains arising from the change in the fair values of hedging instruments of TCHF 116 (previous year: losses of TCHF 584) were recognized in the operating result.

To hedge against currency risk foreign exchange payables were also used as hedging instruments in the prior year. These hedges served to hedge against fixed claims in US dollars that are still off-balance sheet. The hedging relationships were presented as fair value hedges. During the reporting period the hedging relationship expired. The fair value of the foreign currency liabilities amounted to TCHF –1,081 in the previous year. Income was incurred in the amount of TCHF 1,081 in the previous year from the change in the fair value of the hedged item. Expenses in the same amount were recognized in the operating result. Income of TCHF 1,731 generated in the fiscal year at the end of the hedge relationship was recognized as a basic adjustment in film assets.

The notional amounts and the fair values of derivative instruments as of December 31, 2010 and 2009, which are not designated in hedge relationships, are as follows:

	Dec. 31, 2010		Dec. 31, 2009	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
EUR	–	–	5,951	89
PLN	309	–	–	–
HRK	1,172	–2	–	–
CAD	5,159	–116	–	–
Foreign currency forwards (acquisition)				
USD	4,471	–35	1,793	–141
CAD	2,146	–5	–	–

Interest risk

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

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. For further information on financial liabilities please see note 5.17. If necessary, there is also the option to establish a fixed interest base using interest hedges

Other price risk

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.

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 777 (previous year: TCHF 1,168). A drop in interest rates of the same amount would have increased profit before taxes by TCHF 777 (previous year: TCHF 1,168).

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 that the underlying exchange rate of the pairing fluctuates by 10% in either direction and all other currency parameters remain the same. The sensitivity analysis does not include translation risks. The following table shows the effects of a change in the exchange rate of 10% on profit before taxes.

The other price risks in other liabilities as at December 31, 2010 relate to an equity swap transaction with the shares of Highlight Communications AG and designated securities in line with fair value option. The fluctuation of +/–10 % of the market value of the securities are recognized in income with TCHF +/–304 (previous year: TCHF +/–544).

Other price risks in connection with the changes in the fair value of the financial assets at fair value through other comprehensive income exist mainly in the form of shares held in Constantin Medien AG. The fluctuation of +/–10 % of the share price affects other comprehensive income by TCHF +/–1,645. In the previous year, a 10 % rise in the share price would have had a positive effect of TCHF 2,244 on other comprehensive income, while a 10 % drop in the share price would have had a negative effect on the profit and loss account of the same amount.

Sensitivity analysis 2010

(TCHF)	Interest rate risk –1 %	+1 %
Financial assets		
Cash and cash equivalents	–1,660	1,660
Trade accounts receivable	–	–
Other financial assets (current and non-current)	–	–
Other receivables (current)	–77	77
Financial liabilities		
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Financial liabilities (current and non-current)	2,514	–2,514
Foreign currency forwards	–	–
Total increase/decrease in profit before taxes	**777**	**–777**

Sensitivity analysis 2009

(TCHF)	Interest rate risk –1 %	+1 %
Financial assets		
Cash and cash equivalents	–2,011	2,011
Trade accounts receivable	–	–
Other financial assets (current and non-current)	–	–
Other receivables (current)	–	–
Financial liabilities		
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Financial liabilities (current and non-current)	3,179	–3,179
Foreign currency forwards	–	–
Total increase/decrease in profit before taxes	**1,168**	**–1,168**

Exchange rate risk									
CHF/EUR		EUR/USD		EUR/CAD		Total		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
-875	875	-2,083	2,545	-403	492	-3,361	3,912	–	–
-1,020	1,020	-145	177	–	–	-1,165	1,197	–	–
–	–	–	–	-148	182	-148	182	-1,645	1,645
-775	775	-1,399	1,709	-1,101	1,344	-3,275	3,828	–	–
722	-722	27	-34	–	–	749	-756	–	–
1,751	-1,751	1,098	-1,343	25	-31	2,874	-3,125	-304	304
3,616	-3,616	662	-809	17	-21	4,295	-4,446	–	–
–	–	-180	219	–	–	-180	219	–	–
3,419	**–3,419**	**–2,020**	**2,464**	**–1,610**	**1,966**	**–211**	**1,011**	**–1,949**	**1,949**

Exchange rate risk									
CHF/EUR		EUR/USD		EUR/CAD		Total		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
-995	1,216	-900	1,099	-1,812	2,214	-3,707	4,529	–	–
-3,014	3,684	-1,392	1,702	-1,800	2,199	-6,206	7,585	–	–
595	-595	–	–	–	–	595	-595	-2,244	2,244
-64	78	–	–	–	–	-64	78	–	–
3,184	-3,892	18	-22	24	-30	3,226	-3,944	–	–
1,223	-1,495	–	–	–	–	1,223	-1,495	-544	544
5,646	-6,900	579	-708	2,611	-3,191	8,836	-10,799	–	–
–	–	–	–	–	–	–	–	–	–
6,575	**–7,904**	**–1,695**	**2,071**	**–977**	**1,192**	**3,903**	**–4,641**	**–2,788**	**2,788**

8. Segment reporting

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. 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 and their subsidiaries 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, DVD/Blu-ray and TV movies.

The Sports- and Event-Marketing segment comprises the activities of Team Holding AG, a 100 % 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.

Additionally under Others the administrative functions of the Highlight Communications AG holding company are reported.

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.

Segment information by business segments 2010

(TCHF)	Film	Sports- and Event-Marketing	Other	Group
External sales	333,659	100,903	–	434,562
Other segment income	116,908	351	–	117,259
Segment expenses	–436,318	–60,113	-4,893	–501,324
thereof depreciation/amortization	–103,595	–1,260	–	–104,855
thereof impairment	–8,613	–	–	–8,613
Segment result	**14,249**	**41,141**	**-4,893**	**50,497**
Non-allocable items:				
Period result of associated companies and joint ventures				–75
Financial income				8,062
Financial expenses				–5,975
Profit before taxes				**52,509**

Segment information by business segments 2009

(TCHF)	Film	Sports- and Event-Marketing	Other	Group
External sales	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	**21,841**	**37,045**	**–5,986**	**52,900**
Non-allocable items:				
Period result of associated companies and joint ventures				2,112
Financial income				1,662
Financial expenses				–12,428
Profit before taxes				**44,246**

Regions

Sales and non-current assets are distributed across the geographic regions of Switzerland, Germany, the rest of Europe and the rest of the world as follows:

Segment information by regions

Jan. 1 to Dec. 31, 2010 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world	Total
External sales	170,692	158,563	48,884	56,423	434,562
Non-current assets	30,198	179,953	60	–	210,211

Jan. 1 to Dec. 31, 2009 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world	Total
External sales	211,431	241,855	24,441	40,191	517,918
Non-current assets	26,583	216,175	–	–	242,758

The Highlight Group has no significant assets outside the countries of Switzerland, Germany and Austria. 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.

External sales by products

(TCHF)	2010	2009
Service production	101,822	131,225
Film	231,837	293,309
Sports- and Event-Marketing	100,903	93,384
Total external sales	**434,562**	**517,918**

Sales by customers

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

	2010		2009	
(TCHF)	nominal	in %	nominal	in %
Customer A (Sports- and Event-Marketing segment)	98,467	23	90,294	17
Customer B (Film segment)	51,585	12	102,188	20
Customer C (Film segment)	46,321	11	42,083	8
Sales with other customers	238,189	54	283,353	55
Total	**434,562**	**100**	**517,918**	**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. On each balance sheet date and more frequently if there are indications of impairment, the Group tests if a financial asset or a group of assets has become impairedt.

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. 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. 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, 2010:

(TCHF)	Contingent liabilities	Purchase commit-ments for licenses	Other financial obligations	Rental obligations (operating lease contracts)	Total
Balance: December 31, 2010					
Due within one year	11,221	25,781	4,875	5,313	47,190
Due between one and five years	–	–	4,265	9,071	13,336
Total	**11,221**	**25,781**	**9,140**	**14,384**	**60,526**
Balance: December 31, 2009					
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
Total	**13,389**	**17,097**	**6,820**	**20,031**	**57,337**

10.1 Contingent liabilities

As at December 31, 2010, there were guarantees to various TV stations for the completion of service productions totaling TCHF 11,221 (previous year: TCHF 13,389). The probabilities of the contingent liabilities are significantly below 50%.

10.2 Purchase commitments for licenses

Purchase commitments for licenses are a result of film purchasing and production preparations. In this way, the Group secures access to future film rights.

10.3 Other financial obligations

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

10.4 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 rental and lease obligations	Rental and lease obligations (operating lease contracts)
Balance: December 31, 2010				
Due within one year	5,099	113	101	5,313
Due between one and five years	8,889	31	151	9,071
Total	**13,988**	**144**	**252**	**14,384**
Balance: December 31, 2009				
Due within one year	5,638	164	125	5,927
Due between one and five years	13,722	75	307	14,104
Total	**19,360**	**239**	**432**	**20,031**

The total rental expenses for the fiscal years 2010 and 2009 amounted to TCHF 7,968 and TCHF 7,036 respectively.

10.5 Contingent liabilities

There were no additional contingent liabilities as of December 31, 2010.

10.6 Contingent assets

Contingent assets are not capitalized, but also disclosed as in the case of contingent liabilities if economic benefits are probable for the Group. There were no contingent assets either as of December 31, 2009 or as of December 31, 2010.

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, 2010, there were trade accounts receivable from Constantin Medien AG of TCHF 191 (previous year: TCHF 22). The income generated in the reporting year amounted to TCHF 274 (previous year: TCHF 22). The expenses incurred in the year under review with Constantin Medien AG of TCHF 282 (previous year: TCHF 109) essentially relate to the allocation of Group-wide functions such as the Berlin offices of the Constantin Medien Group, interest, and other internal allocations. On December 31, 2010, there were liabilities of TCHF 3,856 (previous year: TCHF 115).

In the reporting period, with SPORT 1 GmbH, an indirectly wholly-owned subsidiary of Constantin Medien AG, expenses for the rental of server rooms of TCHF 18 were incurred (previous year's period: TCHF 19). There were no liabilities (previous year: TCHF 0) as of the end of the year. In addition, revenues of TCHF 0 were generated from service productions for SPORT1 in the reporting period (previous year: TCHF 65). Receivables stood at TCHF 0 (previous year: TCHF 1) as of December 31, 2010.

Expenses incurred with Plazamedia GmbH TV- & Film-Produktion, an indirectly wholly-owned subsidiary of Constantin Medien AG, were TCHF 77 during the reporting period (previous year's period: TCHF 766) in connection with TV series. As of December 31, 2010, liabilities stood at TCHF 49 (previous year: TCHF 0).

Expenses incurred with Brandsome GmbH, an indirectly wholly-owned subsidiary of Constantin Medien AG, were TCHF 3 during the reporting period (previous year's period: TCHF 0) in connection with TV series. As of December 31, 2010, liabilities stood at TCHF 0 (previous year: TCHF 0).

Expenses incurred with Plazamedia Swiss AG, an indirectly wholly-owned subsidiary of Constantin Medien AG, were TCHF 100 during the reporting period (previous year's period: TCHF 0). As in the previous year, there were no contingent liabilities as of December 31, 2010.

The revenues and other income of TCHF 1,343 generated by the Highlight Group in the reporting period (previous year: TCHF 1,643) with PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH essentially related to the service production "Dahoam is Dahoam", as did the expenses of TCHF 0 (previous year: TCHF 6). As in the previous year, there were no receivables or advance payments received as of December 31, 2010. Liabilities amounted to TCHF 2,982 as of December 31, 2010 (previous year: TCHF 3,832).

As in the previous year, neither revenues nor expenses were incurred with NEF-Production (Société par Action Simplifiée) as of December 31, 2010. The outstanding receivables of TCHF 11,537 TCHF from the "The Three Musketeers" co-production were recognized and deducted from production costs. There were no receivables in the previous year.

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

Highlight Communications AG did not perform services for companies controlled by related parties in fiscal year 2009 or fiscal year 2010. A consulting agreement was in place between the Highlight Group and Fred Kogel GmbH in fiscal year 2010. Expenses of TCHF 418 (previous year: TCHF 455) were incurred in fiscal year 2010. This agreement runs until December 31, 2010 and covers license trading, TV service production and film distribution. A liability of TCHF 31 (previous year: TCHF 0) existed as of December 31, 2010. Mr. Herr Kogel also receives Supervisory Board remuneration of TCHF 50 (previous year: TCHF 53).

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 installments. In 2010, the installments owed under this agreement of TCHF 416 (previous year: TCHF 453) were recognized as an expense. This contract resulted in a liability of the Group to Mr Werner E. Klatten of TCHF 34 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, 2010, 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 63 (previous year: TCHF 896).

12. Disclosures on events after the balance sheet date

The producer Bernd Eichinger died completely unexpectedly in Los Angeles on January 24, 2011.

In him, Constantin Film AG has lost a companion who shaped Constantin Film AG and the film industry on both the national and international stage for more than 30 years.

On January 14, 2011, Highlight Communications AG announced that the European Broadcasting Union (EBU) and its subsidiary TEAM have agreed to continue their successful marketing cooperation until 2015. If the agreed performance targets are achieved in this period, the agreement will be extended by a further three years.

These events did not affect the consolidated financial statements as of December 31, 2010.

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 other comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 60 to 139), for the year ended December 31, 2010.

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 December 31, 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Häfliger	Josef Stadelmann
Audit expert	*Audit expert*
Auditor in charge	

Lucerne, March 21, 2011

FINANCIAL STATEMENTS

as of December 31, 2010 of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2010

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2010	Dec. 31, 2009
Current assets		
Cash and cash equivalents	11,774	11,561
Securities	20,862	27,481
Other receivables		
from third parties	110	2
from Group entities	298	344
Prepaid expenses/accrued income	17	14
	33,061	**39,402**
Non-current assets		
Financial assets		
Investments	315,005	274,320
	315,005	**274,320**
Total assets	**348,066**	**313,722**

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2010	Dec. 31, 2009
Liabilities		
Trade accounts payable		
to third parties	12	64
to Group entities	7,870	16,732
Current bank liabilities	91,157	94,436
Other current liabilities		
to third parties	3,186	4,671
to related parties	3,884	37
to Group entities	60,199	65,570
Deferred income/accrued expenses	826	1,336
Provisions	500	500
Other non-current liabilities	11,859	–
	179,493	**183,346**
Equity		
Subscribed capital	47,250	47,250
Legal reserves		
Legal reserve from capital contribution	58,008	58,008
Reserve for treasury stock from capital contribution	8,611	8,611
Retained earnings		
Profit carried forward	16,507	9,129
Profit for year	38,197	7,378
	168,573	**130,376**
Total equity and liabilities	**348,066**	**313,722**

PROFIT AND LOSS ACCOUNT 2010

Highlight Communications AG, Pratteln

(TCHF)	2010	2009
License income	502	1,026
Other revenues	188	316
Financial income		
Interest income	35	236
Income from securities	874	309
Income from investments	61,290	32,250
Currency exchange rate gains	5,226	–
Total income	**68,115**	**34,137**
License expense	–294	–553
Personnel expense	–4,374	–4,544
Office and administrative expense	–2,433	–2,911
Depreciation on investments	–11,499	–7,833
Financial expense		
Interest expense	–2,997	–3,746
Expense on securities	–6,865	–7,172
Currency exchange rate losses	–1,456	–
Total expense	**–29,918**	**–26,759**
Profit before taxes	**38,197**	**7,378**
Income taxes	–	–
Net profit for the year	**38,197**	**7,378**

NOTES TO THE FINANCIAL STATEMENTS 2010

Highlight Communications AG, Pratteln

1. Pledged assets as collateral for own obligations

	Dec. 31, 2010	Dec. 31, 2009
Shares in Constantin Medien AG		
Number	7,422,331	7,422,331
TCHF	16,195	22,084
Shares in Constantin Film AG		
Number	12,742,600	12,742,600
TCHF	155,524	161,368
Shares in Highlight Communications AG		
Number	303,000	303,000
TCHF	1,583	1,830
Credit facility utilized		
TCHF	91,157	94,436

As of December 31, 2010, there was a restriction of the disposal of cash and cash equivalents in the amount of TCHF 7,743 (previous year: TCHF 4,619).

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*	100.00 % (previous year: 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 %	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 28, 2010 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 %	Dec. 31, 2010	Dec. 31, 2009
Constantin Medien AG	47.31 %	47.31 %
DWS Investment GmbH	8.25 %	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, 2010	1,146,567			8,611
Sales	–	–	–	–
Acquisitions	–	–	–	–
Balance on December 31, 2010	**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 2010

(TCHF)	Basis remuneration	Variable remuneration	Remuneration as member of the Board of Directors	Social security/ pension liabilities	Total
Werner E. Klatten, Chairman, non-executive member	416	–	50	3	469
Bernhard Burgener, Delegate, executive member (highest remuneration)	1,177	376	186	214	1,953
Martin Wagner, Vice Chairman, executive member	907	222	129	218	1,476
Dr. Ingo Mantzke, executive member	417	178	10	113	718
Antonio Arrigoni, non-executive member	–	–	10	1	11
René Camenzind, non-executive member	–	–	50	3	53
Dr. Erwin V. Conradi, non-executive member	–	–	50	2	52
Martin Hellstern, non-executive member	–	–	50	2	52
Total Board of Directors	**2,917**	**776**	**535**	**556**	**4,784**
Group management (consisting of two Managing Directors)	816	280	21	212	1,329
Total Group management	**816**	**280**	**21**	**212**	**1,329**

Remuneration 2009

(TCHF)	Basis remuneration	Variable remuneration	Remuneration as member of the Board of Directors	Social security/ pension liabilities	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**

The basis remuneration also includes flat-rate expenses. The executive members of the Board of Directors and the two members of Group management receive part of the variable remuneration in line with the stock price of Highlight Communications AG.

The date for calculating the variable remuneration is determined by the Board of Directors. The variable remuneration was paid out in the fourth quarter of 2010.

In fiscal year 2010, Werner E. Klatten received compensation for consultancy in the amont of TCHF 416 (previous year: TCHF 453), 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 2010 and 2009, 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, 2010 and December 31, 2009, 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, 2010, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2010	2009
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 July 16, 2010 and it was approved by the Board of Directors on August 17, 2010.

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS AND THE LEGAL RESERVE FROM CAPITAL CONTRIBUTION

Highlight Communications AG, Pratteln

Appropriation of available retained earnings

(TCHF)	2010
Profit carried forward	16,507
Net profit for the year	38,197
Retained earnings	**54,704**

The Board of Directors recommends to the Annual General Meeting the following resolution for the appropriation of retained earnings:

Amount to be carried forward	54,704

Distribution of a dividend from legal reserve from capital contribution

(TCHF)	2010
Payment of a dividend of CHF 0.17 per share	8,033

The dividend amount of TCHF 8,033 is entirely a result of “capital contributions” and corresponds to a dividend (not subject to withholding tax) of CHF 0.17 per share entitled to a dividend.

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 144 to 151), for the year ended December 31, 2010.

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 December 31, 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Häfliger	Josef Stadelmann
Audit expert	*Audit expert*
Auditor in charge	

Lucerne, March 21, 2011

CALENDAR OF EVENTS 2011

Film

Cannes Film Festival	May 11 – 22
Locarno Film Festival	August 4 – 13
Venice Film Festival	August 31 – September 10
Toronto Film Festival	September 8 – 17

Sports- and Event-Marketing

Eurovision Song Contest, semifinals	May 10 and 12
Eurovision Song Contest, final	May 14
UEFA Europa League final	May 18
UEFA Champions League final	May 28
Vienna Philharmonic's Summer Night Concert	June 2

Investor Relations

Quarterly reports	May/August/November
Annual General Meeting	May 27
German Equity Forum	November 21 – 23

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