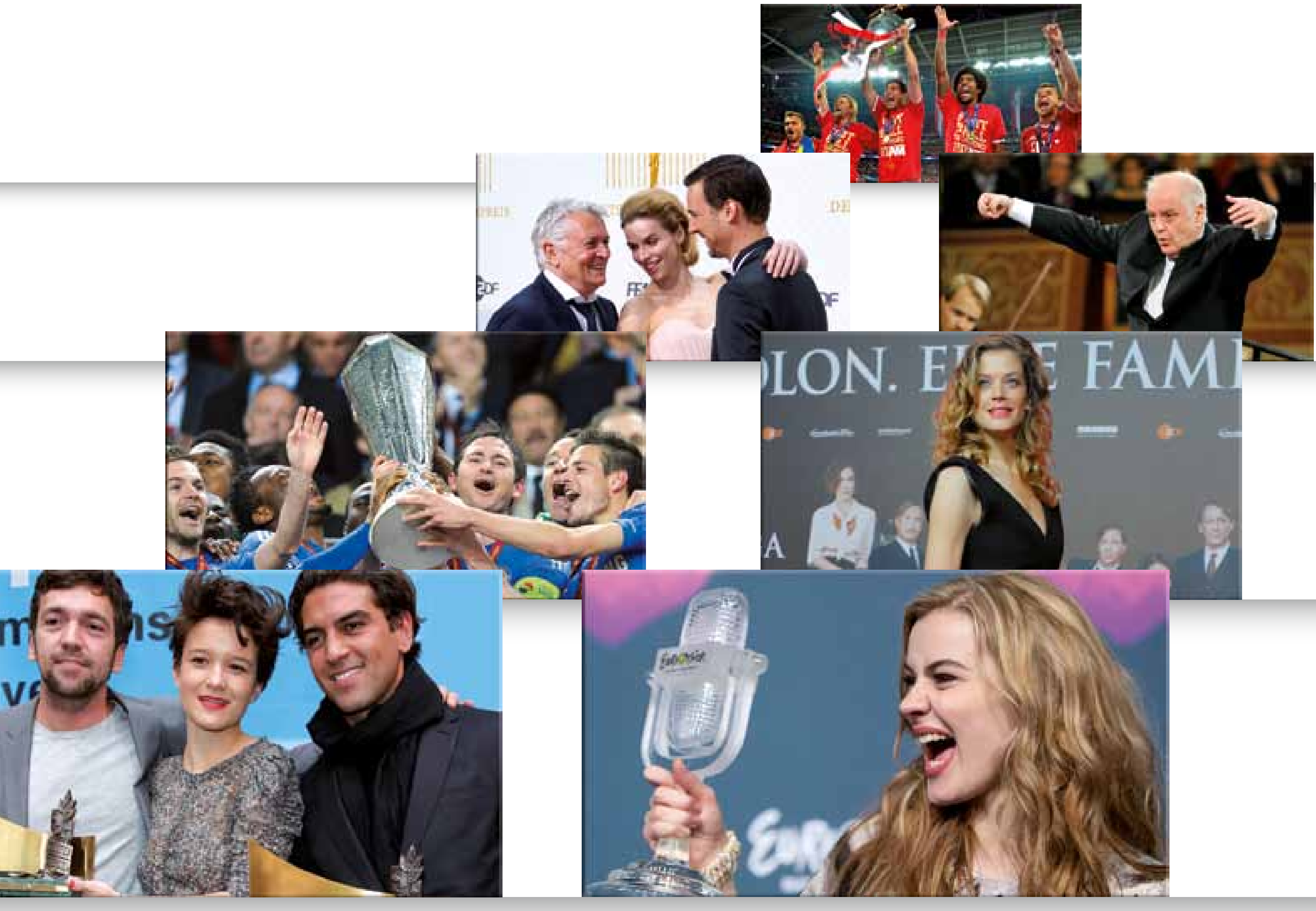
Highlight Communications AG

Annual Report 2013



Swiss-based Highlight Group is one of the most successful media stocks listed on the German capital market. Its unique selling proposition is its broad product portfolio.

Highlight Communications AG at a glance (TCHF)		**2013**	2012
Consolidated balance sheet	Total assets	**443,329**	421,901
	Film assets	**211,044**	162,633
	Cash and cash equivalents	**44,259**	72,517
	Financial liabilities	**151,997**	136,034
	Equity attributable to the shareholders	**96,675**	98,046
Consolidated income statement	Sales	**386,197**	432,814
	Profit from operations	**18,496**	36,539
	Net profit (Highlight shareholders)	**9,731**	25,944
	Earnings per share (CHF)	**0.21**	0.56
	Earnings per share (EUR)	**0.17**	0.47
Consolidated statement of cash flows	Cash flow from operating activities	**117,499**	156,298
	Cash flow for investing activities	**–140,835**	–137,246
	thereof payments for film assets	**–136,178**	–126,646
	Cash flow for financing activities	**–5,563**	–85,845
	thereof dividend payments	**–9,424**	–9,753
	Cash flow for the reporting period	**–28,899**	–66,793
Personnel	Headcount as of December 31	**761**	732

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

Highlight Communications AG, Pratteln, Switzerland

Film		Sports- & Event-Marketing	Other Business Activities
100 %	100 %	100 %	68.63 %
Constantin Film AG MUNICH, GERMANY Subsidiaries of Constantin Film AG **Constantin Film Schweiz AG** PRATTELN, SWITZERLAND	**Highlight Communications (Deutschland) GmbH** MUNICH, GERMANY **Rainbow Home Entertainment AG** PRATTELN, SWITZERLAND **Rainbow Home Entertainment GmbH** VIENNA, AUSTRIA	**Team Holding AG** LUCERNE, SWITZERLAND **T.E.A.M. Television Event And Media Marketing AG** LUCERNE, SWITZERLAND **Team Football Marketing AG** LUCERNE, SWITZERLAND	**Highlight Event & Entertainment AG** DÜDINGEN, SWITZERLAND **Highlight Event AG** LUCERNE, SWITZERLAND

Members of the Highlight Group

The Highlight spectrum ranges from top feature films and TV formats, high-selling DVD and Blu-ray releases, European premium football to traditional music events.

Markets & Events of the Highlight Group

Cinema

Highlight subsidiary Constantin Film Group is Germany's leading producer and distributor of feature films. In 2013, the Constantin Film own production "Fack ju Göhte" was by far the best-visited film in the German movie theaters – also in international comparison.

Television

Some of Constantin Film's subsidiaries produce very successful TV formats on behalf of major TV stations at home and abroad: daily shows, primetime shows, crime series and TV movies/ miniseries.

Home entertainment

The Highlight Group has its own distribution organization for the best possible exploitation of DVD/Blu-ray rights to feature films. 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 bestsellers of 2013 were the Constantin Film titles „Resident Evil: Retribution", „Ostwind" and "Türkisch für Anfänger".

Football

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

Music

Highlight Event & Entertainment AG operates in the event and entertainment business and owns the marketing mandates for the European Song Contest and the Vienna Philharmonic Orchestra. As part of this cooperation, it markets the internationally known "New Year's Day Concert" and the orchestra's "Summer Night Concert".

Contents

Rubbing shoulders with a star: Elyas M’Barek celebrated the German premiere of the hit comedy “Fack ju Göhte” with his enthusiastic fans.

Foreword by the Chairman

Dear shareholders and other interested parties,

The Highlight Group can look back at a mixed fiscal year 2013.

The theatrical distribution business area was characterized by major successes but also some disappointments. Right at the top of the list of successes is the outstanding performance of “Fack ju Göhte”, which once again underscores the hit potential of strong local productions. The comedy, which was released in German theaters in early November, had attracted more than 5.6 million viewers by the end of the year, making it the most-watched film of 2013.

“Fack ju Göhte” has now been seen by more than seven million moviegoers and was awarded the extremely rare “Goldene Leinwand mit Stern” prize for this by the Hauptverband Deutscher Filmtheater (German Movie Theater Association). The production by the Constantin Film subsidiary Rat Pack has since become the fifth most successful German film since 1968 and the third most successful since the reunification of Germany. This success substantiates Constantin Film’s long-established strategy of long-term collaboration with talented young film makers such as the screenwriter and director Bora Dagtekin, actors like Elyas M’Barek and the producer Lena Schömann.

The family entertainment production “The Famous Five 2” also achieved the expected high audience response, attracting more than 1.1 million viewers. The third part of the youth adventure based on the novels of Enid Blyton hit the screens in Germany in mid-January this year and has also been watched by more than one million moviegoers already. By contrast, the bestseller adaptation “The Mortal Instruments: City of Bones”, designed for the international theater markets, failed to meet expectations.

Constantin Film achieved a market share of 9.5 % of viewers on the German movie market, making it the top independent distributor once again. Thanks to the exceptional success of “Fack ju Göhte”, in particular, the company was able to match the previous year’s revenues and audience figures.

In its license trading/TV exploitation business area, Constantin Film concluded two new framework agreements with its longstanding business partner ProSiebenSat.1. These agreements firstly ensure free-TV broadcasting and video-on-demand exploitation for all Constantin Film theatrical productions for a period of two years. In addition, the ProSiebenSat.1 Group has secured exclusive free-TV and pay-TV rights to all movies of the US studio DreamWorks on which filming starts up to the end of 2016 and to which Constantin Film has acquired the German-language exploitation rights.

Overall, the Film segment generated external sales of CHF 333.6 million in the past fiscal year. This corresponds to a year-on-year decline of 5.6 %, which was offset by higher capitalized film production costs as a result of a significant increase in the production volume. However, at CHF 8.3 million segment earnings were down slightly on the previous year’s figure (CHF 11.6 million) as a result of the associated rise in segment expenses.

In the Sports- and Event-Marketing segment, sales of CHF 48.9 million were generated, down by CHF 20.5 million as against the previous year's figure due to the change in the business relationship with UEFA. Segment expenses were reduced by CHF 8.3 million to CHF 29.4 million by means of cost-cutting measures. This resulted in segment earnings of CHF 19.9 million, which was below the prior-year level as expected (CHF 32.5 million).

The highlight in terms of operating activities was undoubtedly the final of the UEFA Champions League in London, the first such final to see two German teams – Borussia Dortmund and FC Bayern München – go head to head. The game was broadcast in more than 200 countries worldwide, and watched by an average of approximately 150 million viewers. In Germany, a market share of 61.9% of the total audience was measured – the highest reach ever attained by a Champions League final on German television.

At the same time, the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League for the 2015/16 to 2017/18 seasons was begun in the past year. A number of promising TV deals have already been secured in key markets such as the UK, Germany and Italy. In addition, the sponsorship contract with the longstanding UEFA Champions League partner Heineken has also been extended until the 2017/18 season.

External sales in the Other Business Activities segment declined as expected from CHF 10.0 million to CHF 3.7 million. This was due to the discontinued distribution of certain gaming machines for casinos. Furthermore, this segment's sales volume in the previous year was also characterized by one-off orders that did not recur in the year under review. Segment expenses were reduced by CHF 4.2 million to CHF 9.7 million, resulting in a segment loss of CHF 4.8 million (previous year's period: CHF 2.6 million).

With regard to marketing for the Eurovision Song Contest (ESC), the successful cooperation between Highlight Event AG and the European Broadcasting Union is to be continued until 2018. A corresponding contract covering the conceptual development and sales of the ESC marketing program as well as its implementation and delivery was signed in mid-2013. The merchandising project in particular was already implemented very successfully at the ESC in Malmö.

Overall, the Highlight Group therefore generated consolidated sales of CHF 386.2 million in the fiscal year, a decline of CHF 46.6 million or 10.8% as against the very strong fiscal year 2012 (CHF 432.8 million). With consolidated operating expenses at roughly the same level, EBIT amounted to CHF 18.5 million (previous year's period: CHF 36.5 million). This corresponds to earnings per share of CHF 0.21 for fiscal year 2013 (previous year's period: CHF 0.56).

At present, 17 movie releases are planned for the current fiscal year, with the distribution slate for the first quarter consisting of five films. In addition to the youth adventure "The Famous Five 3", another three of these have already been released: the 3D productions "Tarzan" and "Pompeii" and the new Doris Dörrie comedy "Alles inklusive". Our second peak period for distribution activities is traditionally in the late summer and early fall. This period will see movie releases including the licensed title "The Hundred Foot Journey", the adaptation of Charlotte Roche's bestseller "Schossgebete" and the fantasy adventure "Mara und der Feuerbringer".

In home entertainment exploitation, we will benefit from the new release of the blockbuster “Fack ju Göhte”, which will go on sale at the beginning of May. The Constantin Film co-production “The Mortal Instruments: City of Bones”, released at the end of January, and “Ender’s Game” have already posted strong sales, going straight to the top of the German charts. We expect a similar performance over the course of the year by the 3D licensed title “Walking with Dinosaurs” and the Constantin Film own production “Pompeii”, which was also filmed in 3D.

In Sports- and Event-Marketing, we will press ahead with the marketing process for the TV and sponsorship rights to the two top competitions in European club football in order to achieve the performance targets agreed with UEFA. At Highlight Event AG, preparations for the Eurovision Song Contest in Denmark and for the Vienna Philharmonic Orchestra’s Summer Night Concert are already well underway.

On behalf of the Board of Directors, I would like to thank you for the trust you placed in our company again in 2013. We will continue to put every effort into moving forward with the Highlight Group’s success story and would be delighted if you would continue to accompany us along this path.

Special thanks must also go to all our employees, whose motivation, creativity and commitment once again contributed to the success of our company.

Yours,

B. Burgener

Bernhard Burgener
Chairman and Delegate of the Board of Directors

Members of the Board of Directors

Bernhard Burgener (born 1957)

Chairman and Delegate of the Board of Directors

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 Delegate of the Board of Directors until 1999. In May 1999 he took the company public and from 1999 to 2008 he was responsible for the activities of the Highlight Group as the Chairman of its Board of Directors.

Since 2008, Mr. Burgener has again acted as Delegate of the Board. Since being elected as the new Chairman of the Board of Directors by the Annual General Meeting of Highlight Communications AG in 2011, he has been performing both functions simultaneously. Mr. Burgener has also been the CEO of Constantin Medien AG since 2008 and the CEO of Constantin Film AG since 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. Since 2000, Mr. Wagner has been a member of the Board of Directors of Highlight Communications AG and Head of Legal Affairs & Compliance of the Highlight Group.

Dr. Ingo Mantzke (born 1960)

Member of the Board of Directors and Chief Investor Relations Officer

MBA. Dr. Mantzke worked at BHF-Bank, Frankfurt/Main, from 1987 to 1989 before receiving 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 he 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 1999. His responsibilities include, among other things, being Chief Investor Relations Officer for all activities of the company in the investor and capital market area.

Antonio Arrigoni (born 1968)

Member of the Board of Directors

Swiss certified accountant. From 1996 to mid-2004, Mr. Arrigoni worked as an auditor at KPMG Fides Peat in Zurich and KPMG LLP in Miami/USA. He then moved to Highlight Communications AG, where he took on the role of CFO as a Managing Director. Since 2008, Mr. Arrigoni has been a member of the Management Board of Constantin Medien AG, where he is responsible in particular for Finance, Law, Investor Relations, Human Resources, and Accounting. In 2008, Mr. Arrigoni was elected to the Board of Directors of Highlight Communications AG.

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 in 1990. In 2003 he was elected President of the Board of Directors of Mythen Center Holding AG. Since 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 Dusseldorf from 1959 to 1971. He then joined the Metro Group, Dusseldorf, 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 Highlight's Board of Directors since 2008.

Dr. Dieter Hahn (born 1961)

Member of the Board of Directors

Businessman. Dr. Hahn was appointed to the management of the Kirch Group in 1997. He was responsible for communications and sports rights before becoming the Vice Chairman of its executive body in 1998. As the Vice Chairman of Kirch Holding, Dr. Hahn then took over the departments of Corporate Planning, Communications and Multimedia for the entire group in 2001. As Chairman of the Supervisory Boards of Premiere and ProSiebenSat.1 Media AG, he supervised the TV activities of the group. Today, Dr. Hahn is co-owner and Managing Director of KF 15 GmbH & Co. KG. He has had a seat on Constantin Medien AG's Supervisory Board since 2009 and has been a member of the Board of Directors of Highlight Communications AG since 2011.

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. He was a member of the Board of Directors and a shareholder of the largest Swiss cinema operator KITAG, of Teleclub AG as well as still of CineStar SA, Lugano. Mr. Hellstern has been a major shareholder of Highlight Communications AG since 2003 and a member of the company's Board of Directors since 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 three segments – “Film”, “Sports- and Event-Marketing” and “Other Business Activities”.

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 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, 2013, the market capitalization of the company was around EUR 176.80 million at a closing stock price for the year of EUR 3.97.

1.2.2 Highlight Event & Entertainment AG

Highlight Event & Entertainment AG, headquartered in Düdingen/FR, has been included in the consolidated financial statements of Highlight Communications AG since July 1, 2011 by way of full consolidation. Highlight Event & Entertainment AG 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: HLEE) belong to the Mid & Small Caps Swiss Shares. As of December 31, 2013, the market capitalization of the company was around CHF 27.72 million at a closing stock price for the year of CHF 16.00.

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, 2013, Highlight Communications AG was aware of the following shareholder with a share of more than 5 % of its subscribed capital:

Constantin Medien AG	52.39 %

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, shares of up to a maximum amount of 10% of the company's subscribed capital as stipulated by Swiss law may be bought back.

In the year under review, 1,559,083 treasury shares were bought back and no shares were sold. As of December 31, 2013, treasury stock comprised 2,715,650 shares, equivalent to 5.75% 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 52.39% 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, these 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 June 1, 2012, 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, 2013, the functions of the individual members within the Highlight Group, their nationality and their significant activities and interests outside the Highlight Group:

Bernhard Burgener
Chairman and 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
Advisory Board of Constantin Entertainment GmbH, Ismaning, 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 Constantin Entertainment AG, Pratteln, 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 Rainbow Home Entertainment AG, Pratteln, Switzerland
President of the Board of Directors of Mood Factory AG, Pratteln, Switzerland
President of the Board of Directors of Highlight Event & Entertainment AG, Düdingen, Switzerland
President of the Board of Directors of Highlight Event AG, Lucerne, Switzerland
Member of the Board of Directors of Escor Automaten AG, Düdingen, Switzerland
President of the Board of Directors of Lechner Marmor AG, Laas, Italy
President of the Board of Directors of Laaser Marmorindustrie GmbH, Laas, Italy
Member of the Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland
Member of the Board of Directors of Club de Bâle SA, Basel, 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:
Member of the Board of Directors of Constantin Film Schweiz AG, Basel, Switzerland
Member of the Board of Directors of KONTRAPRODUKTION AG, Zurich, Switzerland
Vice President of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Vice President of the Board of Directors of Constantin 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

Vice President and Delegate of the Board of Directors of Highlight Event & Entertainment AG, Düdingen, Switzerland
Vice President of the Board of Directors of Highlight Event AG, Lucerne, Switzerland
President of the Board of Directors of Escor Automaten AG, Düdingen, Switzerland
Member of the Board of Directors of Handelszeitung Medien AG, Zurich, Switzerland
Member of the Board of Directors of Axel Springer Schweiz AG, Zurich, Switzerland
Member of the Board of Directors of Jean Frey AG, Zurich, Switzerland
Member of the Board of Directors of Amiado Group AG, Zurich, Switzerland
Member of the Board of Directors of Amiado Online AG, Zurich, Switzerland
Member of the Board of Directors of Lechner Marmor AG, Laas, Italy
Member of the Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland
Member of the Board of Directors of IPWR Institut für Politik, Wirtschaft und Recht AG, Basel, Switzerland
Member of the Board of Directors of Pima Canyon JDS AG, Rünenberg, Switzerland
President of the Board of Directors of Inside World Football IWF AG, Basel, 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:
Member of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Managing partner of PeopleNet Verwaltungs GmbH, Königstein, Germany
Supervisory Board of avesco Financial Services AG, Berlin, 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
Managing Director of Constantin Sport Medien GmbH, Ismaning, Germany
President of the Board of Directors of PLAZAMEDIA SWISS AG, Pratteln, Switzerland

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 Holding AG, 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
Member of the Board of Directors of Lechner Marmor AG, Laas, Italy
Member of the Board of Directors of CBE Marmor & Handels AG, Ibach, 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:
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

Dr. Dieter Hahn
member of the Board of Directors since 2011
German national, businessman, attorney, 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
Managing Director of KF 15 GmbH & Co. KG, Munich, Germany
Managing Director of KF 15 Verwaltungs GmbH, Munich, Germany
Managing Director of SIRIUS SportsMedia GmbH, Munich, Germany
Supervisory Board of bitop AG, Witten, Germany
Advisory Board of BNK Service GmbH, Munich, Germany

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:
Member of the 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
Delegate of the Board of Directors of Atlantic-Immobilien und Investment AG, Zurich, Switzerland
Member of the 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 Stella Investment AG, Glarus, Switzerland
Member of the 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 Annual General 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 Internal management and supervision instruments

The Highlight Group's management information system is structured as follows: The financial statements (income statement, balance sheet and statement of cash flows) 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 the main Group companies and tests its effectiveness. External controlling instruments are provided by the auditors.

4. MANAGEMENT

The following disclosures were correct as of December 31, 2013.

4.1 Members of management

4.1.1 Group management

Bernhard Burgener, Chairman and 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, Delegate of the Board of Directors until 2011, Chairman and Delegate of the Board of Directors since 2011.

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, a member of the Board of Directors since 2000.

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 Board of Directors since 1999.

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

Swiss national, businessman, various management activities in the Highlight Group since 1994, a member of Group management since 1999.

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, a member of Group management since 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, Delegate of the Board of Directors of these three companies since 2010.

Jamie Graham, CEO

British national, Marketing Executive, he worked in the media sponsorship and marketing sector in London from 1989 to 2001, and after that was Managing Director at ZenithOptimedia Group London until 2007; since then, he has worked at TEAM initially as Director Marketing and as CEO from 2012.

Simon Crouch, Managing Director & COO

British national, chartered accountant, he worked at Arthur Anderson Ltd. (now Deloitte) in London from 1996 until 2000; he was Senior Consultant at Spectrum Strategy Consultants in London from 2000 until 2008; since then, he worked at TEAM initially as Director Strategy and as Managing Director Marketing as well as COO from 2012.

Jan Werner, Managing Director & CFO

Swiss national, finance and accounting graduate, worked for various companies from 2004 until 2011, including Warner Music Group and Ifolor as Finance Director and CFO, and has been CFO at TEAM since 2011.

Thomas Schmidt, Managing Director TV Sales

German national, sales executive, worked in media, communications and marketing in Germany from 1992 to 2001; he worked as Project Leader Sales at Highlight Communications AG from 2001 until 2002, and after that as Head of Sales. Since 2012, has been with TEAM as Managing Director Media & TV Sales.

Tom Houseman, Managing Director Legal & Business Affairs

British national, lawyer, he worked at ISL Worldwide AG, Lucerne, from 1990 to 2001 and at FIFA, Zurich, as Head of Legal Affairs and a member of the Management Board of FIFA Marketing until 2007, then at Wharf House Pte Ltd, Singapore, as Managing Director and Board Member, then at UFA Sports Asia Pte Ltd, Singapore, and, since March 2013, as Managing Director Legal & Business Affairs at TEAM.

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 home entertainment since 1999, many years of management experience within the Highlight Group.

4.1.4 Constantin Film (Film segment)

Bernhard Burgener, CEO, Licenses and rights trading

Swiss national, member of the Supervisory Board since 2003, Chairman of the Supervisory Board from 2006 to 2008, Chief Executive Officer since 2009, responsible for corporate strategy, corporate communication, legal affairs, national license and rights trading as well as TV entertainment production.

Hans Beese, CFO

German national, CFO since 2004, responsible for the areas of finance, accounting, risk management, HR, information technology, management and organization.

Martin Moszkowicz, Film and television

German national, producer and Managing Director since 1991, today Board member film and television, responsible for the production of film and television, theatrical distribution/marketing and press relations, international license trading, international distribution and sales including marketing and press relations, film purchasing of German-language productions for German theatrical release.

Franz Woodtli, Cinema and home entertainment

Swiss national, Board member cinema and home entertainment since 2004, responsible for home entertainment, distribution/sales and exploitation of auxiliary rights.

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 4.469 million (previous year's period: CHF 4.344 million) and was paid to eight people. This includes fees and expenses (see notes to the financial statements of Highlight Communcations AG, note 8).

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, 2013, the Directors held the following shares in the company:

	Shares	Share in capital
Bernhard Burgener	2,000,000	4.23 %
René Camenzind	628,715	1.33 %
Martin Hellstern (MH Movie Holding AG)	200,000	0.42 %
Dr. Erwin V. Conradi	177,000	0.37 %
Dr. Ingo Mantzke	100,000	0.21 %
Dr. Dieter Hahn	21,000	0.04 %
Antonio Arrigoni	–	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 1.920 million (previous year's period: CHF 1.874 million) (see notes to the financial statements of Highlight Communications AG, note 8).

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 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 statutory auditor for Highlight Communications AG is elected for a period of one year subject to a resolution passed by the Annual General Meeting. PricewaterhouseCoopers AG in Lucerne audited our annual financial statements for the year ending December 31, 2001, for the first time. Mr. Bruno Häfliger is the auditor in charge since fiscal year 2007.

8.2 Auditing fees

A sum of TCHF 100 was accrued for auditing services of PricewaterhouseCoopers AG in fiscal year 2013, and TCHF 120 were paid. Additional fees of TCHF 5 were invoiced by PricewaterhouseCoopers AG for assistance with and the preparation of projects (incl. taxes) relating to the AG and the Group.

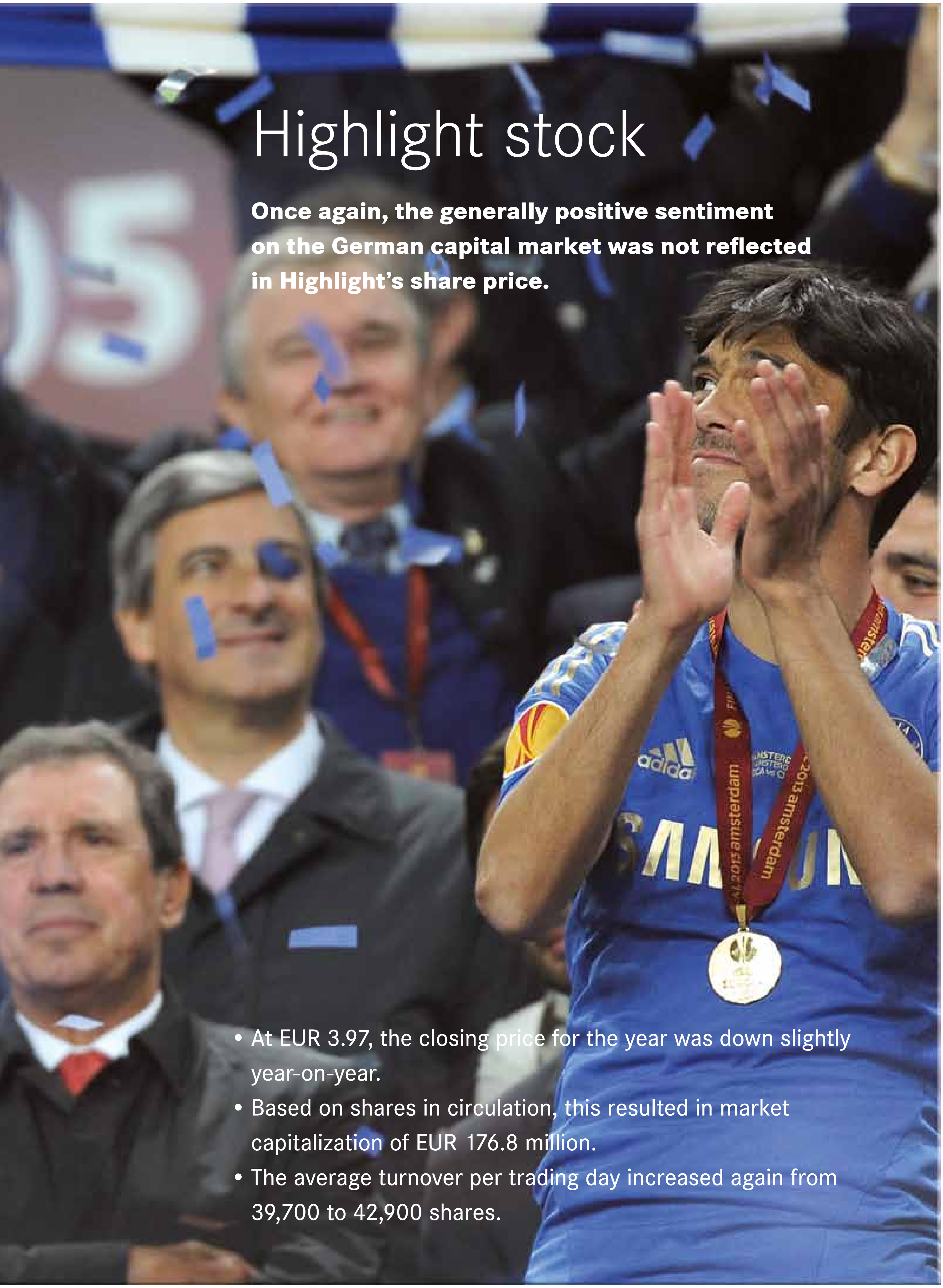
9. INFORMATION POLICY

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 disclosures.

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 about the company.

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.

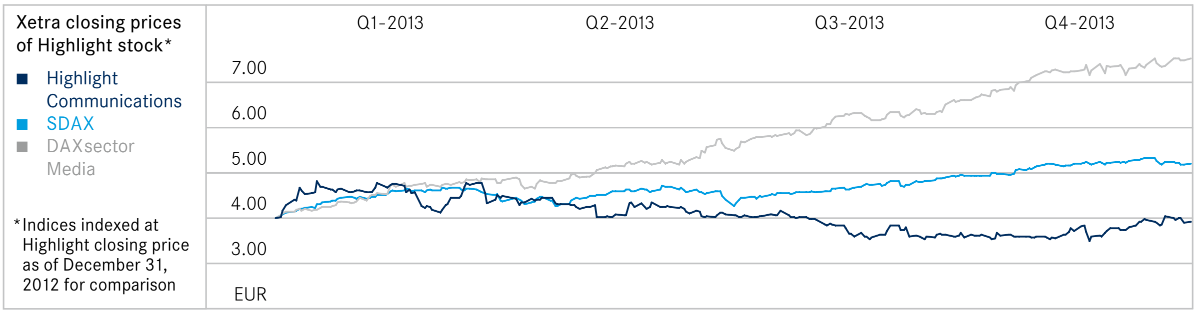
Victory at the last minute: Chelsea FC beat SL Benfica in an exciting UEFA Europa League 2013 final.



Highlight stock

Once again, the generally positive sentiment on the German capital market was not reflected in Highlight's share price.

- At EUR 3.97, the closing price for the year was down slightly year-on-year.
- Based on shares in circulation, this resulted in market capitalization of EUR 176.8 million.
- The average turnover per trading day increased again from 39,700 to 42,900 shares.



Stock markets reach record levels

Stock market investors will remember 2013 very fondly. All major benchmark indices posted strong double-digit increases and many of them reached new record highs over the course of the year. This development resulted in stocks achieving significantly higher returns than all other investment classes (bonds, annuities, gold, etc.) in the past year.

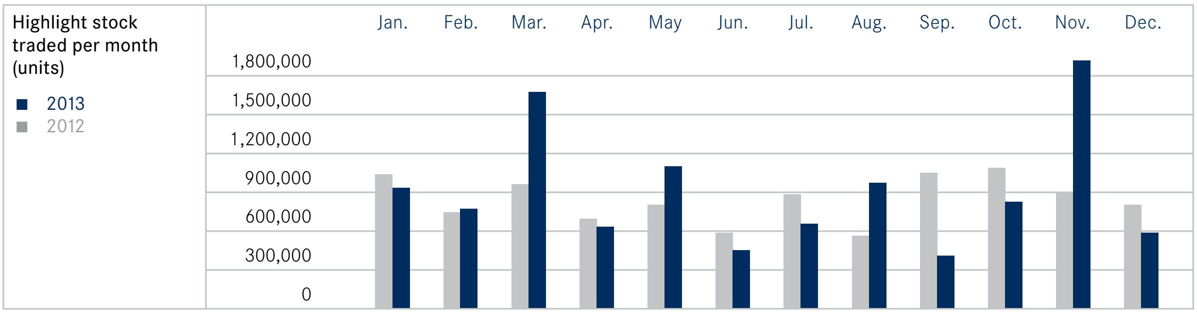
Growth was primarily driven by the continuing expansive monetary policy of central banks, particularly the US Federal Reserve and the European Central Bank, which supplied large amounts of money on the one hand and kept lending rates at an extremely low level on the other. Furthermore, there were more and more indications – especially in the second half of the year – of an imminent recovery by the global economy and of a major easing of the debt crisis in the euro zone.

The generally good stock market climate dimmed only in June, after the president of the US Federal Reserve had announced that its bond-buying program in the amount of USD 85 billion per month might be discontinued from the middle of 2014. This announcement led to a dive in prices on the stock markets as participants feared that bond-buying could be curbed from as early as fall 2013. However, after these concerns turned out to be unfounded, share prices began a true rally that lasted until the end of the year.

Against this backdrop, for example, the Dow Jones Industrial Average Index gained 26.5 % over the year – its strongest rise since 1995. It also closed at 16,577 points on December 31, 2013, thereby setting a new record high. However, the clear winner among the benchmark indices was the Japanese Nikkei, which climbed by 56.7 % to 16,291 points. The Nikkei had last seen these heights more than 40 year ago.

The Swiss Market Index (SMI), which tracks the share price performance of the 20 Swiss companies with the highest market capitalization, also set a new record with a high of 8,411 points in the middle of May 2013. It therefore broke through the 8,400-point line for the first time since 2007. At the end of the year, the SMI closed at 8,203 points, corresponding to an increase of 20.2 % compared to December 31, 2012 – the best performance in eight years.

The DAX performed even better, rising above 9,500 points for the first time at the end of December 2013 and ending the year at 9,552 points. The German benchmark index therefore climbed by 25.5 % over twelve months. The SDAX small cap index, which also included Highlight's stock until September 22, 2013, closed at 6,789 points, increasing its value by 29.3 %. However, the strongest rise was enjoyed by the index for German media stocks (DAXsector Media), which improved significantly by 86.7 % from 183 points to 341 points.



Highlight stock remains undervalued

Highlight's stock did not benefit from the generally very positive performance among SDAX and DAXsector Media shares in the period from January to December 2013. It ended the year down slightly by 0.3 % after a changeable share price development.

Having begun the year on the stock market at a price of EUR 3.98 (December 31, 2012), price performance was dominated by a strong upswing until the middle of January, pushing the price to the highest closing price for the year of EUR 4.72. With high volatility, the price then fluctuated within a corridor of between EUR 4.10 and EUR 4.70. At the end of the first quarter, Highlight stock closed on Xetra at EUR 4.43, corresponding to a significant rise of 11.3 %.

In the first five trading weeks of the second quarter, the share price generally trended downwards, reaching a level of EUR 4.00 at the start of May. The recovery phase that followed allowed the price to briefly return to EUR 4.30, before the general market weakness in June led to a steady downward phase that again ended at EUR 4.00. After rising to EUR 4.04 as of the end of the quarter, the stock was up slightly by 1.5 % for the first half of the year.

The months of July and August were characterized by a further downward trend, which then transitioned to a lateral drift in September and October at a level of between EUR 3.60 and EUR 3.65. After a brief phase of weakness at the start of November, which dragged the price of Highlight stock to its lowest closing price for the year at EUR 3.52, a clear rising trend set in, during which the price again rose to EUR 4.02 in early December. On the last trading day of the year, Highlight stock closed on Xetra at EUR 3.97. As of the end of the year, the 52-week high was EUR 4.79 (March 19) while the 52-week low was EUR 3.43 (November 7).

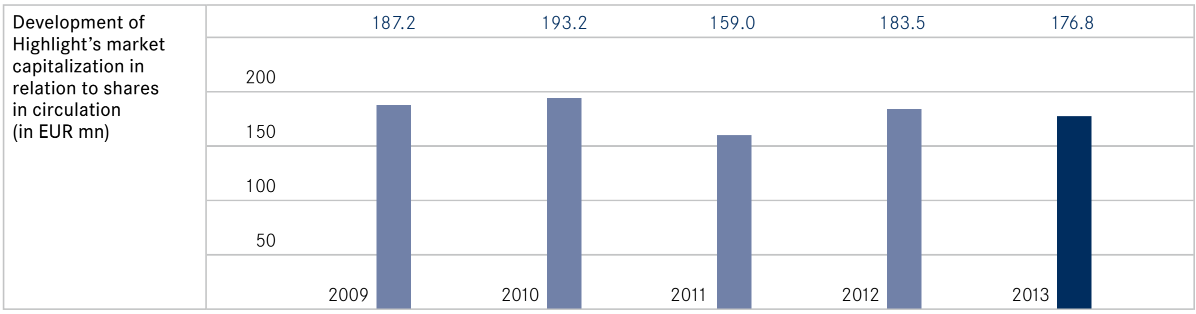
Trading volume continues to rise

Around 10.85 million Highlight shares were traded on the Xetra trading system of Deutsche Börse AG in the period under review. This again marks an increase of 7.5 % as against the previous year (around 10.09 million). The average turnover per trading day therefore increased from 39,700 to just under 42,900 shares. According to Deutsche Börse AG's ranking for the segments below the DAX, Highlight shares were therefore ranked 103rd in terms of trading volume as of the end of the year (December 31, 2012: 97th). It placed 111th (December 31, 2012: 98th) in terms of free float market capitalization.

Despite these ranking positions and as part of the reorganization of the SDAX, Highlight's stock was removed from the index effective September 23. Nonetheless, the performance of the SDAX remains the benchmark for our company.

Further dividend payment of CHF 0.17 planned

Despite the disappointing price performance of Highlight's stock, we would like to again share our company's economic earnings power with our shareholders. For this reason, the Board of Directors will propose the approval of a dividend distribution of CHF 0.17 per entitled share for fiscal year 2013 at the Annual General Meeting on May 30, 2014.



Significant increase in treasury stock

As of December 31, 2013, the subscribed capital of Highlight Communications AG was unchanged at CHF 47.25 million, divided into 47.25 million bearer shares with a nominal value of CHF 1.00 per share. Over the second and third quarter of 2013, the company acquired a total of 1,559,083 million treasury shares without voting rights, as a result of which the treasury stock rose to around 2.72 million as of the end of the reporting year. These account for 5.75 % of the subscribed capital. After deducting these shares, there were 44.53 million shares outstanding as of the end of the reporting period.

52.39 % of Highlight's shares are held by Constantin Medien AG. Furthermore, significant share packages are held by members of the Board of Directors as well as private and institutional investors. As of December 31, 2013, the free float amounted to 41.86 % as per the definition of Deutsche Börse AG.

In August 2013, the Chairman and Delegate of the Board of Directors, Bernhard Burgener, acquired a total of 50,000 Highlight shares, thereby increasing his holdings to 2.0 million shares. We did not receive any notifications from the other members of the Board of Directors or the Group management regarding acquisition or sales transactions subject to reporting in the entire reporting year.

In addition to Mr. Burgener, only the member of the Board of Directors René Camenzind held direct or indirect shareholdings accounting to more than 1 % of the subscribed capital as of December 31, 2013. The shareholdings and share interest from options of the individual members of the Board of Directors and the management of the Highlight Group (including related parties) were as follows as of December 31, 2013:

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

Investor relations activities characterized by active communication

One of the main areas of our investor relations activities is informing investors, analysts and the financial press in as detailed and comprehensive a manner as possible. The basis for this is primarily our timely published annual and interim reports, which give a detailed insight into the current performance of our company. We also inform market players about all key events in the Highlight Group in the form of press releases and ad-hoc disclosures.

However, the core element of our investor relations work is and will remain personal communication by means of active and open dialogs. This is why we performed presentations and roadshows at international financial centers such as Frankfurt, London, Luxembourg and Zurich in 2013. We were also available to field questions from market players at the German Equity Forum – the most important investors' fair for small and medium-sized enterprises in Europe. Our stated aim is to use this type of public relations work to achieve a fair valuation of Highlight's shares and to convince potential shareholders of the intrinsic value of an investment in our company.

In addition to direct communication, our website (www.highlight-communications.ch) is the main information tool for all interested parties. It offers all relevant facts on the history and the current development of the Highlight Group in a clearly laid-out format. In order to ensure equal treatment of all market players, new documents and information are always published on this medium in a timely manner. In addition to financial reports, interim reports, press releases, and ad-hoc disclosures, this relates mainly to transactions with treasury shares and acquisition/sale of shares by Highlight's management. Our financial calendar also has all the dates of the most important events and publications.

Information on Highlight stock as of December 31, 2012

Subscribed capital	CHF 47.25 million
Number of shares	47,250,000
Stock class	Ordinary bearer shares
Shares in circulation	44.53 million
Market capitalization (based on shares in circulation)	EUR 176.8 million
Year-end price	EUR 3.97
52-week high (March 19)	EUR 4.79
52-week low (November 7)	EUR 3.43
Earnings per share	EUR 0.17

Key data of the Highlight stock

Securities code number (WKN)	920 299
ISIN	CH 000 653 9198
Ticker	HLG
Reuters identification code	HLGZ.DE
Index	DAXsector Media
Traded at	Berlin, Dusseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra

Highlight reflected by current analyses

Close Brothers Seydler Research	November 2013	Buy (target price: EUR 5.00)
DZ BANK	August 2013	Buy (target price: EUR 7.00)

Red carpet in Berlin:
Actress Marie Bäumer was greeted enthusiastically by a large number of fans at the premiere of the Constantin Film TV production “Das Adlon. Eine Familiensaga”.

Report on the Highlight Group's situation

In what remains a challenging market environment, the economic development of the Highlight Group was characterized primarily by a considerably higher production volume in comparison to the previous year.

- At CHF 386.2 million, consolidated sales were in the top third of the forecast of CHF 350 million to 400 million.
- Consolidated net profit attributable to Highlight shareholders was lower than in 2012 at CHF 9.7 million, due, among other things, to the change in the business relationship with UEFA.
- At CHF 107.2 million, consolidated equity (including non-controlling interests) was slightly below the previous year's level.
- Net debt increased to CHF 107.7 million due to the higher production volume.

BASIC INFORMATION ON THE GROUP

Group structure and operating activities

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

Film segment

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

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

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

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

Sports- and Event-Marketing segment

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

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

Blockbuster of the year 2013: "Fack ju Göhte"

Other Business Activities segment

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

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

Control system and performance indicators

Group management

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

Financial performance indicators

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

Non-financial performance indicators

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

- In the TV service production business area, range and market share are important parameters – for both public and private broadcasters – for judging the success of a broadcast format with the public. Furthermore, these values are often the basis for decisions on commissioning productions in the future.

Witty father-and-son comedy: "Da geht noch was"

- In the theatrical distribution business area, the audience generated by a film is one of the key factors, as theatrical success usually also impacts on the subsequent stages of exploitation, particularly in the home entertainment area. Despite intensive prior market research in the target groups, the taste of the movie-going public is only assessable tc a limited extent. In addition, the movies released by the Constantin Film Group are always in competition with titles brought out concurrently by other distributors. Consequently, even a marketing campaign perfectly geared towards the respective film cannot always attract as many people as expected.
- The Constantin Film Group is exposed to strong competition with regard to the purchase of rights to literary works and screenplays as well as the conclusion of contracts with successful directors, actors and film studios. Constantin Film AG therefore has decades of experience working closely with renowned and experienced screenwriters, directors and producers with extensive expertise in producing movies and TV formats at home and abroad.
- Technical and content-related expertise are crucial factors, not only in view of the increasingly digital and convergent patterns of media use and the transformation towards the use of cross-platform offerings. Accordingly, the recruitment, fostering and retention of well-trained, skilled, committed and creative employees are of great importance.
- Other major indicators for the success of the Highlight Group are a highly-developed network of contacts as well as close, trusting relationships with business partners. In the Film segment, cooperation with screenwriters, directors and producers in Germany and abroad is particularly important. In the Sports- and Event-Marketing and Other Business Activities segments, trusting business relationships with rights-holders as well as existing and potential sponsors are crucial to the marketing of international major sporting events, entertainment events and shows.

Legal influencing factors

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

Film segment

In the Film segment, the Constantin Film Group is subject to several statutory regulations, including the German Youth Protection Act. One aspect is the obligation to submit movies and video films to the FSF – a German organization for the voluntary self-regulation of television – for age classification. Furthermore, the Constantin Film Group must comply with the provisions of copyright legislation.

In film production, the Constantin Film Group uses various national and international public film subsidies. The Federal Government subsidizes the production of movies in Germany in order to improve the economic situation of the film industry in Germany, support companies in the film industry, boost their international competitiveness and develop Germany as a film production location on a long-term basis. In 2012, the Federal Gov-

Exciting youth adventure sequel: "The Famous Five 2"

ernment provided around EUR 30 million for the production of German films via sponsorship programs and awards. It also provided EUR 70 million for the German Federal Film Fund (DFFF), which refunds producers for up to 20 % of film production costs. In addition, the German federal states provide substantial funds each year for the production of German films. Furthermore, film subsidies are allocated by the European Union.

Some film subsidies come with restrictions and conditions attached. For instance, specific holdback periods for the exploitation of subsidized films must be observed under the German Film Promotion Act (18 months after theatrical release for pay TV, 24 months on non-encrypted TV).

The amended version of the German Film Subsidies Act (FFG) came into force on January 1, 2014. It was passed by the German Bundestag on June 12, 2013 and approved by the German Bundesrat on July 5, 2013. Instead of the usual five years, the new FFG runs for three years in order to take the fast pace of technological change in the industry into account. The main changes in the amended Act include flexibility of the holdback periods and the inclusion of digitization of older films in the remit of the German Federal Film Board (FFA).

On January 28, 2014, the German Federal Constitutional Court rejected a constitutional complaint by major cinema operators against the FFG. The plaintiffs referred to discrepancies in the distribution of payment obligations in line with the FFG, and also argued that film subsidies were in the cultural sphere and therefore the legal responsibility of the individual federal states. In its decision, the Court confirmed the legislative authority of the German Federal Government as well as the legitimacy of the current form and structure of German film subsidies.

The Cinema Communication of the EU Commission awaited by the European film industry has been approved, with the result that there will be no major changes to the subsidy options of the FFA or DFFF. One of the most fiercely contested and much-discussed topics was the permissibility of the linking of subsidies with geographical areas. Previously, the producer of a subsidized film could be ordered to spend up to 80 % of the total film budget in the country in which the subsidies were granted. According to the new regulations, up to 160 % of the subsidy amount must be spent in the region in which the subsidy measure was approved. In addition, the scope of application of the Cinema Communication has been extended beyond production to the upstream and downstream areas of film production.

Sports- and Event-Marketing segment

On October 4, 2011, the European Court of Justice (ECJ) issued the "Murphy judgment" concerning the granting of exclusive TV rights for football matches. In its judgment, the ECJ stated that the granting of absolute territorial exclusivity to broadcasters in the EU in a way that prohibits them from offering their TV services in other EU markets is contrary to the principle of the freedom to provide services in the EU. The impact of this decision on activities in the Sports- and Event-Marketing segment is still unclear.

Other Business Activities segment

With regard to the operation of online gaming business models, the Highlight Group is also subject to various national laws such as the 2012 German State Treaty on Gambling, for example.

Fourth sequel to the horror film parody: "Scary Movie 5"

Market research and development

Collection and analysis of market data in the areas of audience, user and customer research is important to the development and enhancement of the business areas in which the Group operates so that trends in the respective industry segments and changes in patterns of consumer behavior can be anticipated or responded to quickly. Furthermore, the data and findings obtained are used throughout the Group in order to provide business partners with authoritative and sound information.

To this end, the Group works with various different companies specializing in this area. In the field of market and TV audience research, these companies are Arbeitsgemeinschaft Fernsehforschung (AGF) and Gesellschaft für Konsumforschung (GfK). For online business, the Group works with Arbeitsgemeinschaft Online Forschung (AGOF) and Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e.V. (IVW), which report monthly data on unique users, page impressions (PI) and visits of online advertising media. For mobile business, visits are also reported by IVW; download figures are calculated via App figures, the Android developer market and the YouTube content management system.

In addition, in-house productions in the Film segment undergo an audience test in the form of screenings. Awareness figures are also collected for current movie releases, partly in order to assess the effect of marketing work for the film in question and optimize this if necessary.

In addition to these purely quantitative performance measures, qualitative data is also an important basis for assessing, classifying and aligning the strategic and operational production, exploitation and marketing activities within the various segments. Wide-ranging studies and research work on the development of the media industry are also used here, as well as surveys, screenings and audience tests relating to the Group's products.

ECONOMIC REPORT

General economic environment

International Monetary Fund (IMF) calculations published in January 2014 show that the global economy grew by just 3.0 % in 2013 (2012: 3.1 %). Global economic growth was primarily affected by the ongoing economic difficulties in some euro-zone states. As the year progressed, another factor was a slowdown in the pace of growth in the emerging nations, resulting in an increase in economic output of just 4.7 % in these economies (2012: 4.9 %).

For the group of industrialized nations, the IMF calculated an increase of 1.3 % (2012: 1.4 %), with the USA and Japan performing relatively well, posting growth of 1.9 % (2012: 2.8 %) and 1.7 % (2012: 1.4 %) respectively. In the euro zone, whose situation was viewed more optimistically by economic experts at the end of the year than at the start of the year, economic output declined by a further 0.4 % (2012: -0.7 %). In particular, countries affected by the debt crisis such as Italy (-1.8 %) and Spain (-1.2 %) continued to fall into deep recession.

Big screen adaptation of an international bestseller: "The Mortal Instruments: City of Bones"

In mid-December 2013, the State Secretariat for Economic Affairs (SECO) forecast a sound 1.9 % rise in gross domestic product (GDP) for Switzerland, a considerable improvement on the previous year (1.0 %). Growth was driven by the domestic economy: Government consumption increased by 2.1 %, private consumption by 2.3 % and construction investment by as much as 2.8 %. Another key pillar was the minimum euro exchange rate set in fall 2011, which continues to stabilize the monetary environment.

Last year, Germany posted its weakest economic growth since the recession year of 2009. Based on the provisional calculations published by the German Federal Office of Statistics (Destatis) in mid-January 2014, price-adjusted GDP grew by only 0.4 % (2012: 0.7 %). It was a particularly disappointing year for the otherwise robust German export sector, which grew by just 0.6 % (2012: 3.2 %) as the challenging external economic environment persisted.

The situation is similar in the Austrian economy, for which the Austrian Institute of Economic Research (WIFO) forecast a 0.3 % increase in real economic output in mid-December 2013 (2012: 0.6 %). The main contributors to this growth were goods exports (+2.5 %) and goods manufacturing (+0.8 %). By contrast, there were declines in private consumption (-0.1 %) and gross investments (-1.4 %).

Media and entertainment market environment in Germany

Essentially, the development of the media and entertainment industry in Germany is consistent with that of the economy as a whole, with spending on advertising being generally more in tune with and alert to economic changes than spending patterns of consumers.

For 2013, the market experts at the auditing company PricewaterhouseCoopers AG (PwC) forecast positive development in the industry with revenues growth of 2.4 % to EUR 66.05 billion (2012: +1.8 %). Advertising expenditure was expected to rise by 1.2 % (2012: -0.1 %) and consumer spending by 2.9 % (2012: +2.4 %). Impetus for growth and development here continues to come from digitization, which results in convergence of media formats as well as changes to the device landscape and media use. It is therefore the key influencing factor for the business models of all companies that operate in the media market. Accordingly, for example, PwC expected above-average revenues growth of 9.6 % for online advertising in 2013, while a decline in revenues was forecast for conventional media such as newspapers and magazins.

Rare award:
The “Fack ju Göhte” team (shown here: director Bora Dagtekin, producer Lena Schömann and leading actor Elyas M’Barek) received the “Goldene Leinwand mit Stern” prize.

Management report

Film segment

Report on business performance and the situation

SECTOR-SPECIFIC SITUATION

Theatrical production/acquisition of rights

Supply and demand for high-quality licensed product were generally weak on the major film markets in Berlin, Cannes, Toronto and Los Angeles in 2013. This development is chiefly due to the fact that conclusion of related contracts at these markets is now the exception rather than the rule. In addition, the far-reaching changes in the film industry have also left their mark on the film markets, with the possibilities of digitization and the strategic orientation of the Hollywood studios also changing the market.

At national level, the amended version of the FFG, which came into force on January 1, 2014, has attracted criticism. Many players in the film industry – including the German Producers Alliance – saw the extent of the changes resolved as too limited, and discussed further necessary steps. They claim that a comprehensive reform of the FFG is needed with a clearer, future-proof orientation. However, industry representatives admit that this reform is politically not possible at this time.

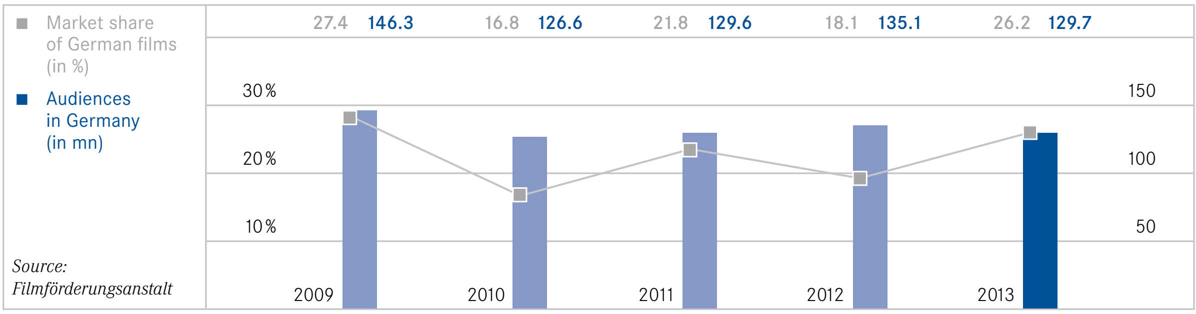
TV service production

The situation of German television producers is getting more difficult year by year. This was the conclusion of the German Producers Alliance's annual survey of its members, published at the beginning of December 2013. 52 % of companies surveyed stated that their revenues fell last year – more than twice as many as in the previous year (21 %). Accordingly, only 39 % of producers rated their current economic situation as positive, and even fewer (38 %) expected positive future development.

This pessimistic attitude is based on the fact that the TV stations are investing an increasingly small proportion of their resources in TV formats, even though the income level of the public broadcasters is consistently high and the private broadcasting groups are regularly announcing new record results.

For the TV producers, this means that a commissioning broadcaster does not bear the costs for development of a new format, for example, or does not accept specific budget items (technical services, fees etc.) while still insisting that quality remains high. Against this background, 51 % of respondents anticipate a negative development of private broadcasters' budgets, and as many as 62 % expect further public broadcasters' budgets to be cut further.

With regard to TV consumption, according to a joint study by European TV associations, linear television is still the preferred medium for the vast majority of Europeans. For the first time, these associations assessed viewing figures for summer 2013 and compared the times of use of video content on the Internet with those of traditional television consumption. It was found, for example, that German viewers spend an average of 130 hours per month consuming television, while the time they spend on YouTube stands at just three hours.



Theatrical distribution

On the German movie market, the magic EUR 1 billion revenues barrier was broken for the second time in a row in 2013. Box-office takings of EUR 1.023 billion were only around 1% down on the previous year (EUR 1.033 billion), marking the second-best result since records began. This result was unexpected after the relatively weak third quarter, and is largely attributable to the strong performance of several films from October to December 2013.

Ticket sales fared much worse, falling by 4% to 129.7 million (2012: 135.1 million). This trend discrepancy between revenues and audiences stems from the fact that expensive 3D screenings remain highly popular in Germany, in contrast to the USA. A total of 31.3 million moviegoers (2012: 28.9 million) opted for a 3D film in 2013, an increase of 8.3%.

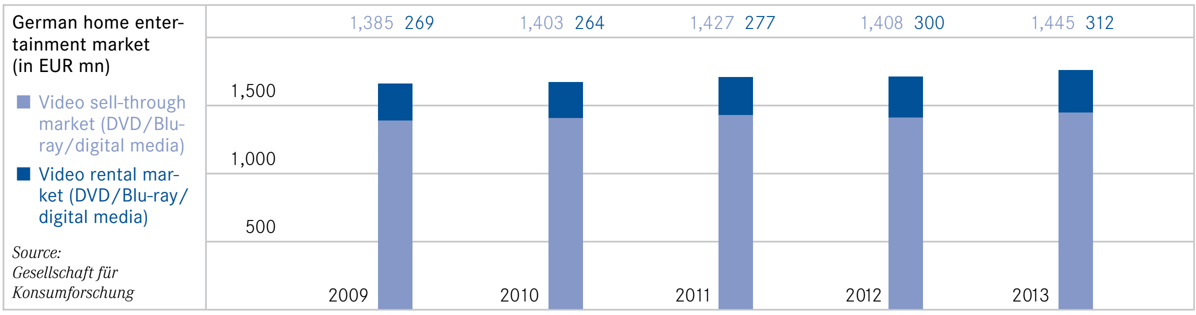
The most-watched film of the year by far was Constantin Film's surprise hit "Fack ju Göhte", which exceeded all expectations with an audience of 5.6 million people up to the end of 2013. Second place went to the sequel "The Hobbit: The Desolation of Smaug", seen by around 4.6 million people, followed by the Quentin Tarantino western "Django Unchained" (around 4.5 million) and the 3D CGI comedy "Despicable Me 2" (just under 3.7 million).

Viewed as a whole, German own and co-productions also achieved much better results in 2013 than in the previous year. The number of the tickets sold rose by 40.0% to 33.6 million (2012: 24.0 million). The market share of German productions shot up accordingly from 18.1% to 26.2% – the highest figure since 2009.

Home entertainment

The German home entertainment industry continued to grow in 2013. At EUR 1.757 billion, total revenues were up 2.9% on the previous year (EUR 1.707 billion), and record earnings were generated from the sale and rental of film content. One particularly pleasing aspect is the fact that both the video sell-through market and the video rental market contributed to this increase.

The video sell-through market grew by 2.6% to a new all-time high of EUR 1.445 billion (2012: EUR 1.408 billion), with business in physical products continuing to dominate. Revenues from DVD sales fell by 3.4% to EUR 0.984 billion (2012: EUR 1.019 billion). However, substantial increases in the Blu-ray segment more than compensated for this decrease. Retail revenues of EUR 410 million were generated from Blu-ray discs in 2013 (2012: EUR 343 million) – a rise of 19.5%. Consequently, Blu-ray discs have already increased their share of the video sell-through market to 28% (2012: 24%). Revenues in electronic sell-through were up 13.0% at EUR 52 million (2012: EUR 46 million).



The drop in DVD and Blu-ray disc retail prices that has been evident for several years continued in 2013. For instance, at EUR 11.20, the average DVD cost 1.7 % less than in the previous year (EUR 11.39), while the average price of a Blu-ray disc fell by as much as 5.8 % to EUR 14.00 (2012: EUR 14.86).

At EUR 312 million, revenues on the video rental market were up 4.0 % on the previous year's figure (EUR 300 million). The main reason for this was another sharp rise in income from digital rentals, which grew by 32.5 % to EUR 102 million (2012: EUR 77 million). This means that video-on-demand or pay-per-view transactions accounted for around a third (2012: 25.7 %) of video rental market revenues. By contrast, revenues from rentals of physical data carriers decreased by 5.8 % to EUR 210 million (2012: EUR 223 million).

License trading/TV exploitation

"Digitization" and "smart TV" were again the most-discussed topics in the TV industry in 2013. In particular, the number of smart TVs (television sets with an Internet connection) is increasing rapidly in Germany. By mid-2013, as many as 58 % of all television sets sold were equipped with an online connection, and the figure is likely to have risen to 70 % by the end of the year. Smart TVs accounted for just 47 % of set sales in 2012. Accordingly, the number of households with web-enabled TVs is rising strongly. The industry association BITKOM assumes that almost one in three German households (30 %) had a smart TV by the end of 2013.

However, it is also apparent that consumers are hardly using the online function of their TV sets so far, as smart TVs are generally still operated via conventional remote control, which proves complicated in many cases. For this reason, six out of ten users prefer to access websites via their notebooks or tablet PCs. The most important functions so far in the use of smart TVs include online media libraries of TV stations and video-clip sites, whereas video games, online networks and Internet shopping are less in demand.

Hardcore action and human drama: "Parker" and "3096 Tage"

OPERATIONAL DEVELOPMENT

Theatrical production/acquisition of rights: Further expansion of and focusing on own and co-productions

Filming of 13 Constantin Film Group own and co-productions took place in 2013. For example, at the start of July, filming began on the third installment of the hit series "The Famous Five", based on the novels of Enid Blyton. Shooting for this co-production with SamFilm GmbH was completed at the end of August. The film was released in German theaters in mid-January 2014, and – like its two predecessors – has been seen by more than a million moviegoers so far.

March to July 2013 saw filming of the 3D action adventure "Pompeii", which portrays the eruption of Vesuvius in 79 BC – one of the greatest disasters in history. Directed by Paul W.S. Anderson, the film was designed for the international theater markets, and is a Constantin Film co-production with Impact Pictures. It was released in German theaters at the end of February 2014.

Filming of the romantic comedy "Love Rosie", based on the bestselling novel of the same name by Cecelia Ahern, started in mid-May. This international co-production will be released in German theaters at the end of October 2014.

Films in production for German-speaking regions in the reporting year included the screen adaptation of Charlotte Roche's bestseller "Schossgebete" (scheduled theatrical release: mid-September 2014), the new Doris Dörrie comedy "Alles inclusive" (in theaters since the start of March 2014), the comedy "Irre sind männlich" (scheduled theatrical release: mid-April 2014) and the fantasy film "Mara und der Feuerbringer" (in theaters from the start of October 2014).

In rights acquisition, fewer licensed titles were acquired overall in 2013 than in the previous year, partly because of the weaker supply on the market as a whole, and partly due to the partnership concluded with the US studio DreamWorks in 2012. Purchases by the Constantin Film Group at the film market in Cannes included "Step Up: All In". The fifth installment of the successful dance franchise in 3D is set to arrive in theaters in Germany at the beginning of August 2014. Later in the year, the Group also secured the theatrical and video rights to the US romantic comedy "The Reluctant Professor", starring Hugh Grant and Marisa Tomei. The horror western "Bone Tomahawk", featuring Kurt Russell and Jennifer Carpenter, was also acquired.

TV service production: Expansion of customer base

After years of contracting and dwindling orders, the situation on the German TV service production market again eased slightly for the Constantin Film Group in the reporting year. In addition, production activities on the international markets, including via the subsidiary Nadcon Film, were stepped up.

In the area of TV entertainment, Constantin Entertainment GmbH again increased its results compared with previous years, although it failed to match its record set in 2009. Key factors here were the commissioned new formats "Im Namen der Gerechtigkeit" and "Shopping Queen", improved project results for docusoaps and successfully concluded ter-

High viewing figures: "Willkommen in Hamburg" – the first "Tatort" episode with Til Schweiger

mination agreements with Sat.1 regarding the canceled daily shows "Mein perfektes Date" and "Die Sat.1 Fashion Queen". Another pleasing aspect is that Sat.1 was not virtually the only customer, as was the case in many previous years. By contrast, TV formats were also placed with VOX, RTL, RTL2 and the public broadcasters.

Theatrical distribution: "Fack ju Göhte" best movie of 2013

Constantin Film AG experienced a varied theatrical year in 2013, although it was crowned by the outstanding performance of the Bora Dagtekin comedy "Fack ju Göhte". Released in German theaters at the beginning of November, the movie, produced by the Constantin Film subsidiary Rat Pack Filmproduktion GmbH, went straight to the top of the charts. In less than three weeks, "Fack ju Göhte" was already the most successful German film of 2013.

The Constantin Film co-production "The Famous Five 2", released at the end of January 2013, was also a big hit with the public. In total, Constantin Film AG released 15 titles (nine in-house/co-productions and six licensed movies) in German theaters last year.

Home entertainment: Consolidation of market position

Against the generally positive background in the home entertainment market, the Highlight Group consolidated its position in German-speaking regions in the reporting year. In 2013, our product portfolio was again driven by the new releases under the Constantin Film label – in particular the international theatrical hit "Resident Evil: Retribution" starring Milla Jovovich. The two licensed titles "Step Up Revolution" and "Parker", released at the beginning of February and in mid-July respectively, also generated very pleasing sales figures.

License trading/TV exploitation: Sales-relevant development

In the Constantin Film Group's license trading area, the start of the initial licenses of "Carnage", "The Courier", "Wickie and the Treasure of the Gods", "American Pie" and "Blutzbrüdaz" had a positive impact on slaes in 2013. All these films were licensed for the pay-TV station Sky Deutschland.

In the free-TV sector, other contributions came from initial licenses for "The Resident", "Freche Mädchen 2", "Resident Evil: Afterlife", "Wir sind die Nacht", "Animals United", "The Switch", "Die Superbullen", "Vorstadtkrokodile 3", "13 – Thirteen", "Glück" and "Türkisch für Anfänger". In secondary marketing, licenses for movies including "Hui Buh – Das Schlossgespenst", "D.O.A. – Dead or Alive", "Resident Evil" and "Siegfried" commenced in the reporting year.

Ongoing development of digital exploitation models

Constantin Film AG has always had an open-minded approach to digital advancements, and is working with its partners – both public and private broadcasters – on new models with which the legal distribution of content on the Internet is lucrative for rights holders and also attractive to users.

Furthermore, at the end of June 2013, Constantin Film AG entered into a cooperation with Mediakraft Networks GmbH, Germany's largest Internet TV broadcaster with portals such as YouTube and Clipfish. The aim of the collaboration is to provide a young audience with high-class entertainment on a digital platform. To this end, the two companies intend

Successful in the movie theaters and on TV: "Dampfnudelblues. Ein Eberhoferkrimi"

to combine movie and online TV content and produce new formats for both media types. In addition, Mediakraft Networks will help Constantin Film AG to achieve a greater reach for film trailers on YouTube and maintain the rights to original Constantin Film content on this video portal.

Conclusion of extensive and long-term framework agreements with renowned partners

Also at the end of June 2013, Constantin Film AG concluded a new framework licensing agreement with ProSiebenSat.1 Media AG. This agreement covers a period of two years and contains the free-TV and video-on-demand exploitation rights for all Constantin Film own and co-productions on which shooting starts from the beginning of 2013 onwards. In addition, ProSiebenSat.1 acquired the exclusive pay-TV rights to other selected productions.

A second framework agreement, concluded between the two companies in mid-November 2013, contains all movies of the US studios DreamWorks on which filming starts up to the end of 2016 and to which Constantin Film AG acquires or has already acquired the German-language exploitation rights. Items covered by the agreement include the exclusive free-TV and pay-TV exploitation rights for Germany and Austria.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Theatrical production/acquisition of rights: Long-term commitment of experts and talents

Constantin Film AG is firmly committed to retaining talent, and has spent decades working very closely with renowned and experienced screenwriters and producers with extensive expertise in producing movie and TV formats in Germany and abroad. To increase employee satisfaction further, a target agreement and employee assessment system has been established and a company pension fund has been set up.

TV service production: Numerous high ratings

Several productions of Constantin Film subsidiaries achieved very satisfactory ratings again in 2013. For instance, the "Tatort" episode "Willkommen in Hamburg" with Til Schweiger as Inspector Nick Tschiller, a production by Polyscreen Produktionsgesellschaft für Film und Fernsehen mbH in collaboration with Constantin Television GmbH broadcast at the beginning of March, was watched by more than 12.74 million viewers, corresponding to a market share of 33.6 % of the total audience – the highest "Tatort" figure for nearly 20 years. After this extremely successful debut, filming of the second episode started at the end of September. This episode was broadcast on March 9, 2014.

The major TV project of MOOVIE – the art of entertainment GmbH "Das Adlon. Eine Familiensaga" was shown on ZDF at the beginning of January 2013, achieving outstanding market share figures of 22.5 % (first episode), 24.2 % (second episode) and up to 25.7 % (third episode) of the total audience.

Best family entertainment: “Ostwind”

Two more MOOVIE-TV productions significantly exceeded audience share expectations in 2013: When shown on ZDF in mid-April 2013, the last of three double episodes of the miniseries “Verbrechen”, an adaptation of Ferdinand von Schirach’s bestseller, achieved an impressive market share of 14.5 % in the target demographic of 14-to-49-year-olds, attaining the highest figure of all fiction formats shown that day on ZDF. The TV comedy “Tessa Hennig: Mutti steigt aus”, broadcast on ZDF in primetime in mid-May 2013, achieved an outstanding market share of 15.0 % of the total audience.

The adaptation of Rita Falk’s bestseller “Dampfnudelblues. Ein Eberhoferkrimi” proved to be a real success. Originally intended as a TV movie, the popular provincial crime comedy was also shown in Bavarian and Austrian theaters from the beginning of August 2013, attracting more than 500,000 people. When broadcast throughout Germany at the beginning of December 2013, it achieved a market share of 14.5 % in the target demographic, ARD’s best figure that evening.

In the area of TV entertainment, successful formats were also produced for several major TV stations elsewhere in Europe. For instance, the music show “The Voice of Israel”, the “Dan Shilon Show” and “Chef Academy” were realized for the Israeli broadcaster Reshet. In Poland, the scripted reality series “Ukryta Prawda” (Family Stories) produced for TVN achieved an average share of 19.7 %, and the format “Kuchenne Rewolucje” (Kitchen Nightmares) attained an impressive 22.6 % for its eighth season. Negotiations on production of the ninth season are currently in progress.

Constantin Film again Germany’s most successful independent distributor

Also in 2013, two Constantin Film Group productions attracted more than one million viewers. The comedy “Fack ju Göhte” has been seen by more than 7 million moviegoers in the meantime (as of March 3, 2014), becoming the fifth most successful German production since 1968 and the third most successful since reunification. In addition, it won the audience prize at this year’s Bavarian Film Awards. Director Bora Dagtekin lifted this trophy for the second successive year, after his film “Türkisch für Anfänger” topped the voting in the previous year.

“The Famous Five 2” attracted more than 1.1 million moviegoers, thus exceeding the already impressive results of the first installment. Mid-March saw the release of the family film “Ostwind”, a Constantin Film co-production with SamFilm GmbH, which attracted around 845,000 moviegoers in total. The licensed title “Scary Movie 5” released at the end of April enjoyed similar success, being seen by close to 840,000 people.

With the performance of all films released in 2013, Constantin Film Group achieved an audience market share of 9.5 % (2012: 6.1 %), placing it fifth behind Warner, Sony, Fox and Universal. In terms of revenues, it became sixth behind Warner, Sony, Fox, Universal and Disney. With both places in the ranking, Constantin Film once again positioned itself as Germany’s most successful independent distributor.

High sales figures in home entertainment exploitation: “Türkisch für Anfänger”

Stable sales in home entertainment business

Home entertainment business benefited from continuing stable sales of both new products and catalog titles. For instance, the Constantin Film own production “Resident Evil: Retribution”, which went on sale in mid-March, immediately became a fixture in the top 6 of the German sales charts, in both the DVD and Blu-ray segments. The same applies to the Constantin Film co-production “Ostwind”, which went onto the market at the beginning of November and went straight to number 2 in the DVD sales charts. In addition, Bora Dagtekin’s hit comedy “Türkisch für Anfänger”, which was already released in the previous year, became an ongoing success in the catalog segment in 2013.

On the basis of an attractive line-up in 2013 and a host of high-selling secondary market releases, the Highlight Group secured a market share of 9 % (2012: 10 %) on the video sell-through market in Germany, in collaboration with its distribution partner Paramount Home Entertainment.

“Türkisch für Anfänger” also convinces in TV exploitation

The initial broadcast of the comedy “Türkisch für Anfänger”, which was shown at the end of August as part of the “Sommerkino im Ersten” series, garnered ARD a market share of 19.7 % in the target demographic of 14-to-49-year olds and thereby the day’s highest ratings.

Management report

Sports- and Event-Marketing segment

Report on business performance and the situation

The best team in Europe:
After a few disappointments
over the past four years,
FC Bayern München triumphed in the
UEFA Champions League 2013 final.

SECTOR-SPECIFIC SITUATION

Income from global sports transmission is increasing year by year. According to Deloitte, the amount generated in 2013 stood at GBP 14.1 billion. Thus, average annual growth of 5 % was posted between 2009 and 2013. Deloitte reports that the leading national football leagues in England, France, Germany, Italy and Spain, European club football's elite competition – the UEFA Champions League – and the four leading North American professional leagues (American football, baseball, ice hockey and basketball) account for approximately 75 % of the annual income.

Deloitte sees no sign of a financial bubble in terms of the transmission rights for premium sports events. According to the company, licensing fees for live content of premium events will continue to rise overall, as premium live sports attract a large audience that generally has an attractive demographic profile. Consequently, advertising income of the TV broadcasters is also rising, particularly in an increasingly changing media landscape.

Global sponsorship spending also developed very positively in 2013. According to estimates by the sponsorship measurement consultancy firm IEG, USD 53.1 billion was invested in sponsorship worldwide, up 3.9 % on the previous year (USD 51.1 billion). The continuous growth trend observed for several years now was thus maintained.

IEG reports that spending in North America, the world's largest sponsorship market, rose by 4.5 % to USD 19.8 billion, with sports sponsorship remaining dominant, accounting for close to 70 % of the total. At 5.0 %, the Asia/Pacific region posted the highest percentage growth, while sponsorship spending in Europe increased by just 2.8 % to USD 14.5 billion due to the economic problems in some countries.

OPERATIONAL DEVELOPMENT

Successful start of the marketing cycle 2015/16 to 2017/18

At the TEAM Group, the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League for the 2015/16 to 2017/18 seasons proved highly successful in the reporting year. In the area of TV rights, TEAM has already secured deals for both formats in top markets such as the UK, Germany and Italy. In addition, the rights have been sold in South Africa, the USA as well as the Middle East and Northern Africa regions. The bidding process has begun in other markets, meaning that further deals can be expected in the foreseeable future.

Sponsorship rights activities also proved highly successful. After initial substantive negotiations, TEAM extended the contract with the longstanding UEFA Champions League partner Heineken until the 2017/18 season. In addition, the sports equipment manufacturer adidas will continue to act as a supplier.

Top-level football in three UEFA formats: Europa League, Champions League and Super Cup

Successful handling of the 2012/13 UEFA highlights

In terms of operations, the TEAM Group provided support for the commercial partners as well as UEFA with the three highlights of the European club football season in 2013. The final of the UEFA Europa League, in which SL Benfica played the then Champions League title holders Chelsea FC, was held in Amsterdam in mid-May. Chelsea FC won an exciting match in the last minute, thus becoming holders of both elite trophies for a few days.

The first-ever all-German UEFA Champions League final was contested between Borussia Dortmund and FC Bayern München at London's world-famous Wembley Stadium at the end of May. With the possibility of extra-time looming, FC Bayern München scored the winning goal to lift the most prestigious trophy in European club football for the fifth time.

At the end of August, the UEFA Super Cup, the traditional curtain-raiser to the new football season at European level, was held in Prague – the first time it has been played outside Monaco. FC Bayern München played Chelsea FC, a repeat of the UEFA Champions League 2012 final. In a dramatic game with extra-time and a subsequent penalty shoot-out, FC Bayern München ultimately prevailed, becoming the first German team to lift this trophy.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Successful marketing process thanks to intensive relationships and longstanding expertise

Because the TEAM Group has been marketing the UEFA Champions League since the competition was first staged in the 1992/93 season, it has an intensive network of relationships with TV broadcasters and sponsors that has been built up over the years. These close, trusting relationships with the licensees and the company's longstanding market expertise are also beneficial to TEAM in the current marketing process for the 2015/16 to 2017/18 seasons.

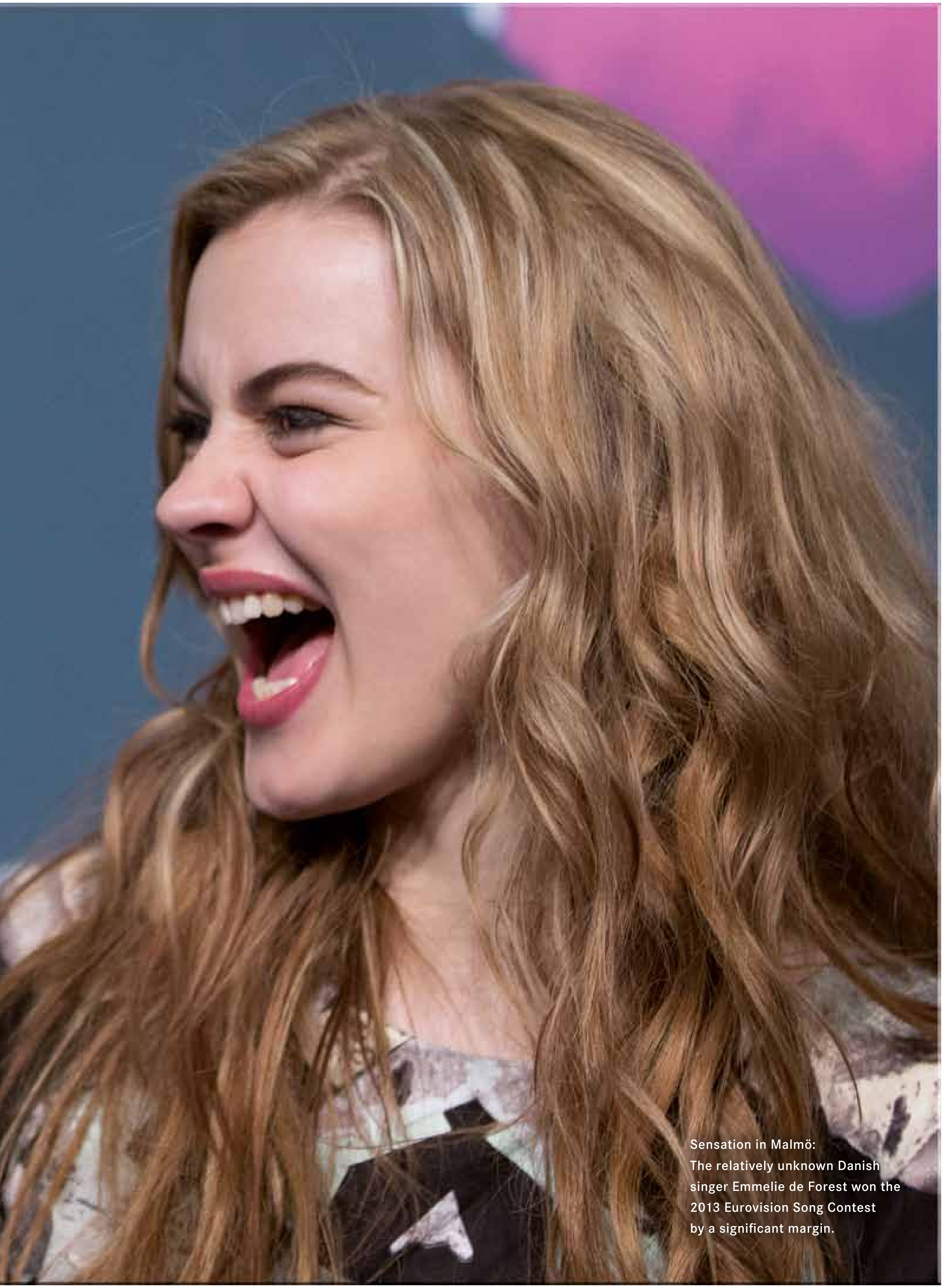
Champions League with record reach on German television

At the end of May, the grand final of the UEFA Champions League between Borussia Dortmund und FC Bayern München was broadcast in more than 200 countries worldwide, and watched by an average of approximately 150 million viewers. In Germany alone, some 21.6 million people tuned into the live broadcast on free-TV, corresponding to a market share of 61.9 % of the total audience. In the target demographic of 14-to-49-year-olds, the market share was as high as 62.5 %. These figures mark the highest reach ever attained by a Champions League final on German television.

Management report

Other Business Activities segment

Report on business performance and the situation



Sensation in Malmö:
The relatively unknown Danish singer Emmelie de Forest won the 2013 Eurovision Song Contest by a significant margin.

Major event with a TV tradition going back decades: the Eurovision Song Contest

SECTOR-SPECIFIC SITUATION

Event and entertainment business

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

Online/social gaming

A representative survey by the German Federal Association for Information Technology, Telecommunications and New Media (BITKOM) from 2013 has shown that computer and video games are accounting for more and more German leisure time. Gamers now spend an average of 110 minutes per day on their hobby, while 14-to-19-year olds play the longest at 136 minutes on average. However, for 50-to-64-year old players this figure is only around 90 minutes. By comparison, Germans consume an average of 220 minutes of TV programming per day.

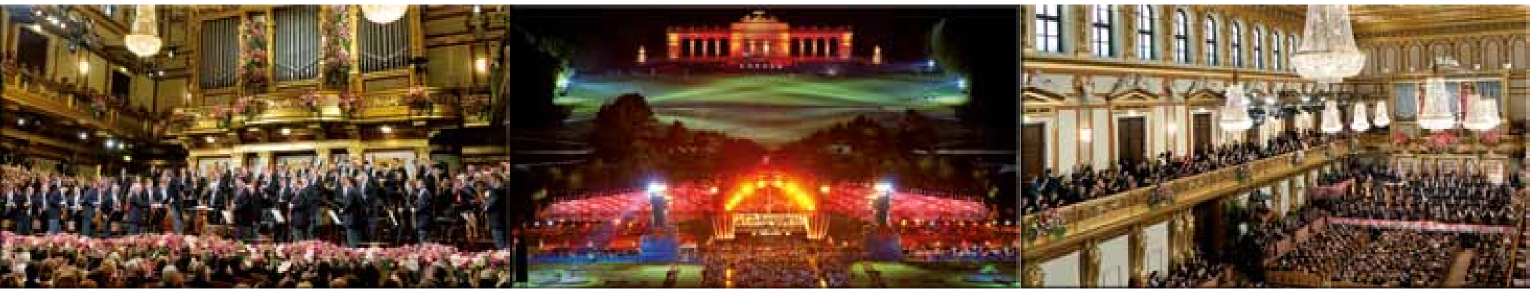
A further BITKOM analysis from 2013 demonstrates that smartphones are now firmly established as a platform for games. 44 % of game players in Germany – and therefore around 11 million people – play on these devices. Thus, smartphones are already just ahead of consoles, which are used by 43 % of gamers. According to BITKOM, the main reasons for this development are faster graphic chips, which enable ever better presentation on high resolution displays, and the constantly growing range of low-cost gaming apps.

OPERATIONAL DEVELOPMENT

Successful marketing of the Vienna Philharmonic Orchestra

At the beginning of 2013, the activities of Highlight Event AG initially focused on the successful commercial handling of the New Year's Day Concert of the Vienna Philharmonic Orchestra, which was conducted for the second time by Franz Welser-Möst, General Music Director of the Vienna State Opera. The orchestra's second musical highlight, the Summer Night Concert in the unique atmosphere of the Schönbrunn palace garden, took place on May 30 under the musical direction of the renowned conductor Lorin Maazel.

Both events were implemented highly successfully by Highlight Event AG, from both an artistic and a marketing perspective. In particular, and to the satisfaction of the orchestra and sponsors, it succeeded in gaining several new TV stations. The Vienna Philharmonic Orchestra's special events, which were played on November 2 and 3 in Beijing and on November 24 in Moscow, were also completed successfully.



Classical music highlights: the Vienna Philharmonic Orchestra's concerts

Extended marketing concept established for the Eurovision Song Contest

Highlight Event AG also supported the European Broadcasting Union (EBU) in implementing the Eurovision Song Contest 2013 (ESC), which was held from May 14 to 18 in Malmö, Sweden. The sponsorship contracts were implemented smoothly, particularly in terms of TV presence, branding and hospitality. In addition, the event was successfully sold to China (CCTV) for TV broadcasting for the first time. In addition to the successful marketing activities in relation to sponsorship and the newly integrated merchandising project, another marketing highlight was the Eurovision Village activities, which were held in Malmö city center. This area was visited by several thousand fans over the course of the five-day event.

In the year under review, Highlight Event AG also made good progress with the EBU project "Eurovision Young Musicians", one of the world's most important contests for young musicians in the field of classical music. All relevant agreements – particularly an international sponsorship contract – have now been concluded. The event will be held in May 2014 in the square by the cathedral in Cologne.

On August 6, 2013, the continuation of the successful cooperation between Highlight Event AG and the EBU for marketing the ESC was announced. Highlight Event AG's mandate was extended until 2018. The mandate includes the conceptual development and sales of the ESC marketing program as well as its implementation and delivery.

In the merchandising project, which was implemented well in 2013 and closed that year with a profit, the original strategic and conceptual considerations were confirmed with regard to further strengthening the customer relationship with EBU, gaining experience in a new business area and generating a financial contribution to achieving the targets from the EBU agency agreement.

Successful ongoing development of FunPoker software

Pokermania GmbH also continuously developed its "white-label" software FunPoker in 2013. The software can be used either with a FunPoker browser application or with a FunPoker smartphone app. In order to acquire more players in the international environment, other forms of poker will be integrated into the game in future.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Successful marketing of the Vienna Philharmonic Orchestra and the Eurovision Song Contest

As a result of Highlight Event AG's successful marketing activities, the Vienna Philharmonic Orchestra's New Year's Day Concert was broadcast – either live or with a time delay – in more than 80 countries for the first time. This extensive range once again emphasized this traditional event's outstanding position as the world's biggest classical music event.

Despite bad weather conditions, the Summer Night Concert was enjoyed not only by around 15,000 visitors on site, but also by many more classical music lovers who followed the global broadcasting of the concert on television or on the radio. The open-air event in the Schönbrunn palace garden was broadcast in over 70 countries. New additions in 2013 included SABC in South Africa, Maori TV in New Zealand, BBT in Bhutan, NTV in Nepal, ICRT in Cuba, ITV in Tanzania, and TBC in Tonga.

The Vienna Philharmonic Orchestra's special events in Beijing and Moscow were also watched by a large number of TV viewers. The concerts in Beijing were broadcast by both the Chinese state television network CCTV and in 27 countries throughout Europe as part of the framework agreement with the EBU.

A total of 39 countries took part in the 58th Eurovision Song Contest in Malmö, which once again proved to be the biggest popular music event in Europe. The event hall was sold out with an audience of 15,000 and the final was broadcast live in 44 countries, generating excellent viewing figures again in many regions.

Online/social gaming: Further development of mobile hybrid applications

Pokermania GmbH has pressed ahead with the development of mobile hybrid applications for Android, iOS and tablet systems (HD) for its FunPoker games in order to utilize the great potential of mobile users. With these applications, users can continue to use their existing account for mobile game-playing on smartphones or tablets, fully independent from a computer. This successful further development, combined with further investments, was also reflected in the number of users in 2013. More than 200,000 players have registered already.

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

ACCOUNTING PRINCIPLES

The Highlight Group has applied the accounting standard IAS 19 rev., Employee Benefits, since January 1, 2013. The obligation to apply this standard retrospectively leads to restatements of the comparative figures from the previous year in the balance sheet, the income statement and the statement of cash flows (see notes to the consolidated financial statements, note 2.1). All prior-year figures shown below refer to the restated ones.

RESULTS OF GROUP OPERATIONS

In a still challenging market environment, the Highlight Group generated consolidated sales in the top third of its forecast of CHF 350 to 400 million. In line with expectations, the consolidated net profit for the period was down on the previous year's level – particularly as a result of the change in the business relationship with UEFA.

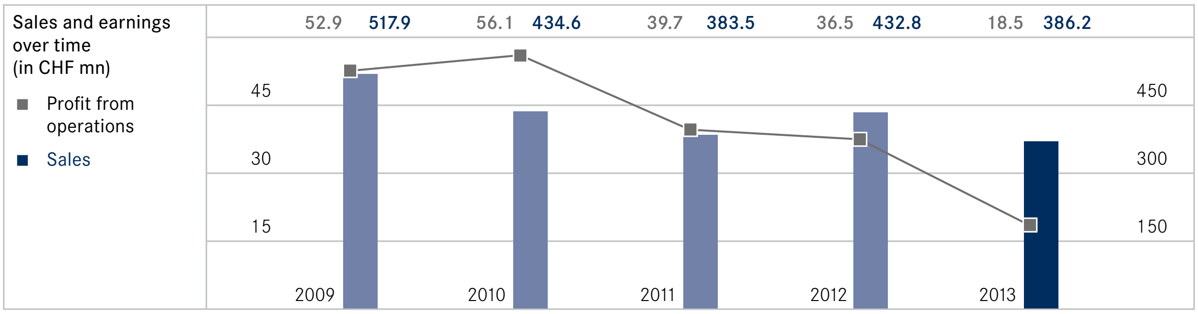
Strong rise in production volume

In the year under review, the Highlight Group generated consolidated sales of CHF 386.2 million, a decline of CHF 46.6 million or 10.8% as against the very strong fiscal year 2012 (CHF 432.8 million).

In the Film segment, Constantin Film's 2013 theatrical distribution slate was able to match the previous year's revenues and audience figures thanks to the extraordinary success of the comedy "Fack ju Göhte" in particular. While sales in the TV service production area were above the previous year's level, sales declined in the home entertainment and license trading business areas.

As anticipated, sales development in the Sports- and Event-Marketing segment was influenced by the change in the business relationship with UEFA. The decline in sales similarly expected in the Other Business Activities segment was essentially due to the discontinued sale of certain gaming machines for casinos at the start of 2013. Furthermore, this segment's sales volume in the previous year was also characterized by one-off orders that did not recur in the year under review.

Capitalized film production costs and other own work capitalized climbed by CHF 30.2 million or 51.0% to CHF 89.4 million after CHF 59.2 million in the previous year's period as a result of a significantly higher production volume. However, this increase did not fully offset the decline in sales, with the result that the total output of the Highlight Group was slightly less than the previous year's level at CHF 475.6 million (2012: CHF 492.0 million). Other operating income declined by CHF 3.9 million to CHF 20.9 million (previous year's period: CHF 24.8 million), which was essentially due to lower currency exchange gains.



Consolidated operating expenses at previous year's level

Consolidated operating expenses remained virtually constant year on year at CHF 478.1 million (2012: CHF 480.3 million). This fact resulted, among other things, from the cost of materials and licenses, which rose by CHF 16.0 million to CHF 203.0 million (previous year's period: CHF 187.0 million) in connection with productions. By contrast, amortization/depreciation and impairment, most of which related to film assets, decreased by CHF 24.7 million to CHF 98.8 million (previous year's period: CHF 123.5 million). Personnel expenses were down slightly by CHF 1.1 million at CHF 105.2 million (previous year's period: CHF 106.3 million), while other operating expenses rose by CHF 7.5 million to CHF 71.0 million (previous year's period: CHF 63.5 million).

The drop in total output in combination with lower other operating income – with consolidated operating expenses roughly the same – led to EBIT of CHF 18.5 million (previous year's period: CHF 36.5 million).

Decline in consolidated net profit for the period

Earnings from investments in associated companies and joint ventures amounted to CHF 0.1 million in the year under review, a decrease of CHF 0.1 million as against the previous year's period (CHF 0.2 million). By contrast, the financial result improved by CHF 1.8 million to CHF -2.6 million (previous year's period: CHF -4.4 million), which was essentially due to currency effects. Financial income climbed by CHF 4.6 million to CHF 11.1 million (previous year's period: CHF 6.5 million), while financial expenses increased by CHF 2.7 million to CHF 13.7 million (previous year's period: CHF 11.0 million).

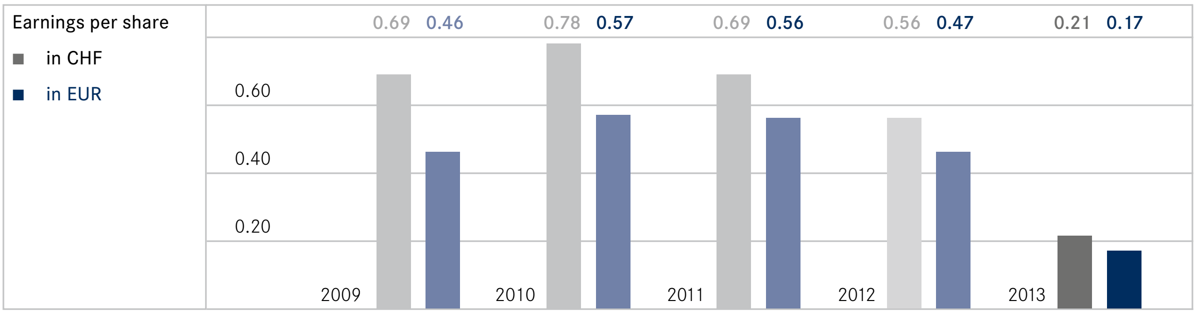
After deducting tax expenses (income taxes and deferred taxes) of CHF 5.6 million (previous year's period: CHF 6.0 million), the Highlight Group generated a consolidated net profit for fiscal year 2013 of CHF 10.3 million (previous year's period: CHF 26.3 million). CHF 0.6 million (previous year's period: CHF 0.4 million) of this is attributable to non-controlling interests. A profit share of CHF 9.7 million (previous year's period: CHF 25.9 million) relates to the shareholders of Highlight Communications AG.

There were 45.3 million shares in circulation on average in fiscal year 2013 (2012: 46.1 million shares), resulting in earnings per share of CHF 0.21 (previous year's period: CHF 0.56). Calculated in euro, earnings per share amounted to EUR 0.17 (previous year's period: EUR 0.47).

RESULTS OF SEGMENT OPERATIONS

Film: Development characterized by higher production volumes

The Film segment generated external sales of CHF 333.6 million in the year under review (previous year's period: CHF 353.4 million). As explained above, the decline of CHF 19.8 million or 5.6 % as against the previous year was due to the home entertainment and license trading business areas. By contrast, other segment income, which is mainly defined by capitalized film production costs, rose by CHF 26.9 million or 32.5 % to CHF 109.8 million (previous year's period: CHF 82.9 million) and therefore compensated for the drop in sales. As segment expenses rose by CHF 10.5 million or 2.5 % to CHF 435.2 million as a result of production at the same time (previous year's period: CHF 424.7 million), segment earnings were below the previous year's level at CHF 8.3 million (2012: CHF 11.6 million).



Sports- and Event-Marketing: Lower sales partially compensated by cost cutting

Owing to the change in the business relationship with UEFA, the external sales of the Sports- and Event-Marketing segment were down on the previous year's level by CHF 20.5 million or 29.5 % at CHF 48.9 million (2012: CHF 69.4 million). As a result of cost-cutting measures, segment expenses were reduced by CHF 8.3 million or 22.0 % to CHF 29.4 million (previous year's period: CHF 37.7 million), which partially offset the decline in sales. This resulted in segment earnings of CHF 19.9 million, which was below the prior-year level in line with expectations (2012: CHF 32.5 million).

Other Business Activities: Drop in sales and earnings as expected

In the Other Business Activities segment, external sales declined from CHF 10.0 million to CHF 3.7 million in line with expectations as a result of the discontinued sale of certain gaming machines for casinos. At CHF 1.1 million, other segment income was roughly on par with the previous year's level (CHF 1.2 million). Segment expenses were reduced to CHF 9.7 million (previous year's period: CHF 13.9 million), resulting in a segment loss of CHF 4.8 million (previous year's period: CHF 2.6 million). This loss resulted from the online/social gaming area.

Further drop in holding costs

The costs of holding activities continued to fall slightly by 2.0 % in the reporting year to CHF 4.8 million (previous year's period: CHF 4.9 million).

NET ASSETS SITUATION

Total assets up 5.1 % on figure for the previous year

As of December 31, 2013, the total assets of the Highlight Group rose by CHF 21.4 million to CHF 443.3 million as against the end of 2012 (CHF 421.9 million).

On the assets side of the balance sheet, this increase resulted from non-current assets, which climbed by CHF 43.6 million to CHF 243.5 million (December 31, 2012: CHF 199.9 million). An increase in film assets of CHF 48.4 million to CHF 211.0 million was offset by a CHF 2.8 million decline in other intangible assets to CHF 2.2 million (December 31, 2012: CHF 5.0 million). As a result of these developments, the share of non-current assets in total assets rose to 54.9 % as of December 31, 2013 (December 31, 2012: 47.4 %).

By contrast, current assets declined by CHF 22.1 million to CHF 199.9 million (December 31, 2012: CHF 222.0 million), which was primarily due to a decrease in cash and cash equivalents of CHF 28.2 million to CHF 44.3 million (December 31, 2012: CHF 72.5 million). Furthermore, income tax receivables were down by CHF 3.9 million at CHF 1.6 million (December 31, 2012: CHF 5.5 million), while trade accounts receivable and other receivables from third parties climbed by CHF 10.8 million to CHF 126.2 million (December 31, 2012: CHF 115.4 million).

Further rise in film assets

As of the end of the reporting year, the film assets of the Highlight Group amounted to CHF 211.0 million in total, which corresponded to a rise of CHF 48.4 million as against December 31, 2012 (CHF 162.6 million). This total figure is comprised of in-house productions of CHF 175.2 million (December 31, 2012: CHF 134.7 million) and third-party productions of CHF 35.8 million (December 31, 2012: CHF 27.9 million). The growth in both areas is due to the fact that additions significantly exceeded amortization and impairment losses on films being exploited in the year under review.

The additions to film assets amounted to CHF 138.7 million in the year under review (previous year's period: CHF 124.7 million). This was offset by amortization on film assets of CHF 79.1 million (previous year's period: CHF 108.9 million) and impairment of CHF 13.0 million (previous year's period: CHF 6.3 million).

Increase in current liabilities

On the equity and liabilities side of the balance sheet, non-current liabilities declined by CHF 2.0 million to CHF 18.6 million (December 31, 2012: CHF 20.6 million). The main reason for this is a reduction in pension liabilities of CHF 3.7 million to CHF 6.0 million (December 31, 2012: CHF 9.7 million) as a result of the lower present value of defined benefit obligations. By contrast, deferred tax liabilities rose by CHF 1.6 million to CHF 11.0 million (December 31, 2012: CHF 9.4 million).

Current liabilities were up by CHF 27.3 million at CHF 317.4 million (December 31, 2012: CHF 290.1 million). This rise was primarily due to an increase in financial liabilities of CHF 16.0 million to CHF 152.0 million (December 31, 2012: CHF 136.0 million). Furthermore, advance payments received were up by CHF 13.4 million at CHF 58.9 million (December 31, 2012: CHF 45.5 million), while income tax liabilities decreased by CHF 5.9 million to CHF 1.0 million (December 31, 2012: CHF 6.9 million).

Equity slightly below the previous year's level

Consolidated equity (including non-controlling interests) fell by CHF 4.1 million to CHF 107.2 million (December 31, 2012: CHF 111.3 million). This development is primarily due to the dividend distributions (CHF 9.4 million), the acquisition of treasury shares (CHF 8.2 million) and the purchase of non-controlling interests (CHF 2.6 million). In particular, equity was increased by the consolidated net profit for the period of CHF 10.3 million.

Relative to the significantly higher total assets, this resulted in a sound notional equity ratio of 24.2 % as of December 31, 2013 (December 31, 2012: 26.4 %). The adjusted equity ratio (after netting advance payments received against film assets and cash and cash equivalents against financial liabilities) was 31.5 % (December 31, 2012: 36.6 %). For detailed information on the development of consolidated equity please see the consolidated financial statements (pages 86 and 87).

FINANCIAL SITUATION

Net debt at CHF 107.7 million due to date-related factors

As of December 31, the Highlight Group had cash and cash equivalents of CHF 44.3 million, down CHF 28.2 million as against the end of fiscal year 2012 (CHF 72.5 million). At the same time, financial liabilities climbed by CHF 16.0 million to CHF 152.0 million (December 31, 2012: CHF 136.0 million), resulting in an increase in net debt to CHF 107.7 million (December 31, 2012: CHF 63.5 million).

The Highlight Group's operating activities generated a net cash inflow of CHF 117.5 million in the year under review, corresponding to a decline of CHF 38.8 million as against fiscal year 2012 (CHF 156.3 million). This development was mainly due to changes in net working capital.

Net cash used in investing activities rose by CHF 3.6 million as against the previous year (CHF 137.2 million) to CHF 140.8 million. The increase is essentially due to payments for film assets, which were up by CHF 9.6 million at CHF 136.2 million (previous year's period: CHF 126.6 million), while payments for intangible assets, property, plant and equipment and financial assets declined by a total of CHF 5.4 million to CHF 5.7 million (previous year's period: CHF 11.1 million).

The Highlight Group's financing activities used cash of CHF 5.6 million in the year under review (previous year's period: CHF 85.8 million). The main reason for this significant decline is the net borrowing of current financial liabilities in the amount of CHF 14.7 million after a net repayment of CHF 67.1 million in the previous year's period. In addition, there were the effects of the purchase of treasury shares (CHF 8.2 million; previous year's period: CHF 0 million) and the acquisition of non-controlling interests (CHF 2.6 million; previous year's period: CHF 11.9 million).

Investment significantly higher than write-downs

The investment volume of the Highlight Group amounted to CHF 141.4 million in fiscal year 2013 (previous year's period: CHF 131.1 million) and was therefore CHF 43.0 million (previous year's period: CHF 10.6 million) higher than total amortization/depreciation and impairment losses. As in previous years, film assets accounted for most of this by far at CHF 138.7 million (previous year's period: CHF 124.7 million), while additions to other intangible assets (CHF 1.0 million) and property, plant and equipment (CHF 1.7 million) were somewhat negligible.

Solvency guaranteed at all times

The Highlight Group has access to credit facilities with mostly floating 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 0.8 % and 6.5 % in the euro zone in the year under review. For other foreign currencies, especially USD and CAD, interest rates were between 2.16 % and 3.34 %.

Generally, the only internal sources of financing are the returns on operating activities. Given the level of cash and cash equivalents and credit facilities available, the Highlight Group was able to meet its payment obligations at all times in the period under review.

PERSONNEL REPORT

As of December 31, 2013, the Highlight Group employed 761 people (December 31, 2012: 732), including freelance staff. Of this number, 122 employees (previous year: 122) worked in Switzerland, 626 (previous year: 597) worked in Germany and 13 (previous year: 13) worked in Austria.

EVENTS AFTER THE BALANCE SHEET DATE

Changes on the Constantin Film management bodies

Effective January 1, 2014, Mr. Bernhard Burgener stood down as CEO of Constantin Film AG to join the company's Supervisory Board. On January 7 this year, he was elected as Chairman of this body, following the resignation of the previous incumbent Fred Kogel. Management Board member Martin Moszkowicz was appointed as the new CEO of Constantin Film AG. His contract runs until December 31, 2018.

REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

Entrepreneurial action and taking advantage of opportunities is always associated with risks. To protect the existence of the Highlight Group as a going concern, and to support the company in achieving its goals, an integrated, company-wide risk management system (RMS) has been implemented. The RMS is defined in a directive. Group companies or segments can issue their own guidelines for their area of application, provided these are consistent with the Group directive and are made known to the relevant positions within the Group. The directive was last updated in November 2013, when it was primarily modified in line with changes in the German accounting standards on risk reporting in the Group management report. This particularly relates to the new definition of the term "risk".

Risk management system

Highlight Communications AG uses the definition from German Accounting Standard 20 "Group Management Report" issued by the Accounting Standards Committee of Germany (ASCG), which defines risks (opportunities) as "possible future developments or events that may lead to a negative (positive) deviation from forecasts/targets for the company". The RMS follows the general principles of the overall framework for "enterprise risk management", as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The following objectives are pursued:

- Creating freedom of action by means of early and systematic identification of risks
- Increasing reaction speed through transparency and timely communication of risks
- Supporting the company management in assessing the expected development of the Group with its main opportunities and risks
- Reducing potential liability risks
- Raising employees' awareness of risk-conscious and autonomous self-monitoring
- Ensuring the company's continued existence as a going concern

The Highlight Group's risk management system comprises risks and opportunities in equal measure. In line with the decentralized Group structure, operational responsibility for dealing with risks lies with the respective risk officers. These are mainly the directors, Management Board members and committee members, and the managing directors and department managers of the individual subsidiaries. At the level of Highlight Communications AG, the reported risks are consolidated, categorized uniformly where appropriate, assessed at Group level, and passed on in the form of a risk report to the Group management on a quarterly basis and to the Board of Directors for approval on an annual basis. As part of its auditing activities, the Internal Audit department assesses the effectiveness of the risk management processes and contributes to their improvement. The approval of the risk report by the Board of Directors forms part of the audit of the annual financial statements by the auditor and was last reviewed as part of the audit of the separate financial statements of Highlight Communications AG.

Risks and opportunities are identified and assessed on a quarterly basis and approved by the risk officers. Potential risks to the company as a going concern are required to be reported immediately. Risks and opportunities must also be described for investments and planned projects. In the periodic report, the cause and effects of the risks are described, as well as possible early warning indicators and measures that are planned or have already been taken. If a loss or a measure can be quantified meaningfully, this value is determined and stated. If quantification is not possible or would not be meaningful, the loss is described verbally and classified in one of the categories "immaterial", "limited", "high" or "catastrophic". The same applies to the probability of occurrence with the categories "low", "medium" "high" and "very high".

The product of the probability of occurrence and the level of loss results in the following risk levels:

- **Small risks**
  Small risks are immaterial to the company, and no risk reduction measures need be agreed.
- **Medium risks**
  Medium risks exist in the case of a limited level of loss and a medium probability of occurrence. There is no need for immediate action. Efficient and effective measures are sufficient to reduce medium risks or to overcome them quickly if they occur.
- **Significant risks**
  In comparison to medium risks, significant risks have a higher level of loss and/or a higher probability of occurrence. They should be reduced by means of suitable controls or process optimization. If possible, suitable measures should be used to reduce the significant gross risk to the medium or low risk level.
- **Large risks**
  Large risks may in some circumstances threaten the existence of an organizational unit or of the entire Highlight Group as a going concern. Measures to reduce the gross risk are imperative and must be initiated immediately. The implementation of the measures is monitored by the management. Large risks must be reported to the management immediately, independently from the periodic reporting.

The potential gross loss, the probability of occurrence and the effect of the measures result in the net risk. To improve their categorization, risks are divided into the categories of regulatory risks, business and market risks, operational risks, financial risks, legal risks, and compliance risks. Reclassifications of individual risk factors may occur during consolidation. This is intended to ensure uniform presentation throughout the Group.

In particular, risks beyond the control of the Group and risks arising from legal regulation (e.g. a legal restriction on the advertisement of individual product groups) often cannot be actively managed and avoided. Furthermore, risks with an extremely low or non-measurable probability of occurrence combined with a potentially major effect are not reliably determined. This includes unexpected and unavoidable events (force majeure).

Information on individual risks

In the following section, we present individual risks and their risk factors, which are listed in the Highlight Group's risk management system. The risks are presented in groups in line with the RMS risk categories. The presentation in the risk report has a higher level of aggregation than in the RMS itself. Within each category, the risks whose impact on the net assets, financial position and results of operations is considered highest are listed first. Unless otherwise specified, the risks apply to all segments. If the classification of the risk does not make any reference to the measures taken, then this relates to classification as a gross risk. If a risk factor may threaten the existence of a significant organizational unit as a going concern, this is referred to in the following. The same applies if a risk threatens the existence of the Group as a going concern.

Regulatory risks

Our business models are highly dependent on legislation, legal practice, and regulatory interventions by public authorities

On October 4, 2011, the European Court of Justice (ECJ) issued a judgment concerning the granting of exclusive TV rights for football matches. In its judgment, the ECJ stated that the granting of absolute territorial exclusivity to broadcasters in the EU in a way that prohibits them from offering their TV services in other EU markets is contrary to the principle of the freedom to provide services in the EU. Although the implications of this decision are not yet clear, it is possible that it could have a negative impact on the marketing of TV rights in Europe by the TEAM Group.

As of the end of the reporting period, a complaint against the Film Promotion Act (FFG) was pending at the German Federal Constitutional Court. One of the provisions of this Act is that film grant funding must be paid according to defined parameters as a levy by the exploiters of movies. The plaintiffs argued that not all subsectors are equally affected by this levy (e.g. cinema operators would be hit harder than TV stations or download/video-on-demand portals). If the German Federal Constitutional Court had declared the FFG invalid, this would have put the entire German film grants system into question. The confirmation of the constitutionality of the FFG on January 28, 2014 removed this risk factor.

Regulatory intervention and legal proceedings may lead to reticence among customers when purchasing licenses. Sales from marketing sports rights that have already been contracted or are included in planning could fail to materialize at short notice as a result of prohibitions or other restrictions. A reduction in film grants could lead to a loss of planned income or an increase in film expenses.

As countermeasures, the Highlight Group keeps track of the relevant rulings and legislative proposals and attempts to form contacts with political decision-makers by means of lobbying and external studies.

In light of the possible effects, this risk is classified as medium overall.

Business and market risks

The Highlight Group requires access to licenses and material

Access to and acquisition of rights to literary works, exploitation rights and screenplays, as well as the conclusion of contracts with successful directors, actors and film studios are important factors for the production of TV and theatrical movies.

The Constantin Film Group is exposed to strong competition with regard to the acquisition of rights to literary works and screenplays, as well as the conclusion of contracts with successful directors, actors, and film studios. Constantin Film AG therefore has decades of experience working closely with renowned and experienced screenwriters, directors and producers with extensive expertise in producing movie and TV formats at home and abroad.

Firstly, these risks are monitored through the distinct and extensive experience of the employees responsible for purchasing rights and licenses at the relevant subsidiaries. Secondly, the development of alternative formats and own productions is being expanded so as to create a certain degree of independence from third-party rights. The attractiveness of the platform and the continuous optimization of the product offset this risk. In the Film segment, the “Constantin Film” brand plays an important role as the leading independent German film producer and distributor.

Overall, this risk is classified as significant.

The Highlight Group is in intense competition regarding sales of its products

The Highlight Group is in competition for moviegoers in the Film segment, both with its own and/or co-produced theatrical movies and with licensed titles for which it has acquired exploitation rights. Because the number of weekly movie releases is continuing to rise but the number of moviegoers is essentially constant, competition for moviegoers is increasingly intensifying.

The Group’s planning assumes certain market shares and audience figures/proceeds from the different stages of exploitation that are relevant to anticipated sales. If these assumptions are not matched, the planned sales also cannot be achieved. Increased competition in attracting moviegoers or for proceeds from theatrical distribution could lead, among other effects, to a significant increase in costs, which would have a negative impact on earnings.

The Group's diversification in unrelated products and markets reduces the risk of competition in an individual area/segment. Because market shares and audience figures in particular are key factors for the amount of advertising income that can be generated, the Constantin Film Group endeavors to gain possession of attractive theatrical movies and TV productions in order to increase its competitiveness and to raise the profile and enhance the appeal of products through higher expenses for marketing them.

Accordingly, this risk is classified as significant.

The Highlight Group is dependent on customers and business partners

Like any other enterprise, the Highlight Group is dependent on customers, suppliers and other business partners. The media and entertainment industry in which the Group operates involves specific requirements. The main factors and their effects that result from these requirements are presented below.

In the Film segment, there is a dependence on the major German TV stations, as a considerable part of production costs is covered by sublicensing TV transmission rights to movies. In addition, the Constantin Film Group depends on continuous commissioning of TV service productions. As a result of the existing oligopoly in the German TV station market, the individual TV stations have a strong market position that adversely affects the attainable margins of the Constantin Film Group. Furthermore, in distribution and production in particular, the Constantin Film Group depends on close partnerships, including with film producers and licensors.

In relation to 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 UEFA, help qualify this situation.

Relationships with customers and business partners represent a key management task. Compliance with contractual arrangements and the quality of goods supplied and services performed are reviewed on a regular basis.

If contracts with key customers or business partners expire, are not extended and/or are terminated during their term, this could have a significant negative impact on sales and earnings in subsequent periods.

Accordingly, this risk is classified as medium.

The business models are dependent on catering to customers' tastes and the way in which content is consumed, and reacting quickly to changes

In this regard, we primarily observe the following factors:

- Advancing digitization combined with an increase in additional offers and distribution areas is leading to constantly changing patterns of media use.
- Due to the growing supply of non-linear offers (e.g. online media libraries, video-on-demand offers and online video channels), consumers are increasingly moving away from using linear TV stations with predefined program content and towards self-determined use of media offers.
- Theatrical movies are facing ever-growing competition from rival media products such as video games, increasing consumption of content on mobile devices or social networks and video-on-demand offers.

- The technical possibilities for producing illegal copies of movies may lead to violations of copyright law.

These changes in media consumption and patterns of use may have the effect that consumers use Highlight Group's product portfolio less, causing it to lose appeal, range or relevance and meaning that the planned sales consequently are not achieved.

We attempt to anticipate future trends by means of targeted market research and analyses of use. In the Film segment, the appeal of the products is enhanced by developing consumer-friendly programming and material. The effects of piracy are reduced by means of lobbying, awareness campaigns, and systematic prosecution of violations.

Overall, this risk is classified in the medium risk level.

Legal risks

The Highlight Group is subject to risks from legal disputes

As an international enterprise, the Highlight Group is exposed to a number of legal risks. These particularly include risks relating to copyright law, company law, securities trading law, and betting and gambling law. The outcomes of currently pending and future legal proceedings often cannot be reliably predicted, meaning that court rulings, decisions by public authorities or the agreement of settlements may result in expenses that are not covered, or not fully covered, by insurance policy benefits and could have a significant negative impact.

Legal risks are identified as part of the legal support for operating activities and are assessed qualitatively and quantitatively in terms of their probability of occurrence and potential effect.

Based on the assessments made and the measures taken, this risk is classified as small.

Operational risks

In the Film segment, the production of a theatrical or TV movie is a cost-intensive and long-term project

Production costs for a German theatrical movie with an average budget are between EUR 3 million and EUR 7 million, while major international productions can be many times this amount. The period from the initial idea to the final marketing stage may last several years. There may be budget overruns in the production of a movie.

With TV service productions, the cost risk can be high due to development costs. In the event of non-commissioning, these costs are often only partially borne by the respective broadcaster. Even in the case of an order, there is no requirement for these costs to be added as initial costs to the budget of the respective TV provider.

For TV broadcasters, in terms of tying up big-spending advertising partners, successful reach and market share performance are now more important than ever when buying and producing program content. This is why program providers are increasingly reserving the option to back out of a format commissioned in their contracts with producers if it fails to meet ratings expectations. Therefore, producers increasingly face the risk of having productions canceled at short notice.

This risk may have a direct negative impact on a film's contribution margin and thus on earnings.

Constantin Film AG makes bids for formats from various broadcasters in Germany and abroad and has concluded development contracts for series and non-series formats. Thanks to its long-term experience in producing movies, Constantin Film AG has usually managed to fully cover production costs with the exploitation revenues in the past. Furthermore, Constantin Film AG kept film productions on schedule and on budget and largely avoided unplanned costs or insured against them. The use of project controlling tools also supports operational controls in monitoring the budget.

Accordingly, this risk is classified as significant.

The Highlight Group is dependent on a secure and well-functioning IT infrastructure

The Highlight Group depends on smooth functioning of its IT systems in order to ensure smooth operations. Despite security measures such as access control systems, contingency plans and an uninterruptible power supply for critical systems, back-up systems and regular data mirroring, it cannot be ruled out that the protection against damage from a failure of its IT systems may prove insufficient.

In the event of a failure of the IT systems, theft of company data or manipulation of the company's IT, there could be negative effects on operations and thus on earnings.

The risks with regard to unauthorized access to company data are largely eliminated by using virus scanners and firewall systems. In addition, the Group takes measures to keep the existing IT service landscape in line with the current technological standard and to counteract the obsolescence process in device and program technology.

Taking into account the effects of the countermeasures, this risk is classified in the medium risk level.

The Highlight Group is dependent on the creativity, commitment and expertise of its employees

The future success of the Highlight Group depends to a significant extent on the performance of its managers and employees. There is intense and increasing competition for staff with the relevant qualifications and knowledge of the industry. The Highlight Group therefore cannot guarantee that it will be able to retain its highly qualified and committed staff and gain new employees with the relevant qualifications.

If qualified staff or key personnel leave the Group, this could lead to a loss of expertise and give rise to unplanned costs for the recruitment and orientation of new staff, which would have negative effects on earnings.

To minimize this risk, target agreement and feedback discussions are held on a regular basis. In addition, the Highlight Group offers an attractive work environment, appropriate compensation, and opportunities for development. To increase the Group's appeal as an employer on the recruitment market, increased investments have been made in social networks and job portals.

Overall, this risk is classified in the small risk level.

The Highlight Group could have insufficient insurance against damages and claims

The Highlight Group decides on the type and scope of insurance cover on the basis of a business analysis of the costs and benefits in order to cover the risks it considers significant. However, the Highlight Group cannot guarantee that it will not incur any losses and that no claims will be brought against it that go beyond the scope of the existing insurance cover.

If the Highlight Group suffers material damages for which there is no insurance cover, or only insufficient insurance cover, this could have negative effects on earnings.

Overall, this risk is classified in the small risk level.

Compliance risks

Despite the existing control and monitoring systems in the Highlight Group, these may prove insufficient to prevent violations of the law by employees, representatives or partners, particularly in paving the way for orders, and to detect violations of the law that have already taken place

It is not possible for the Highlight Group to comprehensively monitor the activities of employees, representatives and partners in paving the way for business with customers. If it transpires that persons whose actions are attributable to the Highlight Group accept or grant unfair advantages in connection with paving the way for business or use other corrupt business practices, this could lead to legal sanctions under Swiss law and under the law of other countries in which the Highlight Group operates. Possible sanctions could include substantial fines or a loss of orders.

This could have a negative impact on earnings and cause damage to the Highlight Group's reputation.

Accordingly, this risk is classified in the small risk level.

Financial, accounting and tax risks

The Highlight Group is subject to risks in the measurement of financial and non-financial assets

As of the end of the reporting period, the Highlight Group held material financial and non-financial assets such as film assets, other intangible assets and goodwill as well as other non-current financial assets.

The Highlight Group's goodwill and film assets are tested for impairment at least once a year or more frequently if there are indications of impairment.

If there is no market value available, the evaluation approach includes management estimates and assumptions on the basis of premises that reflect the most recent information available. The actual development, which is often beyond the control of the company, may outstrip the assumptions made and necessitate an adjustment of the carrying amounts. This may have a negative impact on earnings.

Overall, this risk is classified in the medium risk level.

Despite proper processes and careful checks, the Highlight Group cannot rule out risks in connection with future tax or social security audits

Highlight Communications AG believes that the tax returns prepared within the Highlight Group were submitted completely and correctly. Nonetheless, there is a risk that differing perceptions of facts and circumstances by the taxation authorities could result in additional tax claims. In the event of a social security audit within the Highlight Group, it also cannot be ruled out that the social security agency may arrive at a different perception of the social security contributions, resulting in additional claims against the Highlight Group.

If differing tax assessments or additional social security claims arise, this could have a negative impact on earnings.

Overall, this risk is classified in the small risk level.

Risks from the use of financial instruments

The Group is exposed to various financial risks arising from operating business activities 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. Financial risks are described in detail in the notes to the consolidated financial statements (note 8). The Group uses corresponding hedges for currency and interest rate risks where appropriate.

Highlight Communications AG aims to increase the capital provided to the company by the capital market and to generate an appropriate return for shareholders. The parent company uses its equity for this purpose by acquiring equity investments and financing the expansion of their operating activities. The Highlight Group can also distribute a dividend, pay back capital to the shareholders or issue new shares. The aim of management in this is to use equity and borrowed capital efficiently in order to ensure financial flexibility on the basis of a solid capital structure and thereby guarantee sufficient liquidity resources. Liquidity consists of the inflows from operating activities, cash on hand and the borrowings available.

In corporate financing, debt capital is used in addition to equity in order to increase the profitability of equity. To ensure that this goal is achieved, a profitability calculation is generally prepared for every major investment. The methods applied for this are regularly based on a present value method (DCF), with the weighted average cost of capital method (WACC) being used in most cases. This is intended to provide methodological support to help ensure that the capital employed has the effect of increasing value. In addition to financing options with banks and private investors, Highlight Communications AG can also use capital market instruments.

A comprehensive presentation of the financial liabilities is provided in note note 6.18 of the notes to the consolidated financial statements.

In addition, the Highlight Group is exposed to currency risks as part of its ordinary operating activities, especially in relation to the US dollar, the Canadian dollar and the euro and, at the subsidiaries whose functional currency is the euro, in relation to the Swiss franc. Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities. Each 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 that are otherwise considered to be especially prone to risk.

In significant transactions, particularly in US dollars, Canadian dollars and euros, the Group aims 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 and loans. The Group ensures that the amount of the hedge does not exceed the value of the hedged item. For further information, please refer to the notes to the consolidated financial statements (note 8).

The Highlight Group is exposed to currency risks as part of its operating activities

These currency risks mainly relate to the euro, the US dollar and the Canadian dollar. For the subsidiaries whose functional currency is the euro, a persistently strong Swiss franc results in a reduction of income that may not be fully offset by lower costs.

In significant transactions, particularly in US dollars, Canadian dollars and euros, the Highlight Group attempts to reduce currency risks by using suitable derivative financial instruments.

It cannot be ensured that the currency hedging measures taken by the Highlight Group are sufficient, and the Highlight Group cannot guarantee that fluctuations in exchange rates, particularly those of the Swiss franc to the US dollar, the Canadian dollar and the euro, will not have a negative impact on earnings.

Taking into account the effects of the countermeasures, this risk is classified as a small risk.

The Highlight Group is subject to liquidity risks

Liquidity risks arise when the Group's payment obligations cannot be covered by its available liquidity or corresponding credit facilities. As of the end of the 2013 reporting period, the Highlight Group had sufficient liquidity reserves taking into account the available short-term credit facilities. Nonetheless, it cannot be ruled out – even taking into account the available working capital facilities – that the Highlight Group may be forced to borrow further debt capital on the capital market or from banks in the short to medium term to finance new projects or refinance existing financial liabilities.

In general, the Group companies are responsible for the management of cash and cash equivalents on their own. Highlight Communications AG provides support in some cases as a coordinator with banks for the purposes of maintaining cost-effective coverage of financial requirements. In addition, the Group's creditworthiness enables efficient use of the capital markets for its financing activities. Net debt is reviewed on a regular basis.

There is therefore the risk that, in the event of a deterioration of the Group's economic situation, further funding may not be available or not be available to a sufficient extent or could only be available at more disadvantageous terms. If the Highlight Group does not service the respective loans when due or does not repay them following termination or at the end of their term, there is a risk that the respective lender may liquidate the assets pledged as security by the Highlight Group, which would have a significant negative impact on earnings.

Overall, this risk is classified in the small risk level.

The Highlight Group is subject to the risk of changes in interest rates

Interest rate risks primarily relate to current financial liabilities. There is also an interest rate risk resulting from the mismatching of maturities.

At the current time, the Highlight Group has mostly floating-rate current financial liabilities. Fixed interest agreements provide protection against additional expenses in phases of rising interest rates. However, in phases of falling interest rates there is a risk of not benefiting from this development. Floating-rate loans carry the risk of not being protected against rising interest rates. If interest rates increase, the Highlight Group could be forced to pay considerably higher interest.

Risks from changes in the interest rates for financial liabilities may have a negative impact on earnings.

Overall, this risk is classified in the small risk level.

The Highlight Group is subject to the risk of default on receivables from customers

A credit risk exists if a debtor cannot pay a receivable or cannot pay it on time. Credit risks include direct counterparty risk and the risk of deterioration in creditworthiness.

Potential risks of default on customer receivables are assessed regularly and allowances for bad debts are recognized if necessary. In significant cases, the Group also hedges the risk of default due to insolvency of a creditor by obtaining credit rating information.

Default on receivables from customers could have a negative impact on earnings.

Taking into account the measures implemented, this risk is classified as a small risk.

REPORT ON OPPORTUNITIES

Opportunity management

Similarly to risk management, the Highlight Group's opportunity management has the objective of implementing the strategic and operational goals rapidly and efficiently by means of specific activities. Opportunities may arise in any area. Identifying opportunities and taking advantage of them in a target-oriented way is a management task that is involved in day-to-day decision-making. Extensive market research is a key element of the structured handling of opportunities. For this purpose, the Group draws on broad-based studies and research on the development of the media industry.

To improve the structuring and communication of the opportunity portfolio, the existing risk management system (RMS) was supplemented by the identification and assessment of opportunities.

Information on individual opportunities

In line with the definition in the risk report, the Highlight Group defines an opportunity as a possible future development or event that may lead to a positive deviation from forecasts/targets for the company. This means that events that are already included in the budget planning or the medium-term planning do not represent opportunities according to this definition and are not reported below.

The Highlight Group sees opportunities arising from growth in new business areas in the Other Business Activities segment

The multilingual FunPoker software can be adapted for other forms of poker, increasing the intrinsic value of the overall application and opening up opportunities for additional sublicensing.

This opportunity is classified in the medium opportunity level.

The Highlight Group sees opportunities in the exploitation and development of licenses, formats and material that have already been secured, as well as in the integration in a distinctive network

The Highlight Group already has a range of exploitation and/or marketing rights to sports and entertainment events that are important for its operating activities in the different segments, as well as film rights and material, in some cases extending far beyond the planning period. This establishes the basis for generating sales beyond the planning period as well. The Group's image and the maintenance and updating of a distinctive network will continue to facilitate access to these rights in the future.

Exploitation of these rights may increase the appeal and therefore the range to a greater extent than anticipated, resulting in future sales that are higher than planned. Attractive material and film rights may anticipate customers' tastes more than expected, leading to higher sales than planned along the entire exploitation chain.

This opportunity is classified in the medium opportunity level.

The Highlight Group sees opportunities in the cooperation with UEFA

Following the further extension of TEAM's mandate to market the commercial rights to the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup (for the 2015/16 to 2017/18 seasons respectively), the prospects for continuation of the close cooperation with the Union of European Football Associations are very strong. If contractual performance targets for that marketing process are achieved, TEAM's mandate with UEFA will be automatically extended by a further three seasons (2018/19 to 2020/21). The close link with UEFA is also demonstrated by the fact that two of its representatives have been on TEAM's Board of Directors since the beginning of December 2012.

This opportunity is classified in the medium opportunity level.

SUMMARY OF THE OPPORTUNITY AND RISK SITUATION

In line with the Group directive, the opportunities and risks reported by the individual risk officers are combined and aggregated and an assessment is performed at Group level. In comparison to previous reports, particularly the Group management report for fiscal year 2012, no significant deviations have been identified with regard to the allocation of individual factors to the different classes. Risks that were newly included in the reporting period and factors whose assessment changed significantly arise primarily from important events in the course of business, such as changes in legislation or in the behavior of market participants.

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

In the opinion of the Group management, the biggest risk factors relate to regulatory intervention and anticipating customers' tastes and the future use of media. It believes that the measures taken keep the risk to an economically acceptable level and considers the Group's risk-bearing capacity to be sufficient. The Group management still considers the greatest opportunities to relate to collaboration with screenwriters, directors and producers at home and abroad and access to attractive material and licenses, which the Highlight Group can attribute not least to its image and its creative and committed staff as well as to the large portfolio of existing rights and licenses.

INTERNAL CONTROL SYSTEM (ICS) AND RISK MANAGEMENT SYSTEM IN RELATION TO THE GROUP ACCOUNTING PROCESS

The Highlight Group's accounting-related ICS comprises the measures to ensure complete, correct and timely transfer of relevant information required for the preparation of the financial statements and the consolidated financial statements as well as the Group management report. This is intended to minimize risks of misstatements in the accounting and external reporting.

Like the risk management system, the ICS also follows the general principles of the overall framework for “enterprise risk management”, as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The accounting system in the Highlight Group is organized on a decentralized basis, with Highlight Communications AG supporting its direct subsidiaries with specific accounting-related issues. The separate financial statements of Highlight Communications AG and its subsidiaries are prepared in accordance with the legal regulations of the individual countries. To fulfill the requirements to prepare consolidated financial statements in accordance with the provisions of IFRS, reconciliations are prepared for all companies included in the Group and are reported to Group Accounting. The accounting provisions in the Highlight Group regulate uniform accounting policies in accordance with the IFRS provisions applicable to the parent company. Laws, accounting standards and other pronouncements are analyzed on an ongoing basis with regard to whether and to what extent they are relevant and how they affect the accounting. Relevant requirements are, for example, set out in the Group accounting directive and communicated. Together with the financial reporting calendar that applies throughout the Group, they represent the basis for the process of preparing the financial statements. In addition, supplementary procedural instructions, standardized report forms, IT systems and IT-based reporting and consolidation processes support the process of uniform and correct Group accounting. Where necessary, we also use external service providers, for instance to measure pension liabilities. The employees involved in the accounting process are given regular training.

The specific control activities performed at Group level to ensure proper and reliable Group accounting comprise the analysis and, where necessary, the correction of the separate financial statements presented by the Group companies. In addition, the reports prepared by the auditors and the results of meetings on the financial statements are also taken into account in the control activities. Furthermore, clear delimitations of responsibilities and process-integrated controls such as the use of the dual control principle govern additional control measures. The correctness and effectiveness of the internal control system is ensured on an annual basis by process-independent auditing activities by the Internal Audit department and is regularly reported to the Group management and the Board of Directors.

A selection process is used to determine the companies and processes that have a significant impact on individual items of the financial statements. Primary control targets are identified and key controls defined for these companies and processes. To allow better understanding, these are described verbally and added to the process chain graphically and are thus documented. The description of the controls covers the type of control (automatic or manual), the strength of the control (key control, compensatory control, control activity), the effect of the control (prevention, detection, monitoring) and the frequency with which it is performed. In selecting the key controls, automatic controls with a preventive effect are preferred.

The effectiveness and efficiency of these controls forms part of the Internal Audit department’s risk-oriented auditing approach and is periodically reviewed by it. The positions responsible for the business areas are required to monitor compliance with these controls.

The main requirements for book-keeping, accounting and reporting are set out in an Accounting Manual which is binding for all fully consolidated Group companies. Deviations from these guidelines are permitted only with the approval of Group Accounting. Key accounting processes are mapped and supported by IT systems. One important control tool in this context is the separation of functions, which is ensured not only in organizational terms but also by means of corresponding access rights to the relevant IT systems. This is done in line with the principle of “minimum necessary rights”, meaning that user accounts are only granted the access rights that are necessary as a minimum in order to perform the relevant activities. Many of the operating processes are also supported by IT systems with automatic control mechanisms. In addition to the separation of functions, the definition of mandatory fields, input checks, automatic account determination and electronic approval procedures also play an important role. The specific control activities performed at Group level to ensure proper and reliable Group accounting comprise the analysis and, where necessary, the correction of the separate financial statements presented by the Group companies. In addition, the reports prepared by the auditors and the results of meetings on the financial statements are also taken into account in the control activities. The Highlight Group’s monitoring and controlling system is also supported by Group management meetings, department manager meetings, annual and investment planning, monthly and quarterly reporting, and the involvement of the Legal department. Guidelines, operating procedures and work instructions are issued and communicated for key fields of activity.

FORECAST

GENERAL ECONOMIC ENVIRONMENT

After six consecutive forecast reductions, the International Monetary Fund (IMF) issued a slight upward revision of its predictions for the development of the global economy for the first time in January 2014. Largely as a result of an improved economic situation in the industrialized nations, the organization now expects global growth of 3.7 % for 2014. However, despite this more optimistic outlook, the IMF has pointed out that the expected economic recovery remains weak and uneven and the risk of new crises remains. In particular, positive development depends on the central banks – especially the US Federal Reserve – not phasing out their economic stimulus packages too quickly.

For the group of emerging economies, the IMF forecasts growth of 5.1 % for the current year, while it anticipates that the industrialized nations will expand by 2.2 %. The US economy is expected to perform especially well, with growth of 2.8 %. The IMF also expects the euro zone to emerge from two years of recession with a 1.0 % increase in economic output.

This rise will mainly be driven by the German economy, which is set to grow by 1.6 % according the IMF's forecast. The economists at the German Bundesbank are even more optimistic, forecasting an increase of 1.7 % for the current year. Expectations for the development of Swiss gross domestic product are even higher, with the State Secretariat for Economic Affairs (SECO) forecasting a 2.3 % rise. In relation to Europe as a whole, the Swiss economy is therefore set to continue to post above-average growth.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

The experts at PwC envisage "robust" average revenues growth of 2.3 % per year for the German media and entertainment industry between 2013 and 2017. At that rate, the sector would reach a market volume of EUR 72.4 billion by 2017. The figures suggest that advertising expenditure (+1.6 % p.a.) and consumer spending (+2.6 % p.a.) are also set to rise.

The main source of growth is the inexorable rise of digital media. According to the study, its share is set to increase to 42 % by 2017, compared with 32 % in 2012. The estimated average annual growth rate of digital media in the forecast period is 8.4 %. The figures suggest that the fastest-growing segments are online advertising and Internet access. The experts also expect above-average growth of 4.3 % per year for the film industry in Germany. Revenues of conventional theaters and digital home-video services are likely to increase here, while a decline is expected for physical media (e.g. DVDs).

TARGETS FOR FISCAL YEAR 2014

Film segment

Sector-specific situation

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

Following the strong figures in the fourth quarter of 2013 and in view of promising international theatrical releases such as "The Wolf of Wall Street", "The Monuments Men", "300: Rise of an Empire", "Need for Speed", "The Lego Movie", "The Amazing Spider-Man 2: Rise of Electro" and "X-Men: Days of Future Past", the overall movie market in Germany could show stable development again in 2014.

On the German home entertainment market, on the basis of developments in 2013, the digital exploitation formats (electronic sell-through, video-on-demand and pay-per-view) are likely to continue to grow in prominence. Furthermore, in physical business, a steady increase in Blu-ray sales is apparent, while there is a clear downward trend in DVD sales.

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

Targets for fiscal year 2014

In the theatrical production business area, Constantin Film AG is focusing on continuous optimization of the consistently high quality of its national and international in-house productions. The main aim is to produce titles that have a strong emotional link with the audience's requirements and are based on specific brands and/or have an event nature, for example. Yet productions with smaller budgets and a correspondingly manageable moviegoer risk are attractive if they have a convincing concept. Every project must be measured against high creative and commercial standards. As quality matters more than quantity, Constantin Film AG's production slate will probably tend to contain fewer individual titles. As before, the focus is geared towards creating a portfolio of brands that can be successfully exploited in all relevant movie markets worldwide as per the "Resident Evil" franchise. With this in mind, Constantin Film AG recently secured the adaptation rights for a wide range of attractive source material.

For 2014, 16 promising movie projects are in the pipeline so far. Several of the new movies are English-language productions and geared towards the international market. They particularly include "Resident Evil 6", "The Mortal Instruments: City of Ashes", "Fantastic Four 2" and "Wrong Turn 6". For the German movie market, scheduled productions include, amongst others, "Ostwind 2 – Die Rückkehr nach Kaltenbach" and a sequel to "Fack ju Göhte".

In the TV service production business area, the subsidiaries of Constantin Film AG are planning new TV movies – especially comedies – for the public and private broadcasters. These chiefly include the Ken Follett adaptation “A Dangerous Fortune”, two more Rita Falk provincial crime comedies (“Winterkartoffelknödel” and “Schweinskopf al dente”) and “Die Abrechnung” – a two-part series about the history of the drugstore chain Schlecker. In addition, innovative entertainment formats are to be produced in Germany, for Sat.1, RTL2, RTL and VOX in particular, and new entertainment programs are to be made abroad. Efforts will also be made to place new daily formats on German commercial television.

In theatrical distribution, Constantin Film AG continues to pursue its proven strategy of combining national and international own and co-productions with high-quality third-party productions that will be released in theaters with a suitable press and marketing strategy at a strategically favorable time. In an environment in which the US studios in particular vie for the audience’s attention with high-profile marketing campaigns when launching their major blockbusters, Constantin Film AG will analyze even more carefully when and how to position its films on the German movie market in the future. As things stand, 17 movies are likely to be released in German theaters in 2014. These releases range from family entertainment movies, dramas and comedies to action and event movies.

In the current fiscal year, the home entertainment business area will particularly benefit from the new release of the theatrical hit “Fack ju Göhte”, scheduled for the beginning of May. At the beginning of 2014, free-TV exploitation will mainly center on revenues from the movies “The Famous Five”, “The Three Musketeers”, “Agent Ranjid rettet die Welt”, “Wickie and the Treasure of the Gods” and “Immortals”. In pay-TV exploitation, “Scary Movie 5”, “Resident Evil: Retribution” and “Step Up Revolution” will generate revenues.

Sports- and Event-Marketing segment

Sector-specific situation

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

Targets for fiscal year 2014

Following the further extension of TEAM’s mandate to market the commercial rights to the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup (for the 2015/16 to 2017/18 seasons respectively), the prospects for continuation of the close cooperation with the Union of European Football Associations remain very strong. If contractual performance targets for the ongoing marketing process are achieved, TEAM’s mandate will be automatically extended by a further three seasons (2018/19 to 2020/21). Therefore, the TEAM Group’s primary target is to achieve an earlier than scheduled contract extension with UEFA. To this end, as many new deals as possible are to be concluded on the best possible terms in the current fiscal year, for TV rights as well as sponsorship rights.

Other Business Activities segment

Sector-specific situation

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

Targets for fiscal year 2014

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

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

Financial targets of the Highlight Group

In the Film segment it is assumed that Constantin Film AG will again have at least two movies seen by more than a million people in fiscal year 2014. However, there is still uncertainty regarding the performance of new theatrical releases in 2014 and the development of the German TV service production market. A reliable forecast for the year is therefore not yet possible at this time. In theatrical distribution, based on the promising film projects and the higher anticipated global distribution income, sales in 2014 are expected to be significantly above those in 2013. However, the rising sales will be offset by rises in release and promotion expenses on account of the number of movies and rising amortization on film assets, with the result that the increased expenses will entirely cancel out the increased sales. In home entertainment it is assumed that sales in fiscal year 2014 will significantly exceed those for 2013. In TV service production and license trading, however, sales are expected to be slightly below prior-year figures on account of the prevailing uncertainty on the market and the competitive situation. Overall, we are currently forecasting higher sales for fiscal year 2014 compared to the previous year in the Film segment, with lower earnings.

In the Sports- and Event-Marketing segment, the forecast sales and earnings targets are unchanged within the current contract agreement for the marketing of the UEFA Champions League and the UEFA Europa League, which runs from the 2012/2013 season to the 2014/2015 season.

In the Other Business Activities segment, the contractual cooperation with the EBU and the Vienna Philharmonic Orchestra will continue at the same level in the coming year as well. The forecast sales and earnings targets will remain on par with the previous year. The need for intensive investment will continue in online/social gaming in 2014. We are therefore anticipating that there will be no notable sales and that earnings will remain negative. A negative result is expected for the segment overall.

Based on the expected developments in the individual segments as described above, our sales forecast at Group level is in the region of CHF 380 million to CHF 410 million.

Pratteln, March 2014

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.

Global TV broadcast:
The Vienna Philharmonic Orchestra's 2014 New Year's Day Concert was played under the baton of the renowned conductor Daniel Barenboim.

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

Consolidated financial statements

as of December 31, 2013
der Highlight Communications AG, Pratteln

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2013

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2013	Dec. 31, 2012*	Jan. 1, 2012*
Non-current assets				
In-house productions		175,201	134,687	127,930
Third-party productions		35,843	27,946	26,625
Film assets	6.1	211,044	162,633	154,555
Other intangible assets	6.2	2,214	4,954	4,785
Goodwill	6.2	17,597	17,892	20,883
Property, plant and equipment	6.3	5,117	5,864	9,380
Investments in associated companies and joint ventures	6.5	402	406	428
Non-current receivables due from third parties	6.8	1,068	1,464	3,036
Receivables due from associated companies and joint ventures	11	3,079	3,294	–
Other financial assets	6.7	227	249	250
Deferred tax assets	6.13	2,708	3,131	5,231
		243,456	**199,887**	**198,548**
Current assets				
Inventories	6.6	3,896	3,875	5,777
Trade accounts receivable and other receivables due from third parties	6.9/6.10	126,199	115,363	136,399
Receivables due from related parties	11	77	102	74
Receivables due from associated companies and joint ventures	11	2,283	3,326	1,946
Other financial assets	6.7	17,627	17,197	13,880
Income tax receivables	6.12	1,632	5,484	2,457
Cash and cash equivalents	6.11	44,259	72,517	140,711
Non-current assets held for sale	6.14	3,900	4,150	–
		199,873	**222,014**	**301,244**
Total assets		**443,329**	**421,901**	**499,792**

* Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 2.

The notes on page 90 – 167 are an integral part of the consolidated financial statements.

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2013	Dec. 31, 2012*	Jan. 1, 2012*
Equity	6.15			
Subscribed capital		47,250	47,250	47,250
Treasury stock		-2,716	-1,157	-1,157
Capital reserve		-104,534	-103,614	-104,602
Other reserves		-26,187	-28,106	-27,093
Retained earnings		182,862	183,673	164,608
Equity attributable to shareholders		96,675	98,046	79,006
Non-controlling interests		10,573	13,231	13,039
		107,248	**111,277**	**92,045**
Non-current liabilities				
Other liabilities		–	5	11,875
Pension liabilities	6.21	6,015	9,676	8,854
Provisions	6.22	1,601	1,434	309
Deferred tax liabilities	6.24	11,022	9,444	5,807
		18,638	**20,559**	**26,845**
Current liabilities				
Financial liabilities	6.18	151,997	136,034	204,207
Advance payments received	6.19	58,881	45,534	42,919
Trade accounts payable and other liabilities due to third parties	6.17	100,471	95,570	116,535
Liabilities due to related parties	11	282	250	286
Liabilities due to associated companies and joint ventures	11	26	1,344	1,430
Provisions	6.22	4,768	4,479	5,203
Income tax liabilities	6.23	1,018	6,854	10,322
		317,443	**290,065**	**380,902**
Total equity and liabilities		**443,329**	**421,901**	**499,792**

* Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 2.

The notes on page 90 – 167 are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT 2013

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012*
Sales	7.1	**386,197**	**432,814**
Capitalized film production costs and other own work capitalized	7.2	**89,449**	**59,211**
Total output		**475,646**	**492,025**
Other operating income	7.3	**20,912**	**24,776**
Costs for licenses, commissions and materials		-39,472	-43,733
Costs for purchased services		-163,576	-143,293
Cost of materials and licenses	7.4	**-203,048**	**-187,026**
Salaries		-94,473	-94,941
Social security, pension costs		-10,712	-11,352
Personnel expenses		**-105,185**	**-106,293**
Amortization and impairment on film assets	6.1	-92,142	-115,220
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	6.2/6.3	-6,253	-5,292
Goodwill impairment	6.2	-385	-2,941
Amortization, depreciation and impairment	7.5	**-98,780**	**-123,453**
Other operating expenses	7.6	**-71,049**	**-63,490**
Profit from operations		**18,496**	**36,539**
Earnings from investments in associated companies and joint ventures	6.5	**57**	**241**
Financial income	7.7	11,070	6,527
Financial expenses	7.8	-13,708	-10,962
Financial result		**-2,638**	**-4,435**
Profit before taxes		**15,915**	**32,345**
Current taxes		-3,947	-69
Deferred taxes		-1,671	-5,937
Taxes	7.9	**-5,618**	**-6,006**
Net profit		**10,297**	**26,339**
thereof shareholders' interests		9,731	25,944
thereof non-controlling interests		566	395
Earnings per share (CHF)			
Earnings per share attributable to shareholders, basic		0.21	0.56
Earnings per share attributable to shareholders, diluted		0.21	0.56
Weighted average number of shares (basic)		45,286,654	46,093,433
Weighted average number of shares (diluted)		45,286,654	46,093,433

* Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 2.

The notes on page 90 – 167 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS 2013

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012*
Net profit	**10,297**	**26,339**
Currency translation differences	1,707	–1,016
Items that may be reclassified to the income statement in future	**1,707**	**–1,016**
Actuarial gains and losses of defined benefit obligation plans	2,529	–1,264
Gain/losses from financial assets at fair value through other comprehensive income/loss	1,707	2,089
Items that will not be reclassified to the income statement in future	**4,236**	**825**
Other comprehensive income/loss, net of tax	**5,943**	**–191**
Total comprehensive income/loss	**16,240**	**26,148**
thereof shareholders' interests	15,505	25,888
thereof non-controlling interests	735	260

* Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 2.

The notes on page 90 – 167 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2013

Highlight Communications AG, Pratteln

		Equity	
(TCHF)	Note	Subscribed capital	Treasury stock
Balance as of January 1, 2012		**47,250**	**–1,157**
Retrospective change in the method of accounting on the basis of IAS 19 rev.		–	–
Adjusted balance as of January 1, 2012		**47,250**	**–1,157**
Currency translation differences		–	–
Items that may be reclassified to the income statement in future		–	–
Actuarial gains and losses of defined benefit obligation plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income/loss		–	–
Items that will not be reclassified to the income statement in future		–	–
Other comprehensive income/loss, net of tax		–	–
Net profit		–	–
Total comprehensive income/loss		–	–
Capital increase		–	–
Purchase of treasury stock		–	–
Sale of treasury stock		–	–
Dividend payments		–	–
Change in non-controlling interests		–	–
Changes in scope of consolidation		–	–
Balance as of December 31, 2012		**47,250**	**–1,157**
Balance as of January 1, 2013		**47,250**	**–1,157**
Retrospective change in the method of accounting on the basis of IAS 19 rev.		–	–
Adjusted balance as of January 1, 2013		**47,250**	**–1,157**
Currency translation differences		–	–
Items that may be reclassified to the income statement in future		–	–
Actuarial gains and losses of defined benefit obligation plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income/loss		–	–
Items that will not be reclassified to the income statement in future		–	–
Other comprehensive income/loss, net of tax		–	–
Net profit		–	–
Total comprehensive income/loss		–	–
Purchase of treasury stock		–	–1,559
Sale of treasury stock		–	–
Dividend payments		–	–
Change in non-controlling interests		–	–
Other changes		–	–
Balance as of December 31, 2013	6.15	**47,250**	**–2,716**

The notes on page 90 – 167 are an integral part of the consolidated financial statements.

attributable to the shareholders					
Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
–104,602	**–27,093**	**168,348**	**82,746**	**13,268**	**96,014**
–	–	–3,740	–3,740	–229	–3,969
–104,602	**–27,093**	**164,608**	**79,006**	**13,039**	**92,045**
–	–1,013	–	–1,013	–3	–1,016
–	**–1,013**	**–**	**–1,013**	**–3**	**–1,016**
–	–	–1,132	–1,132	–132	–1,264
–	–	2,089	2,089	–	2,089
–	**–**	**957**	**957**	**–132**	**825**
–	**–1,013**	**957**	**–56**	**–135**	**–191**
–	–	25,944	25,944	395	26,339
–	**–1,013**	**26,901**	**25,888**	**260**	**26,148**
–223	–	–	–223	2,953	2,730
–	–	–	-	–	-
–	–	–	-	–	-
–	–	–7,836	–7,836	–1,917	–9,753
1,211	–	–	1,211	–1,211	–
–	–	–	-	107	107
–103,614	**–28,106**	**183,673**	**98,046**	**13,231**	**111,277**
–103,614	**–28,106**	**188,131**	**102,504**	**13,538**	**116,042**
–	–	–4,458	–4,458	–307	–4,765
–103,614	**–28,106**	**183,673**	**98,046**	**13,231**	**111,277**
–	1,657	–	1,657	50	1,707
–	**1,657**	**–**	**1,657**	**50**	**1,707**
–	–	2,410	2,410	119	2,529
–	–	1,707	1,707	–	1,707
–	**–**	**4,117**	**4,117**	**119**	**4,236**
–	**1,657**	**4,117**	**5,774**	**169**	**5,943**
–	–	9,731	9,731	566	10,297
–	**1,657**	**13,848**	**15,505**	**735**	**16,240**
–	–	–6,639	–8,198	–	–8,198
–	–	–	–	–	–
–	–	–7,758	–7,758	–1,666	–9,424
–920	–	–	–920	–1,727	–2,647
–	262	–262	–	–	–
–104,534	**–26,187**	**182,862**	**96,675**	**10,573**	**107,248**

CONSOLIDATED STATEMENT OF CASH FLOWS 2013

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012*
Net profit		**10,297**	**26,339**
Deferred taxes		1,671	5,937
Current taxes		3,947	69
Financial result (without currency result)		6,158	4,190
Earnings from investments in associated companies and joint ventures	6.5	-57	-241
Amortization, depreciation and impairment on non-current assets	7.5	98,780	123,453
Gain (-)/loss (+) from disposal of non-current assets	7.3/7.6	62	-159
Other non-cash items		1,224	719
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities		-9,719	22,612
Decrease (-)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities		13,495	-17,371
Dividends received from associated companies and joint ventures		254	282
Interest paid		-3,270	-3,506
Interest received		578	481
Income taxes paid		-11,005	-7,177
Income taxes received		5,084	670
Cash flow from operating activities		**117,499**	**156,298**

* Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 2.

The notes on page 90 – 167 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012*
Payments for intangible assets	6.2	–1,028	–2,040
Payments for film assets		–136,178	–126,646
Payments for property, plant and equipment	6.3	–1,747	–4,416
Payments for financial assets		–2,933	–4,616
Proceeds from disposals of property, plant and equipment		40	472
Proceeds from disposals of financial assets		1,011	–
Cash flow for investing activities		**–140,835**	**–137,246**
Payments for purchase of treasury stock		–8,198	–
Payments for purchase of non-controlling interests	6.15	–2,647	–11,870
Repayment of current financial liabilities		–148,090	–229,868
Proceeds by other shareholders resulting from capital increases and foundations		-	2,837
Proceeds from receipt of current financial liabilities		162,796	162,809
Dividend payments		–9,424	–9,753
Cash flow for financing activities		**–5,563**	**–85,845**
Cash flow for the reporting period		**–28,899**	**–66,793**
Cash and cash equivalents at the beginning of the reporting period		72,517	140,711
Change in cash and cash equivalents due to exchange rate movements		641	–1,401
Cash and cash equivalents at the end of the reporting period		44,259	72,517
Change in cash and cash equivalents		**–28,899**	**–66,793**

* Adjusted due to the effects of applying IAS 19 rev., see changes in accounting principles under note 2.

The notes on page 90 – 167 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2013

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 25, 2014 and require the approval of the Annual General Meeting of May 30, 2014.

1.1 General information on 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, Sports- and Event-Marketing and Other Business Activities (see note 9).

1.2 Basis of presentation

The consolidated financial statements of Highlight Communications AG were prepared in accordance with the International Financial Reporting Standards (IFRS) and the additional provisions of Swiss Commercial law. All IFRSs/IASs and SICs/IFRICs applicable as of December 31, 2013 were complied with.

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 "Scope of consolidation" (see note 3).

The income statement 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 prepared based on historical cost; exceptions to this are described in the accounting policies (see note 4).

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 as well as contingent liabilities and assets reported as of the end of the reporting period. 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 modified. More detailed information on the basis of estimates can be found separately under the respective statement of financial position item (see note 5).

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

2.1 Standards and interpretations applied for the first time

The Group has applied the following mandatory accounting standards since the start of fiscal year 2013:

IFRS 7 Financial Instruments: Disclosures (amendment)

When offsetting financial assets and financial liabilities, gross and net amounts from the offsetting in the statement of financial position and other offsetting rights that do not meet the criteria for offsetting in the statement of financial position must be shown in tabular format. The additions are to be applied retrospectively. This amendment has no material influence on the net assets, financial position and results of operations of the Highlight Group, but entails additional disclosures in the notes (see note 8).

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements replaces IAS 27 and SIC 12. The new standard contains a uniform definition of the term "control" and specific regulations on assessing if a parent-subsidiary relationship exists and for defining the consolidated group. As defined by IFRS 10, control comprises the criteria of power, exposure to variability of returns and the ability to use power to affect the amount of returns. If all three criteria are satisfied, an entity is controlled and must be included in consolidation. In addition, the new regulations of IFRS 10 contain explanations and application guidance, e.g. on de facto control with shares of voting rights of less than 50%, on differentiating between participation and protection rights of other shareholders and the inclusion of agency relationships in allocating existing voting rights. The early adoption of IFRS 10 Consolidated Financial Statements has no influence on the consolidated group or the presentation of the net assets, financial position and results of operations of the Group.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements regulates their accounting and replaces the corresponding regulations of IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. A joint arrangement is defined as an arrangement by which two or more partners contractually exercise joint control over this arrangement. Joint control only actually exists if decisions for jointly managed activities require the unanimous agreement of the parties involved. Joint arrangements can be differentiated between joint operations and joint ventures. For joint operations, assets and liabilities as well as income and expenses are included pro rata. In accordance with the regulations of the amended IAS 28 Investments in Associates and Joint Ventures, investments in joint ventures are recognized using the equity method. The early adoption of IFRS 11 Joint Arrangements has no influence on the presentation of the net assets, financial position and results of operations of the Group as joint ventures were already accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities provides new regulations for disclosures in the notes in connection with interests in subsidiaries and associates in addition to joint arrangements and non-consolidated companies. These amendments have no material influence on the net assets, financial position and results of operations of the Highlight Group, but entail additional disclosures in the notes to the consolidated financial statements.

Transition regulations (amendments to IFRS 10, IFRS 11 and IFRS 12)

The amendments to the transition regulations clarify that the date of first-time adoption in IFRS 10 is the start of the reporting period in which IFRS 10 is applied for the first time. They also stipulate that comparative information for the disclosure requirements of IFRS 12 in connection with subsidiaries, associates and joint arrangements need only be disclosed for the immediately preceding comparative period on first-time adoption of the new consolidation rules. Comparative information is not required for non-consolidated, structured companies on first-time adoption of IFRS 12. These convenience options were exercised for the disclosures in the notes to the consolidated financial statements.

IFRS 13 Fair Value Measurement

The objective of IFRS 13 is to standardize the calculation of fair value by prescribing a uniform definition and a transparent measurement hierarchy. Fair value is defined in IFRS 13 as the exit price. As far as possible, observable market parameters should be used to calculate fair value. For non-financial assets, the fair value is calculated on the basis of the highest and best use of the asset from the perspective of the market participants. In measuring financial and non-financial liabilities and an entity's own equity instruments, it is assumed that they are transferred to another market participant (new debtor). An exit scenario is assumed with the risk of non-fulfillment included in the measurement. For financial assets and financial liabilities with offsetting positions in market risks or counterparty risks, the fair value can be measured on the basis of the net values if the control quantity is the net basis. IFRS 13 is to be applied prospectively.

The Group manages its current foreign currency forwards in hedges on the basis of framework agreements. In addition, the counterparty default risk and the entity's own default risk are also taken into account when measuring derivative financial instruments. These amendments have no material influence on the net assets, financial position and results of operations of the Highlight Group, but entail additional disclosures in the notes to the consolidated financial statements (see note 8).

IAS 1 Presentation of Financial Statements (amendment)

Under the IAS 1 amendment, other comprehensive income is divided into two categories – items that may be reclassified to the consolidated income statement in the future and those that will not be – depending on whether or not the issue at hand will be posted in the income statement in future. This amendment – including the restatement of prior-year figures – only affects the presentation of other comprehensive income (OCI). It has no effect on the net assets, financial position and results of operations of the Highlight Group.

IAS 1 Presentation of Financial Statements (amendment) (as part of the annual IFRS improvement process (2009 – 2011 cycle))

The annual IFRS improvement process 2009 – 2011 includes a number of amendments, of which the amendment to IAS 1 is relevant to the Group. The amendment clarifies that the obligation to prepare an opening statement of financial position as of the start of the preceding period, i.e. a third statement of financial position, only applies if an enterprise retroactively restates or reclassifies items in its financial statements and these amendments have a material effect on the third statement of financial position. Corresponding disclosures in the notes are not required for the third statement of financial position. The Group retroactively applied IAS 19 Employee Benefits (revised) in the year under review. This had a material effect on the statement of financial position as of January 1, 2012 and the third statement of financial position will therefore be disclosed without further disclosures in the notes, except for the regulation under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

IAS 19 Employee Benefits (revised)

The Group has applied IAS 19 Employee Benefits (revised 2011, IAS 19 rev.) since January 1, 2013. The standard is to be applied retrospectively. The main changes for the Highlight Group in accounting for defined benefit plans concern the immediate recognition of actuarial gains and losses in other comprehensive income. Owing to retrospective application, all unrecognized, cumulative actuarial gains and losses by January 1, 2012 are transferred to retained earnings/loss carried forward in the opening statement of financial position as of January 1, 2012. Furthermore, the discount rate for pension obligations is used to calculate the net interest expense (basis: net liability). As a result, the expected return on plan assets is assumed to be the discount rate on which the measurement of pension obligations is based. The reporting of current service cost and net interest expense in operating earnings can be retained. The following tables show the effects of implementing the amendments. With regard to the consolidated statement of cash flows, the retrospective restatement led only to movements within the cash flow from operating activities.

Consolidated balance sheet

(TCHF)		Dec. 31, 2012			Jan. 1, 2012	
	before adjustment	adjustment	after adjustment	before adjustment	adjustment	after adjustment
Assets						
Deferred tax assets	2,335	796	3,131	4,621	610	5,231
Equity and liabilities						
Retained earnings	162,601	–4,872	157,729	136,738	–3,740	132,998
Shareholders’ interests	25,530	414	25,944	31,610	–	31,610
Equity attributable to shareholders	102,504	–4,458	98,046	82,746	–3,740	79,006
Non-controlling interests	13,538	–307	13,231	13,268	–229	13,039
Pension liabilities	4,115	5,561	9,676	4,275	4,579	8,854

Consolidated income statement

(TCHF)	before adjustment	adjustment	Jan. 1 to Dec. 31, 2012 after adjustment
Social security, pension costs	–11,835	483	–11,352
Deferred taxes	–5,922	–15	–5,937
Net Profit	**25,871**	**468**	**26,339**
thereof shareholders' interests	25,530	414	25,944
thereof non-controlling interests	341	54	395
Earnings per share attributable to shareholders, basic (CHF)	0.55	0.01	0.56
Earnings per share attributable to shareholders, diluted (CHF)	0.55	0.01	0.56

Consolidated statement of comprehensive income/loss

(TCHF)	before adjustment	adjustment	Jan. 1 to Dec. 31, 2012 after adjustment
Net profit	**25,871**	**468**	**26,339**
Actuarial gains and losses of defined benefit obligation plans	–	–1,264	–1,264
Items that will not be reclassified to the income statement in future	**2,089**	**–1,264**	**825**
Total comprehensive income/loss	**26,944**	**–796**	**26,148**
thereof shareholders' interests	26,606	–718	25,888
thereof non-controlling interests	338	–78	260

The mandatory adoption of the following accounting standards and interpretations from January 1, 2013 did not affect these consolidated financial statements:

Standards/amendments/interpretations		Mandatory application for fiscal years starting on or after
IFRS 1	First-time Adoption of IFRS – Government Loans (amendment)	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
IFRS amendments (2009 – 2011)*		January 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

* This specifically relates to the following standards and interpretations: IFRS 1, IAS 16, IAS 34

In addition to the accounting standards mandatory as of January 1, 2013, the Highlight Group opted for voluntary early adoption of the following accounting standard:

IAS 36 – Impairment of Assets (amendment)

The amendment of this standard specifically comprises the following regulations: repeal of provision requiring the disclosure of the recoverable amount of a cash-generating unit (or group of units) containing material goodwill or material intangible assets with an indefinite useful life, even if no impairment or reversals of impairment were recognized on this cash-generating unit (or group of units) in the current period. Instead, an obligation to disclose the recoverable amount of an asset or cash-generating unit for which impairment or reversals of impairment were recognized in the current period has been added. The Highlight Group is exercising the option of voluntary early adoption. The amendment is being applied retrospectively, but only to reporting periods to which IFRS 13 also applies.

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 adoption is not mandatory as of December 31, 2013:

Standards/amendments/interpretations		Mandatory application for fiscal years starting on or after
IFRS 9	Financial Instruments (2010) and subsequent amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Disclosures of Transfers of Financial Assets	January 1, 2018
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)		January 1, 2014
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives	January 1, 2014
IFRIC 21	Levies	January 1, 2014
IAS 19	Employee Benefits – Accounting for Employee Contributions	July 1, 2014
Annual IFRS improvement process (2010 – 2012)*		July 1, 2014
Annual IFRS improvement process (2011 – 2013)**		July 1, 2014
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

* This specifically relates to the following standards and interpretations: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38

** This specifically relates to the following standards and interpretations: IFRS 1, IFRS 3, IFRS 13, IAS 40

The following standard is significant for the future consolidated financial statements of Highlight Communications AG:

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.

The Highlight Group adopted the new standard IFRS 9 (2009) for the Group's consolidated financial statements at an early stage starting from July 1, 2010.

In relation to accounting for financial liabilities, including accounting for various hybrid instruments, IFRS 9 (2010), supplementing IFRS 9 (2009), essentially contains amendments to the recognition of changes in fair value when using the fair value option. IFRS 9 (2010) extends the scope of the hedged items to which hedge accounting can potentially be applied. A further fundamental difference compared to the hedge accounting model presented in IAS 39 is the abolition of the 80 % to 125 % interval for effective hedges and the provision requiring quantitative assessment of the effectiveness of hedges. In the IFRS 9 model, there must be evidence of an economic relationship between the hedged item and the hedging instrument without there being quantitative limits. With the addition to IFRS 9 of November 19, 2013 regarding the introduction of a new hedge accounting model, the mandatory effective date of IFRS 9 was set as of January 1, 2018 at the IASB meeting on February 20, 2014. The full IFRS 9 standard with the new impairment model and the limited amendments in relation to classification and measurement is expected in the second quarter of 2014. The Group is currently examining the possible effects of implementing the amendments.

3. Scope of consolidation

The following changes occurred in the consolidated group in fiscal year 2013:

Acquisitions, new companies and first-time consolidation

Between April 8 and June 12, 2013, Highlight Communications AG gradually increased its shares in Highlight Event & Entertainment AG, Düdingen, which was already included in consolidation, from 59.891% to 68.634%. The purchase price for the new shares was TCHF 2,647.

On May 24, 2013, Rainbow Home Entertainment AG, Pratteln, acquired additional shares in the associated company Kuuluu Interactive Entertainment AG, Pratteln, for a purchase price of TCHF 188. The share held by Rainbow Home Entertainment AG is now 41.5 % (previous year: 22 %).

Other changes

On April 2, 2013 the fully consolidated company Constantin Entertainment Middle East FZ LLC, Abu Dhabi, was liquidated.

The fully consolidated structured company Resident Evil Productions LLC, Delaware, was liquidated accordingly on November 26, 2013.

The effects of these transactions on these consolidated financial statements are insignificant.

Overview of fully consolidated companies

Königskinder Music GmbH, in which Constantin Film AG holds a 50% interest, is included in consolidation on the basis of de facto control. As the two managing directors of this company are related parties of Constantin Film AG, Constantin Film AG currently has the ability to significantly influence key activities of this investee. Constantin Film AG is also subject to the variable returns from this company, and can significantly influence their amount through the two managing directors.

The table below shows an overview of the companies included in consolidation:

Overview of fully consolidated companies

	Activity	Country	Subscribed capital		Share in capital*	Voting rights of the respective parent company
Team Holding AG	Holding company	CH	CHF	250,000	100%	100%
Team Football Marketing AG	Exploitation of sports rights	CH	CHF	6,340,000	95.27%	100%
T.E.A.M. Television Event And Media Marketing AG	Marketing of sports events	CH	CHF	200,000	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%
Constantin Entertainment AG	TV entertainment production	CH	CHF	100,000	100%	100 %
Mood Factory AG	Exploitation of music rights	CH	CHF	100,000	52%	52%
Pokermania GmbH	Software development	DE	EUR	25,000	50.004%	50.004%
Highlight Event & Entertainment AG	Holding company	CH	CHF	15,592,500	68.63%	68.63%
Escor Automaten AG	Development and distribution of gaming machines	CH	CHF	3,000,000	68.63%	100%
Highlight Event AG	Event marketing	CH	CHF	500,000	68.63%	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	GB	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 Israel Ltd.	TV entertainment production	IS	ILS	50,000	56.25%	56.25%
Constantin Entertainment Hungary Kft.	TV entertainment production	HU	HUF	1,000,000	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	75.5%	75.5%
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	355,000	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%
Nadcon Film GmbH	International Film and TV production	DE	EUR	100,000	51%	51%
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*

Overview of companies not included in consolidation

Owing to a lack of business activities, the following subsidiaries are individually and collectively insignificant in providing a true and fair view of the Group's net assets, financial position and results of operations. These companies are therefore not included in the Highlight Communications AG consolidated group. The non-consolidated companies have been reported at a carrying amount of TCHF 0. The companies are currently inactive and have no operations. Their assumed fair value is equal to their carrying amount.

	Country	Subscribed capital		Share in capital
Selskabet af 11.april 2013 A.S. in bankruptcy (formerly Smilla Film A.S.)	Denmark	DKR	500,000	100 %
Impact Pictures LLC**	US	USD	1,000	51 %
Impact Pictures Ltd.***	Great Britain	GBP	1,000	51 %
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 T.E.A.M. Television Event And Media Marketing AG, Switzerland*

Overview of joint ventures

The following joint ventures are included in the consolidated financial statements using the equity method:

(TCHF)	Share in capital	Period recognized in the consolidated financial statements	Currency	Subscribed capital
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	50 %	Jan. 1, 2013 – Dec. 31, 2013	EUR	100,000
Mister Smith Entertainment Ltd.	50 %	Jan. 1, 2013 – Dec. 31, 2013	GBP	200

Financial information on the joint ventures can be found in note 6.5.

Overview of associated companies

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

(TCHF)	Share in capital	Period recognized in the consolidated financial statements	Currency	Subscribed capital
BECO Musikverlag GmbH	50 %	Jan. 1 – Dec. 31, 2013	EUR	25,000
NEF-Production S.A.S.	30 %	Jan. 1 – Dec. 31, 2013	EUR	10,000
Kuuluu Interactive Entertainment AG	41,5 %	Jan. 1 – Dec. 31, 2013	CHF	100,000

Financial information on the associates can be found in note 6.5.

4. Description of the accounting policies applied

4.1 Methods of consolidation

All significant subsidiaries are included in the consolidated financial statements. Subsidiaries are companies that Highlight Communications AG controls directly or indirectly. Highlight Communications AG controls an investee when all the following criteria are met:

- control of the investee
- risks from or rights to variable returns from its exposure in the investee
- the ability to utilize its control so as to influence the amount of returns from the investee.

Highlight Communications AG monitors on an ongoing basis whether it controls an investee when facts or circumstances indicate that one or more of the three control criteria have changed.

If Highlight Communications AG holds less than a majority of the voting or similar rights in the investee, Highlight Communications AG takes into account all relevant facts and circumstances in assessing whether it controls an investee, including:

- a contractual arrangement with other parties entitled to vote
- rights resulting from other contractual arrangements
- potential voting rights held by Highlight Communications AG, other parties entitled to vote or other parties
- all additional facts and circumstances that Highlight Communications AG can currently determine the relevant business activities, including voting patterns at prior general meetings.

Structured companies are included in the consolidated financial statements if the Group controls them on the basis of the nature of its relationship with them.

First-time capital consolidation is implemented by offsetting the cost (consideration rendered) of the investment against the remeasured pro rata share of equity in the subsidiary as of 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. Incidental costs of acquisition are recognized as an expense. If an acquisition is gradual, shares held before control is obtained are measured at fair value as of the time of acquisition and added to the consideration rendered. Gains or losses resulting from remeasurement are recognized in profit or loss. The remaining positive difference is recognized as goodwill, which is tested for impairment annually or when there are indications of impairment. Any impairment loss resulting from this is recognized in profit or loss. Any negative difference arising from capital consolidation is reported in full as income in the year incurred after re-assessment. For each acquisition the acquirer can elect to measure non-controlling interests either at fair value (full goodwill method) or at the pro rata identifiable net assets (partial goodwill method).

A joint venture is a joint arrangement in which parties exercise joint control of the arrangement and have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associated company is a company in which Highlight Communications AG has significant influence. Significant influence is the ability to participate in the financial and business policy decisions of the investee, but not control or joint control of these directives.

Joint ventures and associated companies are measured using the equity method. Equity investments are recognized at 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. Profit distributions by associated companies reduce their carrying amount. If there are objective indications of impairment, impairment losses are recognized in profit or loss. Changes recognized in the equity of the associate are recognized by the Group in the amount of its interest and shown in the statement of changes in consolidated equity. Items recognized in other comprehensive income (OCI) in the financial statements of associated companies (e.g. currency translation differences) are shown in the consolidated financial statements as a separate item in other comprehensive income (OCI).

Companies are deconsolidated when they are no longer controlled. Deconsolidation is shown as the disposal of all assets attributable to the subsidiary including goodwill, liabilities and the differences from currency translation. Expenses and income incurred prior 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 earnings and net assets not attributable to the shareholders of the parent company. Non-controlling interests are reported separately in the consolidated income statement, other comprehensive income and the consolidated statement of financial position. They are reported in the consolidated statement of financial position under equity but separately from the equity attributable to the shareholders of the parent company.

The effects of transactions with non-controlling interests that do not result in a loss of control are recognized in equity as transactions with equity providers. 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 the remeasurement 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 functional currency is the local 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

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.

Monetary assets and liabilities are translated at the closing rate as of the end of the reporting period.

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 shown in other comprehensive income (OCI). Translation differences on non-monetary financial instruments are reported either in OCI or in profit or loss in line with the presentation of changes in value of the underlying financial instrument.

Currency translation in the Group

The statement of financial position 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 at the end of the reporting period while income statement items are translated at annual average exchange rates. Goodwill and fair value adjustments from purchase price allocation denominated in a currency other than Swiss francs are also translated at the exchange rate at the end of the reporting period. Any translation differences or differences from currency translation in amounts carried forward from previous years resulting from this are recognized in OCI.

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 OCI are recognized as part of the gain or loss on its sale.

Exchange rates

		Rates at balance sheet date		Annual average rates	
		Dec. 31, 2013	Dec. 31, 2012	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Euro	(EUR)	1,22590	1,20770	1,23091	1,20548
US dollar	(USD)	0,89050	0,91390	0,92723	0,93803
British pound	(GBP)	1,46840	1,47680	1,45000	1,48647
Canadian dollar	(CAD)	0,83270	0,91700	0,90082	0,93842

Closing rates are based on the official middle rate on the last trading day of the fiscal year.

4.3 Fair value measurement

The Group measures its financial instruments, including derivatives, and non-financial assets and liabilities measured at fair value at the end of each reporting period. The fair value of financial instruments measured at amortized cost is also disclosed in note 8.

Fair value is the price that independent market participants would receive or pay under normal market conditions as of the measurement date when selling an asset or transferring a liability (exit price).

In measuring this, it is assumed that the sale/transfer takes place on the priority market (market with the largest volume) for this asset/liability. If a priority market is not available, the most advantageous market must be used to measure fair value. The fair value of an asset or liability is measured assuming that market participants act in their economic best interest when pricing the asset or liability.

Counterparty non-performance risk is measured using the Standard & Poor's model (AAA – CCC). The risk of default is calculated using a percentage for each rating category. An entity's own rating is determined using a peer group model approach. Third-party credit risk is only taken into account when measuring the fair value of derivative financial instruments. An entity's own credit risk is taken into account in the measurement of debt instruments and derivative financial instruments.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. With the exception of the property classified as available for sale, there were no non-financial assets measured at fair value as of December 31, 2013.

When measuring non-financial liabilities and an entity's own equity instruments, a transfer to another market participant is assumed. An exit scenario is assumed here. When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available, an entity shall measure the instruments from the perspective of a market participant that holds the identical item as an asset. There were no non-financial liabilities or own equity instruments measured at fair value as of December 31, 2013.

The Group applies measurement methods that are appropriate in the circumstances and for which there are sufficient data to measure fair value. In doing so, the use of relevant, observable input factors is maximized and that of non-observable input factors is minimized.

All assets and liabilities that are measured at fair value or reported in the notes are assigned to the following levels of the fair value hierarchy based on the lowest input factor that is material overall for measurement:

- Level 1: (non-adjusted) prices quoted on active markets accessible to the Group on the measurement date for identical assets or liabilities
- Level 2: other input factors than the quoted prices listed in level 1 that can be observed either directly or indirectly for the asset or liability
- Level 3: input factors that are not observable for the asset or liability

The fair values are calculated using the hierarchy table and its classifications and are reported in note 8.

The fair value of non-current financial instruments measured at amortized cost is calculated for the disclosures in the notes by discounting the forecast future cash flows using the interest rates currently applicable for financial instruments with similar conditions and remaining terms if a level 1 measurement is not possible. Matched term interest rates are calculated annually as of the end of the reporting period. The entity's own risk of default is also taken into account for debt instruments.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines as of the end of the reporting period whether there were transfers between the levels of the fair value hierarchy based on the lowest input factor significant overall to measurement.

Information on the measurement methods used and the input factors for determining the fair value of assets and liabilities can be found in notes 6, 7 and 8.

4.4 Segment reporting

Segments and segment reporting are defined on the basis of the internal reporting of the organizational units to the chief operating decision maker 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 and the allocation of the organizational units to the business segments is based on internal reporting to management. The Group consists of the Film segment, the Sports- and Event-Marketing segment and the Other Business Activities segment. Group functions are shown under Other. 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.

4.5 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 (in-house and co-productions) plus the cost of developing new projects. The acquisition of rights to third-party productions usually includes cinema, home entertainment and TV rights.

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

In-house productions are carried at cost. This cost also includes the financing 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 in other operating expenses.

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. Under the individual film forecast method, the amortization for a film in a period is calculated 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 home entertainment costs when calculating amortization in connection with home entertainment 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 of impairment. If the cost or the carrying amount of the film is not covered by its estimated total revenues less release costs yet to be incurred, taking into account their timing, 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. 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 as soon as any changes arise in previous forecasts.

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.

4.6 Other intangible assets

This category essentially includes computer programs and intangible assets identified in the process of purchase price allocation. They are measured at cost less straight-line amortization and impairment. Please also see the comments in the section "Impairment of non-financial assets" (see note 4.9). Amortization on computer programs is calculated on the basis of the term or the standard useful life of three to six years.

Development costs for individual projects are capitalized as internally developed intangible assets if all of the following criteria for capitalization are met:

- proof of the technical feasibility of completing the assets
- the intention to complete the asset
- the ability to use the future asset
- future economic benefits
- the availability of adequate technical, financial and other resources
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

Development costs that do not meet these criteria are recognized as an expense.

Internally developed intangible assets are measured at cost. Capitalized costs are amortized over their useful life once the development phase is complete and utilization is possible. The amortization period is determined according to the economic life and is two to six years. Research costs and development costs not eligible for capitalization are reported in the income statement as they arise.

Customer relationships identified during purchase price allocation are also reported under intangible assets. Their carrying amount is their fair value as of the time of acquisition less necessary amortization. Customer relationships are amortized over an expected useful life of ten years.

4.7 Goodwill

Goodwill is carried at cost less any cumulative impairment losses. The cost of goodwill is the total of

(i) the fair value of the consideration transferred as of 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 (partial goodwill method). 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 the segments.

Goodwill is tested for impairment once per year or more frequently if there are indications of impairment. Goodwill is not amortized.

4.8 Property, plant and equipment

Property, plant and equipment comprises land, land rights and buildings, leasehold improvements, technical equipment and machinery, other equipment, operating and office equipment, advance payments and assets under construction.

Land, land rights and buildings are carried at cost. Land rights and buildings are depreciated over a useful life of up to 50 years. Land is not depreciated. The costs of leasehold improvements are usually depreciated over the term of the respective lease (up to 27.5 years). Technical equipment as well as operating and office equipment are measured at cost less depreciation and impairment. Depreciation is recognized on a straight-line basis over the standard useful life of three to 13 years. Repairs and maintenance expenses are expensed as and when incurred. More extensive renovation work or improvements are capitalized. Renovation work is also depreciated over the above expected useful life. Costs and the associated cumulative depreciation are derecognized on disposal. Any gains or losses are recognized in profit or loss in the fiscal year. If the cost of specific components of an item of property, plant or equipment is material, these components are recognized and depreciated individually.

4.9 Impairment of non-financial assets

Goodwill at the level of cash-generating units 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 as of December 31 of each fiscal year. Impairment testing is carried out for other intangible assets and property, plant and equipment if there are indications of any 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 forecast future 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 intangible assets, not including goodwill, and property, plant and equipment 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.

4.10 Inventories

Service productions under development

Inventories include service productions in development that have not yet been ordered by the broadcaster (see note 4.20).

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

Work in progress

Inventories include net asset value per unit and trade receivables that have not yet been invoiced.

4.11 Non-current assets held for sale

Classification as held for sale requires specific non-current assets or groups of assets that can be sold in their current condition and that their disposal is highly likely. Non-current assets or disposal groups held for sale are reported separately under current assets and current liabilities. Non-current assets (or a disposal group) are measured at the lower of carrying amount or fair value less costs to sell. Non-current assets are no longer depreciated.

4.12 Assets and liabilities of discontinued operations

A discontinued operation is an operation that is either intended for sale or has already been sold and whose activities and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the company. Reporting as a discontinued operation essentially requires that the operation represents a major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Discontinued operations are reported separately in the income statement and statement of cash flows.

4.13 Financial instruments

The management classifies financial assets as of the time of acquisition and checks whether the criteria for classification are complied with at regular intervals. Their cost includes transaction costs. Transaction costs for financial assets measured at fair value through profit or loss are recognized in profit or loss immediately.

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

Financial assets and financial liabilities are usually not offset. They are only netted if the entity currently has the right to offset the amounts and intends to settle on a net basis.

Derivative financial instruments and separable embedded derivatives are measured at fair value as of the trading date on first-time and subsequent recognition. These instruments must be categorized as held for trading if they are not part of a designated hedge. Gains/losses from fluctuations in value are recognized immediately in profit or loss.

In accordance with internal Group specifications, write-downs on receivables are recognized in separate allowance accounts. They are derecognized at the same time as the corresponding impaired receivable. Amounts in the allowance account are only derecognized against the carrying amount of impaired financial assets if the issue in question is past the statute of limitations.

Financial assets at amortized cost

Under IFRS 9 (2009), financial assets are recognized at amortized cost if the business model allows for the financial asset to be held and the terms of the instrument result only in cash flows that represent interest payments and principal repayments. Financial instruments that do not meet these criteria are recognized at fair value.

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 amortized cost. 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 credit quality of the respective customer, current industry-specific economic developments, the analysis of past defaults and the loss of an active market for the financial asset – 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.

In some cases 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.

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. Cash and cash equivalents are measured at amortized cost.

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 first-time recognition there is the option to show realized and unrealized changes in value in other comprehensive income rather than in the income statement, provided that the equity instrument is not held for trading.

The fair value is the market price as of the end of the reporting period. If no market price is available, the fair value is determined on the basis of similar market transactions or using recognized measurement methods. If the fair value of an active financial instrument cannot be reliably determined, the cost may be the best estimate.

Financial liabilities at amortized cost

Current and non-current financial liabilities, trade accounts payable and other liabilities not including derivative financial instruments are measured at amortized cost. 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. Non-current liabilities are discounted using the effective interest method.

For compound financial instruments such as convertible bonds, the debt and equity components they contain are separated and recognized/measured separately.

Financial liabilities at fair value

Derivative financial instruments that are liabilities at the end of the reporting period are reported under other liabilities.

Hedging instruments

As an international enterprise, the Group is exposed to currency fluctuations. Both derivative and primary financial instruments are used to hedge foreign currency fluctuations. Hedge accounting means basically hedging against changes in the fair value of assets, liabilities or unrecognized firm commitments under contracts for sale or purchase (fair value hedges). Currency forwards, currency swaps and non-derivative financial liabilities are designated as hedging instruments, either in full or in part. Non-derivative financial liabilities are used to hedge unrecognized contracts for sale in foreign currency.

In a fair value hedge the changes in the fair value of the underlying attributable to the hedged risk and the change in the fair value of the hedging derivate are reported net in the income statement. When hedging unrecognized firm commitments under contracts for sale or purchase (hedged item), the cumulative change in the fair value of the hedged item is recognized as a separate asset or liability. In addition, a corresponding profit or loss is reported so that this is offset against the change in the fair value of the hedging instrument.

Such hedges 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 hedge was defined. The effectiveness of the hedge 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. Hedges are only used in this area.

At the inception of the hedge both the hedge and the risk management goals and strategies of the Group for hedging are formally stipulated and documented.

4.14 Pension liabilities

Post-employment benefits comprise employee pension benefits. These are divided into defined benefit and defined contribution plans.

A defined contribution plan is a plan in which contributions are paid to a government or private pension scheme on the basis of statutory or private terms and the company has no further benefit obligations on payment of these contributions. The contributions are recognized in profit or loss on maturity.

For defined benefit plans the present value of defined benefit obligations is calculated each year by an independent actuary using the projected unit credit method. The actuarial assumptions on which the calculations are based are determined by market expectations, at the end of the reporting period, for the period over which the obligations are to be settled. The pension plans are funded. The plan assets are recognized at fair value.

Actuarial gains and losses arise from changes in the assumptions made, deviations between the actual and forecast return on plan assets and differences between benefits acquired and those calculated using actuarial assumptions. These are recognized in other comprehensive income (OCI) under "Items that will not be reclassified to the income statement in the future". The current service cost and net interest are recognized in profit and loss under staff costs. A reduction in contributions within the meaning of IAS 19 occurs when the employer must pay lower contributions than the service cost. Special events such as plan amendments that change employee claims, curtailments and settlements are recognized in profit or loss.

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. No contributions for this additional saving facility are charged to the income statement.

4.15 Other provisions, contingent liabilities and contingent assets

Provisions are recognized for present legal or constructive obligations to third parties arising from past events for which an outflow of cash or other resources is likely in order to settle the obligation. Another requirement for recognition is that the amount of the obligation can be reliably estimated.

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

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 disclosed as for contingent liabilities if economic benefits are likely for the Group.

4.16 Borrowing costs

Borrowing costs for the production of qualifying assets are capitalized in the area of film production as part of the cost of this asset. Borrowing costs for non-qualifying assets are recognized as an expense in the period in which they are incurred.

4.17 Current taxes

Current taxes are calculated on the basis of the results for the fiscal year and in accordance with the national tax laws of the respective tax jurisdiction. Forecast and actual additional tax payments or refunds for previous years are also taken into account.

Deferred tax assets and liabilities are recognized in line with the liability method. Deferred taxes are recognized in the consolidated financial statements for temporary differences between the carrying amounts and the tax carrying amounts of assets and liabilities and for tax loss carryforwards. Deferred tax assets on 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 separate 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 also recognized in equity and not in the income statement.

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 and Highlight Communications AG is not able to determine the time at which these temporary differences will reverse.

4.18 Equity

Bearer shares outstanding are classified as equity. If 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

Trade income is recognized if the significant risks and rewards of ownership of the goods and services sold are transferred to the buyer. Appropriate provisions are recognized for additional expenses in connection with such transactions, including expenses for returned products.

In the Film segment, revenues from theatrical films are recognized from the time of their release. The amount of revenues is directly dependent on the number of people who go to see the film. In line with standard practice in the industry, the film rental reported by the movie theater operators to the distributor is recognized as the distribution component of the total movie theater 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 to recognize the share of total revenues in the reporting period (see note 4.20).

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 on expiry of the contractual holdback period. They are therefore 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 (movie theater, home entertainment, TV rights). These are allocated to the various revenue types. They are allocated on the basis of past experience in line with corporate planning at the following general rates: 25 % for theater rights, 15 % for home entertainment rights and 60 % for TV rights. The corresponding revenues are recognized as follows: movie revenues on theatrical release, home entertainment revenues six months after theatrical release, TV revenues 24 months after theatrical release. Revenues from global distribution sales without any minimum guarantee are recognized on the royalty settlements being received from the licensees.

For home entertainment 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 home entertainment 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 net of invoiced value added tax, trade discounts and volume rebates.

Dividend income is recognized in the fiscal year in which the right to receive payment arises. Interest income is recognized pro rata temporis using the effective interest method.

4.20 Long-term service production

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 movies 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 and the 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 statement of financial position under either trade accounts receivable or payable 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 the Group there are leases in which the Group is the lessee. If economic ownership is allocated to the lessor, the leased item is accounted for in the lessor's financial statements as an operating lease. The related lease payments are recognized on a straight-line basis as other operating expenses in the income statement over the term of the lease.

If the Group is the economic owner of the leased item, the leased item is capitalized and a lease liability is recognized in the same amount from the start of the lease (finance lease). 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 or current financial liabilities in the statement of financial position. The interest component of the lease payment is recognized in profit or loss in net finance costs over the term of the lease. There were no finance leases in the Group as of December 31, 2013, as was the case as of December 31, 2012.

4.22 Government grants

Project promotion

For 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 government grants for assets. In the statement of financial position they are deducted from the carrying amount of the film assets in the amount which it is sufficiently certain will not have to be repaid.

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 is sufficiently certain not to have to be repaid 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 and a liability is 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 theatrical exploitation for financing the project costs of a subsequent film. These are government grants for assets. The subsidies granted are deducted from the carrying amount of the subsidized film in the statement of financial position 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 government grants for assets. Project film promotions granted are deducted from the carrying amount of the film in the statement of financial position no later than the time of the film's 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

For 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 government grants for expenses already incurred. These are recognized as a reduction of release costs by the amount which it is sufficiently certain will not have to be repaid. These grants are recognized in the periods in which the corresponding release costs are incurred.

The amount which is sufficiently certain not to have to be repaid 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 government 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.

The extent of Swiss film grants is of immaterial significance. The accounting policies described above apply analogously to Swiss film grants.

5. Judgment/estimation uncertainty

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 as well as contingent liabilities and assets reported as of the end of the reporting period. 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 modified.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the assets and liabilities recognized as well as 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 assets which are traded on organized markets is determined on the basis of the quoted market price at the end of the reporting period. The fair value of financial assets 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 assumptions. At the end of each reporting period or more frequently if there are indications of impairment, the Group determines if a financial asset or a group of assets has become impaired.

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 end of the reporting period 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.

Pension liabilities

Pension liabilities and the associated net pension costs for each period are calculated by way of actuarial measurement. Such measurement is based on key premises, including discounting factors, salary trends and pension trends. The discounting factors used are determined on the basis of the returns at the end of the reporting period on high quality corporate or government bonds of a consistent currency and term. The premises used can differ from actual development owing to fluctuations in the market and economic situation. This can have a material impact on pension obligations. Differences resulting from this are recognized in other comprehensive income (OCI) in the period in which they arise.

Deferred taxes

Extensive estimates are required to determine deferred tax assets and liabilities. Some of these estimates are based on an interpretation of existing tax laws and regulations. Management is of the opinion that the estimates are appropriate and take sufficient account of any uncertainty in the tax assets and liabilities recognized. In particular, the deferred tax assets arising from loss carryforwards that can be offset are dependent on future profits being generated. Deferred tax claims arising from remeasurement are also dependent on future profits. Moreover, tax loss carryforwards expire after a certain number of years in some countries. Actual profits may differ from estimates. Such changes may affect the deferred tax assets and liabilities recognized in future reporting periods.

6. Notes to individual items of the consolidated balance sheet

6.1 Film assets

Film assets break down as follows:

(TCHF)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2013			
Balance at January 1, 2013	444,022	833,747	1,277,769
Currency translation differences	3,310	11,357	14,667
Additions	33,985	104,692	138,677
Disposals	4,652	–	4,652
Balance at December 31, 2013	**476,665**	**949,796**	**1,426,461**
Accumulated amortization 2013			
Balance at January 1, 2013	416,076	699,060	1,115,136
Currency translation differences	2,928	9,863	12,791
Amortization for the year	19,898	59,212	79,110
Impairment	6,572	6,460	13,032
Disposals	4,652	–	4,652
Balance at December 31, 2013	**440,822**	**774,595**	**1,215,417**
Net carrying amounts December 31, 2013	**35,843**	**175,201**	**211,044**

(TCHF)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2012			
Balance at January 1, 2012	432,763	733,146	1,165,909
Currency translation differences	–1,650	–5,734	–7,384
Additions	18,315	106,335	124,650
Disposals	5,406	–	5,406
Balance at December 31, 2012	**444,022**	**833,747**	**1,277,769**
Accumulated amortization 2012			
Balance at January 1, 2012	406,138	605,216	1,011,354
Currency translation differences	–1,450	–4,582	–6,032
Amortization for the year	14,383	94,500	108,883
Impairment	2,411	3,926	6,337
Disposals	5,406	–	5,406
Balance at December 31, 2012	**416,076**	**699,060**	**1,115,136**
Net carrying amounts December 31, 2012	**27,946**	**134,687**	**162,633**

Impairment losses of TCHF 13,032 (previous year's period: TCHF 6,337) were recognized in fiscal year 2013 as the value in use no longer covers the cost or the carrying amount of certain films due to a lack of market acceptance. The discounting rates before taxes used are between 2.98 % and 6.90 % (previous year: between 2.39 % and 7.4 %). The disposals relate to third-party productions to which the rights expired in the year under review.

In fiscal year 2013, the Highlight Group received project subsidies and project promotion loans of TCHF 26,328 (previous year's period: TCHF 14,214), which were deducted from the capitalized costs.

Deferred project promotion loans amounted to TCHF 2,389 as of December 31, 2013 (previous year: TCHF 2,560). Project promotions of TCHF 753 were repaid in fiscal year 2013 (previous year's period: TCHF 3,595).

Sales subsidies and distribution loans of TCHF 5,868 (previous year's period: TCHF 4,502) were also recognized in the consolidated income statement in fiscal year 2013 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, 2013. Distribution loans of TCHF 194 (previous year's period: TCHF 1,048) were repaid over fiscal year 2013. As of December 31, 2013, there were receivables for subsidies and grants of TCHF 15,357 (previous year: TCHF 14,660).

Directly attributable financing costs of TCHF 1,827 (previous year's period: TCHF 1,643) were capitalized in fiscal year 2013. 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 1.44 % to 6.4 % (previous year: 1.82 % to 6.5 %).

6.2 Other intangible assets and goodwill

Other intangible assets broke down as follows as of December 31, 2013:

(TCHF)	Purchased intangible assets	Internally developed intangible assets	Total intangible assets	Goodwill
Acquisition and production costs 2013				
Balance at January 1, 2013	9,055	2,106	11,161	23,195
Currency translation differences	94	17	111	132
Additions	64	964	1,028	–
Disposals	2,683	–	2,683	–
Balance at December 31, 2013	**6,530**	**3,087**	**9,617**	**23,327**
Accumulated amortization 2013				
Balance at January 1, 2013	5,020	1,187	6,207	5,303
Currency translation differences	50	3	53	42
Amortization for the year	1,301	931	2,232	–
Impairment	1,593	–	1,593	385
Disposals	2,682	–	2,682	–
Balance at December 31, 2013	**5,282**	**2,121**	**7,403**	**5,730**
Acquisition and production costs 2012				
Balance at January 1, 2012	7,785	1,383	9,168	23,264
Currency translation differences	–42	–4	–46	–69
Additions	1,313	727	2,040	–
Disposals	1	–	1	–
Balance at December 31, 2012	**9,055**	**2,106**	**11,161**	**23,195**
Accumulated amortization 2012				
Balance at January 1, 2012	3,714	669	4,383	2,381
Currency translation differences	–17	1	–16	–19
Amortization for the year	1,323	517	1,840	–
Impairment	–	–	–	2,941
Balance at December 31, 2012	**5,020**	**1,187**	**6,207**	**5,303**
Net carrying amounts December 31, 2013	**1,248**	**966**	**2,214**	**17,597**
Net carrying amounts December 31, 2012	**4,035**	**919**	**4,954**	**17,892**

Purchased intangible assets of TCHF 1,248 (previous year: TCHF 4,035) primarily consist of software (previous year: TCHF 2,259). The customer relationships of the Other Business Activities segment recognized in this category in the previous year are no longer being pursued and were therefore written down in the reporting year (previous year: TCHF 1,776).

Internally developed intangible assets include the standard software developed since the acquisition of Pokermania GmbH, which serves as a platform for social games and is adapted for each customer.

Goodwill

Total goodwill of TCHF 17,597 (previous year: TCHF 17,892) was recognized in the balance sheet as of December 31, 2013. The table below shows the allocation of goodwill:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Constantin Film Verleih GmbH	12,025	12,025
Olga Film GmbH	1,255	1,234
Constantin Entertainment GmbH	4,261	4,198
Constantin Entertainment Croatia d.o.o.	–	380
Other	56	55
Total	**17,597**	**17,892**

Goodwill was tested for impairment at the level of the cash-generating units in the respective 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 2.0 % (previous year: 0 % to 2.0 %) was assumed for the period subsequent to the detailed planning period. The capital asset pricing model (CAPM) was used to calculate the costs of capital and a peer group was referred to. The pre-tax, CAPM-based discount rates amounted to between 8.81 % and 8.92 % as of December 31, 2013 (previous year: 8.41 % to 10.0 %).

Goodwill underwent the annual impairment test as of December 31, 2013. This identified goodwill impairment of TCHF 385 (previous year's period: TCHF 2,941) at Constantin Entertainment Croatia d.o.o., whose activities are reported in the Film segment. In the previous year, impairment losses were recognized on the goodwill of Rainbow Home Entertainment AG and Pokermania GmbH.

The impairment losses are reported in the income statement under "Goodwill impairment".

Corporate planning was also supplemented by 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, the discount factor and the EBIT margin, no further goodwill impairment was required.

6.3 Property, plant and equipment

Property, plant and equipment broke down as follows as of December 31, 2013:

(TCHF)	Land, land rights and buildings	Technical equipment and machinery	Other equipment, plant and office equipment	Total property, plant and equipment
Acquisition and production costs 2013				
Balance at January 1, 2013	4,757	2,033	12,740	19,530
Currency translation differences	8	29	94	131
Additions	254	110	1,383	1,747
Disposals	–	23	2,072	2,095
Balance at December 31, 2013	**5,019**	**2,149**	**12,145**	**19,313**
Accumulated depreciation 2013				
Balance at January 1, 2013	2,574	1,458	9,634	13,666
Currency translation differences	5	20	71	96
Depreciation for the year	618	315	1,495	2,428
Disposals	–	12	1,982	1,994
Balance at December 31, 2013	**3,197**	**1,781**	**9,218**	**14,196**
Acquisition and production costs 2012				
Balance at January 1, 2012	10,781	1,900	12,961	25,642
Currency translation differences	-5	-14	-44	-63
Additions	2,023	471	1,922	4,416
Disposals	2,760	324	2,099	5,183
Reclassification of assets held for sale	-5,282	–	–	-5,282
Balance at December 31, 2012	**4,757**	**2,033**	**12,740**	**19,530**
Accumulated depreciation 2012				
Balance at January 1, 2012	4,934	1,296	10,032	16,262
Currency translation differences	-2	-9	-34	-45
Depreciation for the year	510	322	1,650	2,482
Impairment	970	–	–	970
Disposals	2,706	151	2,014	4,871
Reclassification of assets held for sale	-1,132	–	–	-1,132
Balance at December 31, 2012	**2,574**	**1,458**	**9,634**	**13,666**
Net carrying amounts December 31, 2013	**1,822**	**368**	**2,927**	**5,117**
Net carrying amounts December 31, 2012	**2,183**	**575**	**3,106**	**5,864**

The category of land, land rights and buildings also includes leasehold improvements in rented premises and buildings.

The reclassification reported in the category “Land, land rights and buildings” in the previous year referred to the reclassification of a property as an asset held for sale. A write-down of TCHF 970 was recognized in connection with this in the previous year.

Fire insurance values amounted to TCHF 17,272 (previous year: TCHF 17,925) as of December 31, 2013. The prior-year amount for the property held for sale of TCHF 5,661 is reported in note 6.14 in the year under review.

6.4 Subsidiaries with significant non-controlling interests

The financial information for subsidiaries with significant non-controlling interests is as follows:

Subsidiaries	Dec. 31, 2013	Dec. 31, 2012
Highlight Event & Entertainment AG, Düdingen, Schweiz	31.37 %	40.11 %

Disclosures on financial information (after elimination of internal relations)

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Equity attributable to non-controlling interests	6,234	7,860

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Earnings attributable to non-controlling interests	–18	–493

Disclosures on financial information (before elimination of internal relations)

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Current assets	20,917	21,400
Non-current assets	65	17
Total assets	**20,982**	**21,417**
Current liabilities	427	759
Non-current liabilities	680	1,063
Total liabilities	**1,107**	**1,822**
Net assets	**19,875**	**19,595**

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Sales	3,309	9,827
Earnings from continuing operations after taxes	–102	–550
Other earnings after taxes	382	–331
Total earnings	**280**	**–881**
Cash flow from/for operating activities	402	–357
Cash flow for investing activities	–48	–6,338
Cash flow from financing activities	–	8,556
Cash flow from the period	**354**	**1,861**

This is the consolidated financial information of the Highlight Event & Entertainment Group.

6.5 Investments in associated companies and joint ventures

The Group has investments in three associated companies and two joint ventures that are individually immaterial. All associated companies and joint ventures are included in the consolidated financial statements using the equity method. The following tables below show the changes in carrying amounts and the financial information for the associated companies and joint ventures in aggregate form:

(TCHF)	Joint ventures	Associated companies	Total
Balance at December 31, 2011	**343**	**85**	**428**
Additions	-	22	22
Dividends/repayments of capital	–282	-	–282
Share of earnings	259	–18	241
Currency translation	–2	–1	–3
Balance at December 31, 2012	**318**	**88**	**406**
Additions	-	188	188
Dividends/repayments of capital	–226	-28	–254
Share of earnings	240	–183	57
Currency translation	4	1	5
Balance at December 31, 2013	**336**	**66**	**402**

Financial information	Joint ventures		Associated companies	
(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2013	1. 1. bis Dec. 31, 2012
Earnings after taxes	–320	–456	–3,580	–2,006
Other earnings (OCI)	–	–	2	-
Total earnings	**–320**	**–456**	**–3,578**	**–2,006**

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Contingent liabilities (proportional)	25	69	–	–

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2012 were used for reporting on associated companies as the annual financial statements as of December 31, 2013 have not yet been prepared. No circumstances arose in the current fiscal year that would have necessitated an adjustment to the annual financial statements used as a basis.

The unrecognized pro rata loss of companies accounted for using the equity method was TCHF 1,603 in the year under review (previous year's period: TCHF 945). The cumulative unrecognized pro rata loss was TCHF 2,688 (previous year: TCHF 1,085).

6.6 Inventories

Inventories broke down as follows as of December 31, 2013:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Net balance		
Unfinished goods and services	1,375	1,483
Finished goods	48	101
Blu-rays/DVDs	2,426	2,244
Other merchandise	47	47
Total	**3,896**	**3,875**

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

Impairment losses of TCHF 41 (previous year's period: TCHF 59) were recognized in fiscal year 2013 and impairment losses of TCHF 27 (previous year's period: TCHF 0) were reversed.

6.7 Other financial assets

	Current assets		Non-current assets	
(TCHF)	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Financial assets at fair value through profit or loss				
Preference shares	2,268	2,534	–	–
Real estate funds	–	–	227	249
Financial assets measured at amortized cost				
Bonds	–	1,011	–	–
Financial assets at fair value through other comprehensive income/loss				
Shares	15,359	13,652	–	–
Total	**17,627**	**17,197**	**227**	**249**

Other current financial assets include an interest of 8.72 % in Constantin Medien AG (previous year: 8.72 %) with a carrying amount of TCHF 15,359 (previous year: TCHF 13,652). The reported preference shares in a Canadian company in the amount of TCHF 2,268 in total (previous year: TCHF 2,534) were acquired in connection with the production of the movies Resident Evil: Afterlife and Resident Evil: Retribution. As in previous fiscal years, the gradual repurchase of the preference shares by the issuer is planned in the coming fiscal years. There is no active market for these preference shares. The cost of these shares is the best estimate for the fair value of this financial instrument. In accordance with IFRS 9, non-listed equity instruments are also recognized at fair value. The fixed-income short-term bonds were sold in the reporting year (previous year: TCHF 1,011).

Other non-current financial assets of TCHF 227 (previous year: TCHF 249) included investment securities as of December 31, 2013. The securities were acquired in previous fiscal years with the aim of profitably investing the retained profits of a subsidiary and to use them if liquidity is needed. This led to ongoing monitoring of its fair value by Olga Film GmbH management in order to be able to react quickly in the event of value fluctuations. These assets will be utilized if necessary. In line with this, these securities were allocated to the fair value through profit or loss category.

6.8 Non-current receivables

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Non-current trade accounts receivable and other receivables	1,100	1,501
Discounting	–32	–37
Total	**1,068**	**1,464**

Non-current receivables essentially relate to the value added tax for revenues not yet recognized under IFRS and are discounted in line with their maturity.

6.9 Trade accounts receivable

Trade accounts receivable broke down as follows as of December 31, 2013:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Trade accounts receivable		
Current receivables	41,564	32,329
PoC receivables	13,215	9,022
Gross amount	**54,779**	**41,351**
Write-downs		
Trade accounts receivable (gross)	54,779	41,351
Individual write-downs	-4,596	–4,418
Portfolio write-downs	-245	–180
Net amount	**49,938**	**36,753**

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

Impairment on trade accounts receivable is recognized based on current experience and an individual assessment due to the differing customer structures in the different business areas.

The trade accounts receivable are in the following currencies:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
CHF	3,348	3,299
EUR	41,438	32,821
USD	5,152	633
Other	–	–
Total	**49,938**	**36,753**

Impairment losses on trade accounts receivable comprise additions to impairment, income from the reversal of impairment losses and expenses for the derecognition of receivables.

Impairment losses on trade accounts receivable developed as follows in 2013 and 2012:

(TCHF)	2013	2012
Balance write-downs January 1	**4,598**	**4,626**
Currency translation differences	67	–32
Additions	272	663
Consumption	–79	–351
Reversal	–17	–308
Balance write-downs December 31	**4,841**	**4,598**

The following table shows the maturities of trade accounts receivable:

			(Days)				
(TCHF)	Carrying amount	neither impaired nor overdue as of the closing date	less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
December 31, 2013							
Trade accounts receivable	49,938	46,777	2,105	745	30	60	221
December 31, 2012							
Trade accounts receivable	36,763	34,494	1,035	663	50	66	445

6.10 Other receivables

Other receivables broke down as follows as of December 31, 2013:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Prepaid expenses	4,385	4,171
Input tax	558	2,560
Other taxes	375	356
Advance payments	5,151	5,934
Suppliers with debit balances	822	802
Receivables due from personnel	630	541
Receivables from loans	43,165	38,458
Subsidies receivables	15,357	14,660
Positive fair value of underlying transactions in hedging relationships	565	250
Positive fair value of derivative financial instruments in hedging relationships	384	1,266
Positive fair value of derivative financial instruments without hedging relationships	282	424
Other assets	4,587	9,188
Total	**76,261**	**78,610**

The carrying amount for all current financial assets is approximately their fair value.

The receivables from loans include, amongst others, current loans in connection with the productions Resident Evil: Retribution, The Mortal Instruments and Pompeii from the co-producers Davis Film Impact Pictures, Unique Features and Impact Pictures in the amount of TCHF 3,345 (previous year: TCHF 19,154), TCHF 10,285 (previous year: TCHF 13,805) and TCHF 19,863 (previous year: TCHF 0).

Advance payments include advance payments for various future projects in the Film segment.

In the previous year, other assets included a receivable from a bank that was subject to a restriction on disposal in connection with an equity swap. This restriction expired as a result of the early termination of the equity swap in the second quarter of fiscal year 2013.

The other receivables mature as follows:

(TCHF)	Other receivables	thereof not IFRS 7 relevant*
Dezember 31, 2013		
Prepaid expenses	4,385	4,385
Input tax	558	558
Other taxes	375	375
Advance payments	5,151	5,151
Suppliers with debit balances	822	–
Receivables due from personnel	630	–
Receivables from loans	43,165	–
Subsidies receivables	15,357	–
Positive fair value of underlying transactions in hedging relationships	565	565
Positive fair value of derivative financial instruments in hedging relationships	384	–
Positive fair value of derivative financial instruments without hedging relationships	282	–
Other assets	4,587	–
Total	**76,261**	**11,034**
Dezember 31, 2012		
Prepaid expenses	4,171	4,171
Input tax	2,560	2,560
Other taxes	356	356
Advance payments	5,934	5,934
Suppliers with debit balances	802	–
Receivables due from personnel	541	274
Receivables from loans	38,458	–
Subsidies receivables	14,660	–
Positive fair value of underlying transactions in hedging relationships	250	–
Positive fair value of derivative financial instruments in hedging relationships	1,266	–
Positive fair value of derivative financial instruments without hedging relationships	424	–
Other assets	9,188	59
Total	**78,610**	**13,354**

** Not IFRS 7 relevant: it does not concern financial instruments*

Other receivables are in the following currencies:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
CHF	5,627	4,264
EUR	36,950	38,252
USD	3,738	4,990
CAD	29,945	31,104
Other	1	–
Total	**76,261**	**78,610**

total IFRS 7 relevant	thereof neither impaired nor overdue as of the closing date	overdue (days) less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
822	786	36	–	–	–	–
630	630	–	–	–	–	–
43,165	43,165	–	–	–	–	–
15,357	15,357	–	–	–	–	–
–	–	–	–	–	–	–
384	384	–	–	–	–	–
282	282	–	–	–	–	–
4,587	4,512	20	–	18	20	17
65,227	**65,116**	**56**	**–**	**18**	**20**	**17**
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
802	742	60	–	–	–	–
267	267	–	–	–	–	–
38,458	38,358	100	–	–	–	–
14,660	13,268	–	–	–	931	461
250	250	–	–	–	–	–
1,266	1,266	–	–	–	–	–
424	424	–	–	–	–	–
9,129	8,981	–	6	13	90	39
65,256	**63,556**	**160**	**6**	**13**	**1,021**	**500**

6.11 Cash and cash equivalents

Interest is paid on call money and short-term sight deposits. The interest rate varies between 0 % and 0.5 % (previous year: 0 % to 0.85 %).

6.12 Income tax receivables

Income tax receivables broke down as follows:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Income taxes Switzerland	54	5
Income taxes Germany	828	4,642
Income taxes rest of the world	750	837
Total income taxes	**1,632**	**5,484**

6.13 Deferred tax assets

Deferred tax assets are comprised as follows:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Tax loss carryforwards	3,700	4,464
Intangible assets/film assets	5,897	738
Property, plant and equipment	4	–
Trade accounts receivable	11,923	5,955
Other receivables	–	5,737
Inventories	7,770	7,563
Trade accounts payable	1,605	2,279
Other liabilities	8	–
Advance payments received	9,600	7,994
Provisions	97	–
Pension liabilities	856	1,251
Total	**41,460**	**35,981**
Netting with deferred tax liabilities	–38,752	–32,850
Deferred tax assets (netted)	**2,708**	**3,131**

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

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Current deferred tax assets	8	–
Non-current deferred tax assets	2,700	3,131

The Group has total loss carryforwards of TCHF 26,636 (previous year: TCHF 13,711) for which no deferred tax assets were recognized.

The expiry of the loss carryforwards, for which no deferred taxes were recognized, is as follows:

2013 (TCHF)	Expiry date		
	<1 year	1–5 years	>5 years
	695	9,239	16,702

2012 (TCHF)	Expiry date		
	<1 year	1–5 years	>5 years
	270	9,797	3,644

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

6.14 Non-current assets held for sale

Highlight Event & Entertainment AG, the operating activities of which are reported in the Other Business Activities segment, has been actively offering its property on the market since the last quarter of fiscal year 2012 and intended to sell the property by the end of fiscal year 2013 at the latest. However, contrary to the expectations of the management, the sale was not completed by the end of this fiscal year. The management is still in negotiations with potential buyers and expects that the sale will be completed by the middle of fiscal year 2014 at the latest. As the property is still available for immediate sale and its disposal is very likely in the coming months, its classification as a non-current asset held for sale was retained.

The property is measured at fair value less costs to sell. The fair value was estimated by an independent expert using the gross rental method based on long-term rental income observed on the market. The discounting rate applied is based on a matched interest rate. This is therefore a level 2 measurement on the fair value hierarchy.

In order to take the changing market conditions into account, an impairment loss of TCHF 250 was recognized as of December 31, 2013. This was reported in the income statement under "Other operating expenses". Measurement at fair value less costs to sell in the previous year resulted in an impairment loss of TCHF 970.

The fire insurance value was TCHF 5,661 as of December 31, 2013 (previous year: TCHF 5,661).

6.15 Equity

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

Share capital

As of December 31, 2013, the fully paid-up share 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. A dividend of CHF 0.17 per share was distributed for fiscal year 2012 in the reporting period.

Authorized capital 2012

On June 1, 2012 the Annual General Meeting resolved authorized share capital of CHF 12,750,000 and authorized the Board of Directors to increase capital 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, 2013, the separately reported item "Treasury stock" amounted to TCHF –2,716 (previous year: TCHF –1,157). The amount reflects the nominal capital of treasury shares. As of December 31, 2013, the number of directly and indirectly held non-voting treasury shares taking into account those held by subsidiaries was 2,715,650 shares in Highlight Communications AG (previous year: 1,156,567). 1,559,083 treasury shares were acquired at a total of TCHF 8,198 in the year under review.

Capital reserve

As of December 31, 2013, the Group's capital reserve amounted to a total of TCHF -104,534 (previous year: TCHF -103,614).

The reduction in the capital reserve results from the gradual increase shown in equity in the number of shares in Highlight Event & Entertainment AG, Düdingen, from 59.891 % to 68.634 % in the second quarter of fiscal year 2013. The capital reserve decreased by TCHF 920 as a result of this transaction. This includes the related transaction costs of TCHF 1.

In the previous year, the change in the capital reserve was chiefly due to the increase in connection with the intra-Group redistributions of the subsidiaries Highlight Event AG and Pokermania GmbH. In addition, the capital increase performed by Highlight Event & Entertainment AG resulted in a decline in the capital reserve. The purchase of shares in Highlight Event & Entertainment AG, which were held by Highlight Event & Entertainment AG as treasury shares, reduced the capital reserve slightly in the previous year.

Non-controlling interests

The change in non-controlling interests is essentially due to the increased interest in Highlight Event & Entertainment AG in the second quarter (reduction of TCHF 1,727) and the dividend payments of TCHF 1,666 (previous year's period: TCHF 1,917). Furthermore, the net profit attributable to non-controlling interests of TCHF 566 (previous year's period: TCHF 395) resulted in an increase in non-controlling interests. Differences from currency translation amounted to TCHF 50 (previous year: TCHF –3).

The change in non-controlling interests in the previous year also related to the reduction due to the intra-Group redistributions of Highlight Event AG and Pokermania GmbH and the increase in connection with the capital increase at Highlight Event & Entertainment AG. In addition, the newly founded companies Mood Factory AG and Nadcon Film GmbH were included in consolidation for the first time in the previous year, which led to a further rise in non-controlling interests.

Other reserves

As of the end of the reporting period, other reserves totaled TCHF –26,187 (previous year: TCHF –28,106). As of December 31, 2013 and December 31, 2012, these related solely to translation differences.

The other changes in the amount of TCHF 262 (previous year: TCHF 0) result from currency differences from distributions by international subsidiaries of the Constantin Film Group in previous years, which were reclassified from retained earnings to other reserves.

The changes in other components of equity in fiscal years 2013 and 2012 were as follows:

2013 (TCHF)	before taxes 2013	Tax effect	after taxes 2013
Net profit	**10,297**	**–**	**10,297**
Currency translation differences	1,707	–	1,707
Items that may be reclassified to the income statement in future	**1,707**	**–**	**1,707**
Actuarial gains and losses of defined benefit obligation plans	2,752	–223	2,529
Gains/losses from financial assets at fair value through other comprehensive income/loss	1,707	–	1,707
Items that will not be reclassified to the income statement in future	**4,459**	**–223**	**4,236**
Other comprehensive income/loss	**6,166**	**–223**	**5,943**

2012 (TCHF)	before taxes 2012	Tax effect	after taxes 2012
Net profit	**26,339**	**–**	**26,339**
Currency translation differences	–1,016	–	–1,016
Items that may be reclassified to the income statement in future	**–1,016**	**–**	**–1,016**
Actuarial gains and losses of defined benefit obligation plans	–1,465	201	–1,264
Gains/losses from financial assets at fair value through other comprehensive income/loss	2,089	–	2,089
Items that will not be reclassified to the income statement in future	**624**	**201**	**825**
Other comprehensive income/loss	**–392**	**201**	**–191**

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. Consolidated equity is the most important control parameter in this respect.

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 parent company uses its equity for this purpose by acquiring equity investments and co-financing the expansion of its operating activities. The Group can also distribute a dividend, pay back capital to the shareholders or issue new shares. The aim of management in this is to use equity and borrowed capital efficiently in order to ensure financial flexibility on the basis of a solid capital structure and thereby guarantee sufficient liquidity resources. Liquidity consists of the inflows from operating activities, cash on hand and the borrowings available.

The liquidity of the Highlight Group is managed centrally for all segments by Highlight Communications AG. This does not include Constantin Film AG, which manages its own liquidity independently of Highlight Communications AG. In addition to a liquidity report and liquidity planning to assess its liquidity status, Highlight Communication AG uses its gearing and net debt ratios, defined as current and non-current financial liabilities less cash and cash equivalents, to monitor its liquidity resources.

The equity management of Highlight Communications AG comprises all items of equity reported in the statement of financial position. Highlight Communications AG also monitors the borrowed capital of the Film, Sports- and Event-Marketing and Other Business Activities segments in the context of Group management. Debt capital is monitored non-centrally by Highlight Communications AG and Constantin Film AG.

Financial ratios and other conditions must be complied with for borrowed funds, and information must be provided.

The credit agreements of Highlight Communications AG and Constantin Film AG include compliance with certain financial covenants. These were modified in fiscal year 2013. The financial covenants relate to EBIT, the EBIT margin, interest coverage, gearing, the economic equity ratio and the ratio of net financial liabilities to operating earnings. If the conditions on borrowed funds are violated, the interest rate may increase and a termination option may arise. No financial covenants were violated as of December 31, 2013.

6.16 Summary of provisions and liabilities

The maturity structure of provisions and liabilities as of December 31, 2013 was as follows:

(TCHF)	less than 1 year	1 to 5 years	over 5 years	Total
Non-current liabilities				
Other liabilities				–
Pension liabilities		6,015		6,015
Provisions		1,000	601	1,601
Deferred tax liabilities	376	10,646		11,022
Total	**376**	**17,661**	**601**	**18,638**
Current liabilities				
Financial liabilities	151,997			151,997
Advance payments received	58,881			58,881
Trade accounts payable	34,634			34,634
Liabilities due to related parties	282			282
Liabilities due to associated companies and joint ventures	26			26
Other liabilities	65,837			65,837
Provisions	4,768			4,768
Income tax liabilities	1,018			1,018
Total	**317,443**			**317,443**

The maturity structure of provisions and liabilities as of December 31, 2012 was as follows:

(TCHF)	less than 1 year	1 to 5 years	over 5 years	Total
Non-current liabilities				
Other liabilities		5		5
Pension liabilities		9,676		9,676
Provisions		1,434		1,434
Deferred tax liabilities	365	9,079		9,444
Total	**365**	**20,194**		**20,559**
Current liabilities				
Financial liabilities	136,034			136,034
Advance payments received	45,534			45,534
Trade accounts payable	21,788			21,788
Liabilities due to related parties	250			250
Liabilities due to associated companies and joint ventures	1,344			1,344
Other liabilities	73,782			73,782
Provisions	4,479			4,479
Income tax liabilities	6,854			6,854
Total	**290,065**			**290,065**

6.17 Trade accounts payable and other liabilities

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Trade accounts payable	34,634	21,788
Other liabilities	65,837	73,782
Total	**100,471**	**95,570**

Trade accounts payable

Apart from the customary retentions of title, the reported trade accounts payable are not secured in any other way. They essentially relate to licensing and services.

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

Trade accounts payable contain PoC liabilities of TCHF 4,286 (previous year: TCHF 2,190).

Trade accounts payable are in the following currencies:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
CHF	4,464	2,076
EUR	27,481	18,569
USD	2,662	1,138
Other	27	5
Total	**34,634**	**21,788**

Other liabilities

Other current liabilities break down as follows:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Liabilities for conditional loan repayment (subsidies)	15,811	18,848
Personnel-related liabilities	10,705	14,537
Value-added tax liabilities	2,899	2,142
Other taxes	3,162	2,214
Social security	693	504
Deferred income	6,335	8,077
Customers with credit balances	45	273
Commissions and licenses	21,007	21,739
Other current loans	113	104
Negative fair value of underlying transactions in hedging relationships	912	1,187
Negative fair value of derivative financial instruments in hedging relationships	863	322
Negative fair value of financial instruments without hedging relationships	637	91
Other current liabilities	2,655	3,744
Total	**65,837**	**73,782**

The other current liabilities are in the following currencies:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
CHF	10,558	18,240
EUR	41,896	43,318
USD	13,155	11,833
Other	228	391
Total	**65,837**	**73,782**

6.18 Financial liabilities

Current financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 151,997 (previous year: TCHF 136,034), TCHF 96,997 (previous year: TCHF 86,034) of which relates to the financing of film projects.

The Highlight Group had free short-term credit facilities totaling around TCHF 167,364 (previous year: TCHF 218,995) as of the end of the reporting period. Of this, the Constantin Film Group's credit facilities (production finance and license trading facilities) are secured by film rights reported as film assets in the amount of TCHF 209,007 (previous year: TCHF 160,523) and the resulting proceeds from exploitation in addition to receivables of TCHF 36,147 (previous year: TCHF 23,707). The security interests of the banks serve as collateral for all current and future receivables of the banks from Constantin Film AG. The bank is entitled to liquidate this collateral if necessary. They will be transferred by the banks back to Constantin Film AG after all secured claims have been satisfied. Highlight Communications AG's credit facility of TCHF 55,000 (previous year: TCHF 50,000) is secured by shares in Constantin Film AG, the Constantin Medien shares held by Highlight Communications AG and treasury shares. The amounts utilized are all due on demand in 2014.

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

Financial liabilities are in the following currencies:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
CHF	55,000	50,000
EUR	53,443	48,485
USD	13,047	24,865
CAD	30,507	12,684
Total	**151,997**	**136,034**

6.19 Advance payments received

Advance payments received of TCHF 58,881 (previous year: TCHF 45,534) essentially include amounts received from global distribution for which revenue has not yet been recognized.

6.20 Long-term service production

Receivables from customers for service productions amount to TCHF 13,215 (previous year: TCHF 9,022). Liabilities to customers for service productions amount to TCHF 4,286 (previous year: TCHF 2,190). These are reported under trade accounts receivable and trade accounts payable respectively.

Proceeds from service production for the period amount to TCHF 137,705 (previous year's period: TCHF 128,512). Total costs incurred for contracts in progress and reported profits (less any reported losses) amount to TCHF 13,664 (previous year's period: TCHF 31,773).

6.21 Pension liabilities

The defined benefit pension plans in place relate to the Swiss companies of the Highlight Group. Practically all employees and pensioners of these companies are insured in various pension plans. These pension plans have ties to various collective facilities. These are independent legal entities in the form of foundations for the purpose of retirement and invalidity pensions for employees and their surviving dependents after their death.

The pension plans grant more than the individual benefits demanded by law in the event of invalidity, death, old age and resignation. The risk benefits are defined on the basis of the insured pay. The retirement pension is calculated on the basis of the projected interest-bearing savings and a conversion rate.

The top body of the foundation is the board of trustees. Among other things, the board of trustees resolves the pension benefits, their funding and the net assets situation. It heads the respective collective foundations and monitors and oversees their management. It consists of equal numbers of employer and employee representatives from the enterprises involved.

Through these defined benefit pension plans, the Group is exposed to actuarial risks such as longevity, interest rate risk, market and investment risk.

Funding agreements for future contributions

The Swiss occupational pension scheme (BVG – Swiss Federal Law on Occupational Retirement, Surviving Dependents' and Disability Pension and related ordinances) stipulates the minimum pension benefits. Legislation prescribes minimum annual contributions. However, an employer can also pay higher contributions than those prescribed by law. These contributions are set out in the pension plan/regulations. In addition, an employer can also pay non-recurring contributions or advances to the scheme. However, these contributions cannot be paid back to the employer. However, they are available to the employer in order to settle future employer contributions (employer contribution reserve).

Even if the pension plan has a statutory excess, the law still demands annual minimum contributions. For active insured parties, both the employer and the employee must pay contributions. The employer contribution must at least equal the employee contributions. The minimum annual contributions are dependent on the age and insured pay of the insured party. They are set out in the pension plan/regulations.

In the event that an insured party changes employer before reaching pension age, termination benefits (accrued savings) are payable. These are transferred by the pension scheme to the pension scheme of the new employer.

As described above, the pension plans/regulations prescribe minimum requirements for contributions. The pension plans/regulations do not stipulate additional funding requirements provided that the plan has a statutory excess. If, however, funding is insufficient, additional contributions (restructuring contributions) are required from the insured party and the employer until pension obligations are covered again. Individual pension solutions of the Highlight Group are full cover solutions and therefore cannot become underfunded, which would require restructuring contributions.

The forecast employer contributions for fiscal year 2014 amount to TCHF 1,685.

Maturity profile of defined benefit obligation:

(TCHF)	2013	2012
Less than 1 year	1,613	1,641
Weighted average maturity of defined benefit obligation (in years)	10.4	10.2

Change in defined benefit liabilities

The defined benefit liabilities recognized in the consolidated balance sheet were calculated as follows:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Present value of defined benefit obligation	38,582	41,128
Fair value of plan assets	32,567	31,452
Balance sheet amount	**6,015**	**9,676**

The pension obligation developed as follows:

(TCHF)	2013	2012
Present value of defined benefit obligation as of January 1	**41,128**	**45,020**
Current service cost (without employee contributions and administrative expenses)	2,433	2,496
Employee contributions	918	1,207
Recognition of new benefit plan	–	142
Interest cost	730	1,051
Curtailment, settlement	–1,948	–1,608
Benefits paid	–1,938	–9,127
Actuarial losses/(gains) from experience adjustments	–1,802	–729
Actuarial losses/(gains) from changes in financial assumptions	–939	2,676
Present value of defined benefit obligations as of December 31	**38,582**	**41,128**
thereof actively insured persons	32,698	34,911
thereof pensioners	5,884	6,217

Plan assets developed as follows:

(TCHF)	2013	2012
Fair value of assets as of January 1	**31,452**	**36,166**
Interest income	560	830
Employee contributions	918	1,207
Employer contributions	1,634	1,981
Administrative expenses of the foundation	–70	–87
Benefits paid	–1,938	–9,127
Actuarial (losses)/gains from experience adjustments	11	482
Actuarial (losses)/gains from changes in financial assumptions	–	–
Fair value of assets as of December 31	**32,567**	**31,452**

Retirement benefit expenses broke down as follows in fiscal year 2013:

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Current service cost (without employee contributions and administrative expenses	2,433	2,496
Administrative expenses of the foundation	70	87
Effects from curtailments and settlements	–1,948	–1,608
Net interest cost (income)	170	221
Recognition of new benefit plan	–	142
Total income statement	**725**	**1,338**

The reduction in the conversion rate for two pension plans and a headcount reduction considered a plan settlement at one of the subsidiaries resulted in a reduction in pension obligations in profit or loss of TCHF 1,948 (previous year: TCHF 1,608).

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 3,502 in fiscal year 2013 (previous year's period: TCHF 5,662).

Plan assets

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

(TCHF)	2013	2012
Cash and cash equivalents	2,660	4,582
Bonds with quoted market prices on active markets	13,445	13,155
Bonds without quoted market prices	1,034	–
Shares with quoted market prices on active markets	415	315
Real estate	9,468	8,015
Insurance surrender values	4,785	4,677
Other	760	708
Total	**32,567**	**31,452**

The actual return on plan assets in the year under review amounted to TCHF 571 (previous year's period: TCHF 1,312).

Actuarial assumptions

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

(in %)	2013	2012
Discount rate	2.00	1.75
Pension trend	0.50	0.50
Salary trend	1.50	1.50
Projected average life after pension men (in years)	21.33	21.23
Projected average life after pension women (in years)	24.78	24.68

As in the previous year, the most recent BVG 2010 tables were used for the actuarial assumptions for mortality, disability and employee turnover.

Sensitivity analysis

Changes in one of the key actuarial assumptions that would reasonably be expected to be possible as of the end of the reporting period would affect the pension obligation as follows:

	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Projected average life
(TCHF)	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–855	904	637	–607	235	–229	850

Although the analysis does not fully reflect the forecast cash outflow from the pension plans, it shows an approximation of the sensitivity of assumptions. The same method (present value of defined benefit pension obligations calculated with the projected unit credit method as of the end of the reporting period) was used as for the calculation of the pension obligation recognized in the consolidated statement of financial position.

6.22 Provisions

(TCHF)	Jan. 1, 2013	Currency translation differences	Consumption	Reversal	Addition	Dec. 31, 2013
Licenses and returns	3,526	41	2,590	2,576	5,315	3,716
Provisions for legal costs	1,165	3	1,011	15	1,060	1,202
Personnel provisions	434	6	16	-	777	1,201
Other provisions	788	5	293	250	–	250
Total	**5,913**	**55**	**3,910**	**2,841**	**7,152**	**6,369**
thereof non-current provisions	1,434	6	1,016	-	1,177	1,601
thereof current provisions	4,479	49	2,894	2,841	5,975	4,768

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 for legal costs were recognized to provide for various pending and possible legal proceedings.

Non-current provisions include provisions for personnel in connection with long-term obligations for anniversaries and provisions for litigation risks.

6.23 Income tax liabilities

Income tax liabilities break down as follows:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Income taxes Switzerland	278	1,938
Income taxes Germany	485	4,913
Income taxes rest of the world	255	3
Total income taxes	**1,018**	**6,854**

6.24 Deferred tax liabilities

Deferred tax liabilities broke down as follows as of December 31, 2013:

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Intangible assets/film assets	41,919	33,790
Property, plant and equipment	94	146
Inventories	22	11
Trade accounts receivable	2,610	2,320
Other receivables	693	484
Provisions	–	9
Trade accounts payable	1,641	1,549
Advance payments received	2,795	3,985
Total	**49,774**	**42,294**
Netting with deferred tax assets	-38,752	–32,850
Deferred tax liabilities (net)	**11,022**	**9,444**

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

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Current deferred tax liabilities	376	365
Non-current deferred tax liabilities	10,646	9,079

7. Notes on individual items of the income statement

7.1 Sales

Please see the segment reporting under note 9 for a breakdown of sales.

7.2 Capitalized film production costs and other own work capitalized

Capitalized film production costs amount to TCHF 88,486 (previous year's period: TCHF 58,483). Other own work capitalized in the amount of TCHF 963 (previous year's period: TCHF 728) relates to internally developed intangible assets.

7.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Income from the reversal of provisions and deferred liabilities	3,330	3,808
Income related to other periods	231	371
Reversal of impairment	46	308
Recharges	1,554	1,026
Currency exchange gains	2,192	3,956
Income from rents and leases	152	103
Income from the disposal of non-current assets	27	167
Income from settlements of claims for damages and settlement agreements	7,224	7,854
Miscellaneous other operating income	6,156	7,183
Total	**20,912**	**24,776**

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 and deferred liabilities is primarily due to the discontinuation of obligations for licenses.

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

7.4 Cost of materials and licenses

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Licenses and commission	8,429	7,933
Other costs of material	31,043	35,800
Total licenses, commision and materials	**39,472**	**43,733**
Production costs	146,702	125,701
Services	3,375	4,555
Overages in the Film segment	13,499	13,037
Total purchased services	**163,576**	**143,293**

7.5 Amortization, depreciation and impairment

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Scheduled amortization on film assets	79,110	108,883
Scheduled amortization on intangible assets	2,232	1,840
Scheduled depreciation on property, plant and equipment	2,428	2,482
Impairment of film assets	13,032	6,337
Impairment of intangible assets	1,593	–
Impairment of property, plant and equipment	–	970
Impairment of goodwill	385	2,941
Total	**98,780**	**123,453**

The impairment of film assets of TCHF 13,032 (previous year's period: TCHF 6,337) relates to films whose carrying amount is no longer covered by the value in use.

7.6 Other operating expenses

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Rental costs	6,117	6,181
Repair and maintenance costs	760	670
Advertising and travelling expenses	4,745	5,549
Legal, consulting and auditing costs	10,527	11,924
Additions to impairment and write-off of receivables	2,385	1,587
IT costs	2,179	1,882
Administrative costs	1,380	1,382
Other personnel-related expenses	1,480	1,492
Insurance, dues and fees	915	956
Expenses related to other periods	192	271
Currency exchange losses	5,369	2,866
Vehicle costs	997	938
Bank fees	221	183
Distribution costs	187	166
Losses from the disposal of non-current assets	89	8
Depreciation on current assets	250	–
Other taxes	399	194
Release and promotion expenses	26,663	21,633
Miscellaneous other expenses	6,194	5,608
Total	**71,049**	**63,490**

Legal, consulting and auditing costs include the costs of auditing the consolidated and separate financial statements, tax consulting fees and the costs of legal advice including for ongoing legal proceedings and copyright violations.

Release and promotion expenses include the costs of promoting and distributing movies and of releasing home entertainment titles.

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

7.7 Financial income

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Interest and similar income	585	580
Compounding of receivables	53	–
Gains from changes in the fair value of financial instruments	669	1,596
Currency exchange gains	9,763	4,351
Total	**11,070**	**6,527**

In the second quarter of fiscal year 2013, the contract with a bank (contracting party) in connection with an equity swap was dissolved prematurely by Highlight Communications AG and the shares were sold by the contracting party. The gain realized from the sale of the financial instrument held at fair value in the amount of TCHF 385 was received in full by Highlight Communications AG.

This equity swap transaction was the sale of 900,000 treasury shares by Highlight Communications AG to a bank in fiscal year 2008. In this context, a gain on the change in fair value of TCHF 424 was reported in the comparative period and a financial receivable in the same amount was reported as of December 31, 2012.

In addition, the gains from changes in the fair value of financial instruments include other fair value adjustments of TCHF 284 (previous year's period: TCHF 1,172).

7.8 Financial expenses

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Interest and similar expenses	3,552	3,507
Write-downs on financial assets and non-current securities	2,960	1,300
Compounding of liabilities and provisions	–	298
Losses from changes in the fair value of financial instruments	572	555
Currency exchange losses	6,624	5,302
Total	**13,708**	**10,962**

The write-downs on non-current financial assets include an impairment loss on non-current receivables from the associated company Kuuluu Interactive Entertainment AG of TCHF 2,960 (previous year's period: TCHF 1,300).

7.9 Taxes

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Current taxes	–3,947	–69
Deferred taxes	–1,671	–5,937
Total	**–5,618**	**–6,006**

Tax reconciliation (TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Profit before taxes	15,915	32,345
Expected taxes based on a tax rate of 21%	–3,342	–6,792
Differing tax rates	2,006	1,367
Reversal of deferred tax assets	14	162
Write-down on deferred tax assets	–1,533	–216
Tax exempt income	9	22
Permanent differences	5	130
Tax rate changes	78	–108
Non-deductable expenses	–1,372	–909
Income taxes for prior accounting periods	123	1,493
Other effects	–98	–441
Unrecognized deferred taxes	–1,508	–714
Actual tax expense	**–5,618**	**–6,006**
Effective tax rate in %	**35.3**	**18.6**

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes. The expected tax rate of 21% (previous year: 21%) relates to the tax rate applicable at the domicile of Highlight Communications AG.

8. Disclosures on financial risk management

The table below shows the carrying amounts and fair values of financial instruments by class and a breakdown into the various categories of financial instruments in accordance 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 receivables (current)	
Financial assets at fair value	FVPL
Other receivables	AC
Derivative financial instruments with hedging relationships in accordance with IAS 39	without category
Other assets (underlying transactions in hedging relationships in accordance with IAS 39)	without category
Other financial assets (current)	
Financial assets at fair value (equity instruments)	FVPL
Financial assets at fair value (equity instruments)	FVOCI
Non-current receivables and other receivables	AC
Other financial assets (non-current)	
Financial assets at fair value	FVPL

LIABILITIES (TCHF)	
Financial liabilities (current and non-current)	OL
Financial liabilities with hedging relationships in accordance with IAS 39	without category
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	FLPL
Derivative financial instruments with hedging relationships in accordance with IAS 39	without category
Other liabilities (underlying transactions in 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	FVPL
Financial liablities measured at amortized cost	OL
Financial liabilities at fair value	FLPL

The class of non-current financial assets measured at fair value through profit or loss comprises only securities that were designated as measured at fair value through profit or loss in previous fiscal years on account of the risk management strategy.

Non-current receivables are discounted according to their remaining term (see note 6.8).

Carrying amount Dec. 31, 2013	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, 2013
44,259	–	44,259	–	–	44,259
49,938	–	49,938	–	–	49,938
5,362	–	5,362	–	–	5,362
282	–	–	–	282	282
75,107	-10,469	64,638	–	–	64,638
384	–	–	–	384	384
565	-565	–	–	–	–
2,268	–	–	–	2,268	2,268
15,359	–	–	15,359	–	15,359
1,068	–	1,068	–	–	1,068
227	–	–	–	227	227
151,491	–	151,491	–	–	151,491
506	–	–	–	506	506
34,634	–	34,634	–	–	34,634
26	–	26	–	–	26
63,707	-13,545	50,162	–	–	50,162
637	–	–	–	637	637
863	–	–	–	863	863
912	-912	–	–	–	–
175,734	-10,469	165,265	–	–	165,265
15,359	–	–	15,359	–	15,359
2,777	–	–	–	2,777	2,777
249,858	-13,545	236,313	–	–	236,313
637	–	–	–	637	637

** Not relevant under IFRS 7: it does not concern financial instruments*

AC: Financial assets at amortized cost
FVOCI: Financial assets at fair value through OCI
FVPL: Financial assets at fair value through profit or loss
FLPL: Financial liabilities at fair value through profit or loss
OL: Other liabilities

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 receivables (current)	
Financial assets at fair value	FVPL
Other receivables	AC
Derivative financial instruments with hedging relationships in accordance with IAS 39	without category
Other assets (underlying transactions in hedging relationships in accordance with IAS 39)	without category
Other financial assets (current)	
Financial assets at fair value (equity instruments)	FVPL
Financial assets measured at amortized cost (debt capital instruments)	AC
Financial assets at fair value (equity instruments)	FVOCI
Non-current receivables and other receivables	AC
Other financial assets (non-current)	
Financial assets at fair value	FVPL

LIABILITIES (TCHF)	
Financial liabilities (current and non-current)	OL
Financial liabilities with hedging relationships in accordance with IAS 39	without category
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	FLPL
Derivative financial instruments with hedging relationships in accordance with IAS 39	without category
Other liabilities (underlying transactions in 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	FVPL
Financial liablities measured at amortized cost	OL
Financial liabilities at fair value	FLPL

Carrying amount Dec. 31, 2012	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, 2012
72,517	–	72,517	–	–	72,517
36,753	–	36,753	–	–	36,753
6,620	–	6,620	–	–	6,620
424	–	–	–	424	424
76,772	-13,354	63,418	–	–	63,418
1,266	–	–	–	1,266	1,266
250	–	–	–	250	250
2,534	–	–	–	2,534	2,534
1,011	–	1,011	–	–	1,011
13,652	–	–	13,652	–	13,652
1,464	–	1,464	–	–	1,464
249	–	–	–	249	249
135,803	–	135,803	–	–	135,803
231	–	–	–	231	231
21,788	–	21,788	–	–	21,788
1,344	–	1,344	–	–	1,344
72,437	-13,346	59,091	–	–	59,091
91	–	–	–	91	91
322	–	–	–	322	322
1,187	–	–	–	1,187	1,187
195,137	-13,354	181,783	–	–	181,783
13,652	–	–	13,652	–	13,652
3,207	–	–	–	3,207	3,207
231,372	-13,346	218,026	–	–	218,026
91	–	–	–	91	91

** Not relevant under IFRS 7: it does not concern financial instruments*

AC: Financial assets at amortized cost
FVOCI: Financial assets at fair value through OCI
FVPL: Financial assets at fair value through profit or loss
FLPL: Financial liabilities at fair value through profit or loss
OL: Other liabilities

Offseting

For derivative financial instruments, according to the contractual agreements in the event of insolvency, all asset and liability derivatives with the counterparty in question are offset and only the net amount of the receivable or liability remains. As offsetting is only legally enforceable in the event of insolvency and the Highlight Group neither has a legal right to offset amounts at the current time nor does it intend to settle on a net basis, the derivative financial instruments are reported in the consolidated balance sheet on a gross basis.

Receivables from/liabilities to joint ventures and associated companies are shown in the balance sheet on a net basis as there is an unconditional and legally enforceable right to offset them and the Group intends to settle on a net basis. Receivables from and liabilities to associated companies were reported gross in the previous year.

Cash and cash equivalents and financial liabilities are reported net as of December 31, 2013 if there is an unconditional and legally enforceable right to offset and it is intended to settle on a net basis. Cash and cash equivalents were not offset against financial liabilities in the previous year as it was not intended to settle on a net basis at that time.

The tables below show an overview of the offsetting performed or contractually intended:

Offsetting of financial assets as of December 31, 2013

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	282	–	282	–	282
Derivative financial instruments with hedging relationships	384	–	384	–367	17
Receivables due from associated companies and joint ventures (current and non-current)	7,252	–1,890	5,362	–	5,362
Cash and cash equivalents	52,047	–7,788	44,259	–	44,259
Total	**59,965**	**–9,678**	**50,287**	**–367**	**49,920**

Offsetting of financial liabilities as of December 31, 2013

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	637	–	637	–	637
Derivative financial instruments with hedging relationships	863	–	863	–367	496
Liabilities due to associated companies and joint ventures (current and non-current)	1,916	–1,890	26	–	26
Financial liabilities (current and non-current)	159,785	–7,788	151,997	–	151,997
Total	**163,201**	**–9,678**	**153,523**	**–367**	**153,156**

Offsetting of financial assets as of December 31, 2012

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	424	–	424	–	424
Derivative financial instruments with hedging relationships	1,266	–	1,266	–25	1,241
Receivables due from associated companies and joint ventures (current and non-current)	6,620	–	6,620	–342	6,278
Cash and cash equivalents	72,517	–	72,517	–	72,517
Total	**80,827**	**–**	**80,827**	**–367**	**80,460**

Offsetting of financial liabilities as of December 31, 2012

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	91	–	91	–	91
Derivative financial instruments with hedging relationships	322	–	322	–25	297
Liabilities due to associated companies and joint ventures (current and non-current)	1,344	–	1,344	–342	1,002
Financial liabilities (current and non-current)	136,034	–	136,034	–	136,034
Total	**137,791**	**–**	**137,791**	**–367**	**137,424**

Net income

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

(TCHF)	from interest	from subsequent measurement: Changes in fair value	Foreign currency translation	Impairment	Others	2013	2012
Loans and receivables (AC)	633	–	–2,643	–5,295	–4	–7,309	–2,447
Financial assets at fair value through OCI (FVOCI)		1,707	–		–	1,707	2,089
Financial assets at fair value through profit or loss (FVPL)	–79	669	–	–26	–	564	1,460
Financial liabilities (OL)	–3,472	–	2,605	–	3,065	2,198	294
Financial liabilities at fair value through profit or loss (FLPL)	–	–542	–	–	–	–542	–544

Expenses for valuation allowances on loans and receivables (amortized cost) also include income from reversals of write-downs.

The “Others” item mainly shows the effects of the reversal of deferred liabilities.

8.1 Management of financial risks

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

8.2 Liquidity risks

Liquidity risk is if the Group’s future payment obligations cannot be covered by its available liquidity or corresponding credit facilities. There are suitable processes within the Highlight Group to limit this risk, with which cash inflows or outflows and maturities are monitored and controlled on an ongoing basis. Highlight Communications AG and the Highlight Group had sufficient liquidity reserves taking into account the available short-term credit facilities as of the end of the reporting period.

The tables on liquidity risk show the maturity structure of the primary financial liabilities and an analysis of the cash outflows from derivative financial liabilities and assets. These are undiscounted cash flows.

Liquidity risk 2013

(TCHF)	Carrying amount Dec. 31, 2013	Cash flows 2014			Cash flows 2015	
		Fixed interest	Variable interest	Re-payment	Fixed interest	Re-payment
Liabilities due to banks and bonded loans and similar liabilities	151,997	–	1,288	151,997	–	–
Other non-interest-bearing financial liabilities	84,822	–	–	84,822	–	–
Derivative financial liabilities						
Currency derivatives without hedge relationship	447	–	–	11,821	–	–
Currency derivatives in connection with fair value hedges	863	–	–	30,503	–	–
Derivative financial assets						
Derivatives without hedge relationship	282		–	9,544		–
Currency derivatives with hedge relationship	384	–	–	18,202	–	–

Liquidity risk 2012

(TCHF)	Carrying amount Dec. 31, 2012	Cash flows 2013			Cash flows 2014	
		Fixed interest	Variable interest	Re-payment	Fixed interest	Re-payment
Liabilities due to banks and bonded loans and similar liabilities	136,034	408	–	136,034	–	–
Other non-interest-bearing financial liabilities	82,223	–	–	82,223	–	–
Derivative financial liabilities						
Currency derivatives without hedge relationship	91	–	–	5,425	–	–
Currency derivatives in connection with fair value hedges	322	–	–	22,355	–	–
Derivative financial assets						
Derivatives without hedge relationship	424		–	424		–
Currency derivatives with hedge relationship	1,266	–	–	33,070	–	–

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 bottlenecks. 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 credit quality 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 non-controlling interests and acquisition of treasury shares, can influence liquidity differently over time.

In spite of the free working capital facility, it may be necessary to borrow further debt capital on the capital market or from banks both in order to refinance existing liabilities and to finance new projects. There is therefore the risk that, in the event of a deterioration of the economic situation, funding may not be available or not be available to a sufficient extent or could only be available at significantly more disadvantageous terms.

8.3 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 credit quality.

The banks with which the Highlight Group performs transactions must have a good credit quality. 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. In significant cases, the company also hedges the risk of default by a creditor by obtaining credit rating information.

Risks from the international distribution of film licenses are minimized by concluding business only with companies of reliable credit quality, 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.

8.4 Fair value of financial assets and liabilities

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

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

Disclosures on level 3 financial instruments:

Designation of the financial instrument	Preference shares
Fair value January 1, 2013	2,534
Currency translation differences through equity	–230
Sale	–36
Fair value December 31, 2013	**2,268**

2012 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/ without category	–	1,690	–	1,690
Other assets (underlying transactions in hedging relationships in accordance with IAS 39)	without category	–	250	–	250
Financial assets at fair value through profit or loss	FVPL	249	–	2,534	2,783
Financial assets (equity instruments)	FVOCI	13,652	–	–	13,652
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	231	–	231
Derivative financial instruments	FVPL/ without category	–	413	–	413
Other liabilities (underlying transactions in hedging relationships in accordance with IAS 39)	without category	–	1,187	–	1,187

The financial assets measured at fair value through profit or loss and included in level 1 are measured using stock prices. The derivative financial instruments in level 2 are measured at current market rates. The discounted cash flow method was used to determine the fair value of level 2 financial instruments. The change in the fair value of the financial assets shown in level 3 is due to sales in the amount of TCHF 36 and currency translation effects in the amount of TCHF –230.

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

The carrying amount of the financial assets and liabilities at amortized cost is approximately their fair value.

Fair value of non-financial assets and liabilities

With the exception of the property (see note 6.14), there were no non-financial assets or liabilities measured at fair value as of December 31, 2013.

The property measured at fair value less costs to sell is assigned to level 2.

8.5 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.

8.6 Currency risk

The Highlight Group is exposed to currency risks in its ordinary business activities. Most of these risks pertain to the euro, the US dollar and the Canadian dollar. Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities. Each 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 that are otherwise considered to be especially prone to risk.

Currency translation differences of TCHF -38 were recognized in profit or loss in fiscal year 2013 (previous year's period: TCHF 139).

In significant transactions, particularly in US dollars and Canadian 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 and loans. The Group ensures that the amount of the hedge does not exceed the value of the hedged item.

The Highlight Group entered into a series of currency forwards and currency swaps for hedging purposes in the current fiscal year. If possible, these are accounted for as fair value hedges. The hedged items essentially relate to pending rights purchases and sales (firm commitments) in US dollars. Furthermore, currency forwards were bought to hedge recognized foreign currency receivables and liabilities and to hedge profit distributions by international subsidiaries of Constantin Entertainment GmbH. The options purchased in the previous year in connection with currency forwards were acquired to hedge the profit distribution by Constantin Entertainment Polska Sp. z o.o. and expired in the year under review.

As of December 31, 2013, currency forwards with a nominal amount of TCHF 48,705 (previous year: TCHF 55,424) were designated as hedging instruments in fair value hedges. There were asset forwards in the amount of TCHF 384 (previous year: TCHF 1,266) and liability forwards in the amount of TCHF 863 (previous year: TCHF 322) resulting from the difference between the forward rate on conclusion of the transaction and the market value of the forward as of the end of the reporting period. The changes in the fair value the currency forwards and the pending and recognized hedged items are shown in opposite amounts in the income statement. In effective hedges, the effects of changes in the fair value of hedged items and hedges were reported net in the income statement.

The gain recognized in operating earnings in fiscal year 2013 for carrying value adjustments to hedges as of the end of the reporting period was TCHF 482 (previous year's period: loss of TCHF 1,026). Changes in the fair values of hedges resulted in losses of TCHF 482 (previous year's period: gain of TCHF 1,026), which were also recognized in operating earnings.

Foreign currency liabilities are also used as hedging instruments for currency risks. They are used to hedge firm commitments in USD not yet recognized. These hedges are reported as fair value hedges. The fair value of the foreign currency liabilities was TCHF 506 (previous year: TCHF 231). The change in the fair value of the hedged item resulted in expenses of TCHF 508 (previous year's period: income of TCHF 230) while the change in the fair value of the hedge resulted in income in the same amount, which is recognized in net finance costs. The effect of changes in the fair value of the hedged item and the hedge was reported net in the income statement as the hedge was effective.

The nominal amounts and fair values of derivatives not designated in hedge accounting as of December 31, 2013 and 2012 are as follows. The fair value shown in the table for PLN for the previous year is the fair value of the options.

	Dec. 31, 2013		Dec. 31, 2012	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
PLN	–	–	992	–28
HRK	–	–	248	–1
CAD	2,214	129	–	–
USD/CAD swap	4,289	-186	–	–
Foreign currency forwards (acquisition)				
USD	2,957	–21	4,187	–62
CAD	2,245	–159	–	–
USD/CAD swap	9,659	72	–	–

8.7 Interest risk

An interest risk arises when market interest rates fluctuate, which could improve or worsen the proceeds from deposits or payments for money borrowed. 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 financial liabilities. The Highlight Group predominantly has floating-rate current financial liabilities at the current time. The Group does not currently 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. By 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 6.18. If necessary, there is also the option to establish a fixed interest base using interest hedges.

8.8 Other price risks

Other price risks are 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. These financial assets are not hedged.

8.9 Sensitivities

The sensitivity analysis shows 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 100 basis points upwards and downwards. An increase would have resulted in additional expenses before taxes of around TCHF 1,101 (previous year's period: TCHF 625). A drop in interest rates of the same amount would have increased earnings before taxes by TCHF 1,101 (previous year's period: TCHF 625).

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 with all other parameters remaining 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 earnings before taxes. The closing rate was used for the sensitivity analysis. The euro/franc cap of 1.20 established by the Swiss National Bank was not included in the sensitivity analysis.

Sensitivity analysis 2013

(TCHF)	Interest rate risk –1 %	Interest rate risk +1 %
Financial assets		
Cash and cash equivalents	–419	419
Trade accounts receivable	–	–
Receivables due from associated companies and joint ventures (current and non-current)	–	–
Other financial assets (current and non-current)	–	–
Other receivables (current and non-current)	–	–
Derivative financial instruments	–	–
Financial liabilities		
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Financial liabilities (current and non-current)	1,520	–1,520
Derivative financial instruments	–	–
Total increase/decrease in profit before taxes	**1,101**	**–1,101**

Sensitivity analysis 2012

(TCHF)	Interest rate risk –1 %	Interest rate risk +1 %
Financial assets		
Cash and cash equivalents	–725	725
Trade accounts receivable	–	–
Receivables due from associated companies and joint ventures (current and non-current)	–	–
Other financial assets (current and non-current)	–10	10
Other receivables (current and non-current)	–	–
Derivative financial instruments	–	–
Financial liabilities		
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Financial liabilities (current and non-current)	1,360	–1,360
Derivative financial instruments	–	–
Total increase/decrease in profit before taxes	**625**	**–625**

The other price risks on other financial assets are essentially based on the shares held in Constantin Medien AG, which were measured at fair value in other comprehensive income. The fluctuation of +/–10 % of the share price affects other comprehensive income by TCHF +/–1,536 (previous year's period: TCHF +/–1,365).

The other price risks on other receivables in the previous year related to an equity swap transaction with shares of Highlight Communications AG, which was dissolved prematurely in the second quarter of fiscal year 2013.

Exchange rate risk								Other price risks	
CHF/EUR		EUR/USD		EUR/CAD		Total			
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–1,176	1,176	–1,323	1,617	–37	45	–2,536	2,838	–	–
–558	558	–468	572	–	–	–1,026	1,130	–	–
–308	308	–	–	–	–	–308	308	–	–
–	–	–	–	–206	253	–206	253	–1,558	1,558
–40	40	–2,051	2,507	–4,270	5,217	–6,361	7,764	–	–
–	–	959	-1,172	842	-1,029	1,801	-2,201	–	–
211	-211	242	-295	–	–	453	-506	–	–
362	-362	1,237	–1,513	–	–	1,599	–1,875	–	–
–	–	1,187	–1,450	2,773	–3,390	3,960	–4,840	–	–
–	–	–3,674	4,489	–1,048	1,281	–4,722	5,770	–	–
–1,509	**1,509**	**–3,891**	**4,755**	**–1,946**	**2,377**	**–7,346**	**8,641**	**–1,558**	**1,558**

Exchange rate risk								Other price risks	
CHF/EUR		EUR/USD		EUR/CAD		Total			
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–358	358	–476	581	–35	42	–869	981	–	–
–393	393	–58	70	–	–	–451	463	–	–
–329	329	–	–	–	–	–329	329	–	–
–	–	–	–	–	–	–	–	–1,392	1,392
–408	408	–454	554	–2,827	3,456	–3,689	4,418	–	–
–	–	–1,313	1,604	1,735	–2,122	422	–518	–42	42
144	–144	104	–127	–	–	248	–271	–	–
527	–527	1,076	–1,315	35	–43	1,638	–1,885	–	–
–	–	2,261	–2,763	1,153	–1,409	3,414	–4,172	–	–
–	–	–1,103	1,347	–542	662	–1,645	2,009	–	–
–817	**817**	**37**	**–49**	**–481**	**586**	**–1,261**	**1,354**	**–1,434**	**1,434**

9. Segment reporting

The segment information below is based on the management approach.

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

Based on the internal management reporting system and the underlying organizational structure of internal reporting, the Group is still divided into the three operating segments Film, Sports- and Event-Marketing and Other Business Activities.

The activities of Constantin Film AG and its subsidiaries plus the Highlight investments in Rainbow Home Entertainment and their subsidiaries (not including Pokermania GmbH) are combined in the Film segment. Its activities comprise the 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, whose principal project is to market the UEFA Champions League via its subsidiaries. Its other marketing projects are the UEFA Europa League and the UEFA Super Cup.

Other Business Activities currently only reports the activities of Highlight Event & Entertainment AG and Pokermania GmbH. These activities essentially comprise event marketing for the Eurovision Song Contest and the Vienna Philharmonic Orchestra and the performance of services in the field of social gaming and gaming machines.

In addition, the administrative functions of the Highlight Communications AG holding company are reported in the "Other" segment.

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

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

Segment information 2013

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	333,628	48,851	3,718	–	–	386,197
Other segment income	109,840	358	1,142	–	-979	110,361
Segment expenses	-435,182	-29,356	-9,674	-4,829	979	-478,062
thereof amortization, depreciation	*-81,270*	*-963*	*-1,537*	–	–	*-83,770*
thereof impairment	*-13,417*	–	*-1,593*	–	–	*-15,010*
Segment result	**8,286**	**19,853**	**-4,814**	**-4,829**	–	**18,496**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						57
Financial income						11,070
Financial expenses						-13,708
Profit before taxes						**15,915**

Segment information 2012

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Recon-ciliation	Group
External sales	353,384	69,408	10,022	–	–	432,814
Other segment income	82,946	788	1,234	–	-981	83,987
Segment expenses	-424,747	-37,690	-13,859	-4,947	981	-480,262
thereof amortization, depreciation	*-111,007*	*-986*	*-1,212*	–	–	*-113,205*
thereof impairment	*-8,736*	–	*-1,512*	–	–	*-10,248*
Segment result	**11,583**	**32,506**	**-2,603**	**-4,947**	–	**36,539**
Non-allocable items:						
Earnings from investments in associated companies and joint ventures						241
Financial income						6,527
Financial expenses						-10,962
Profit before taxes						**32,345**

The elimination of inter-segment transactions is reported in the reconciliation column.

Segment information by regions

Jan. 1 to Dec. 31, 2013 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world	Total
External sales	112,194	190,379	52,878	30,746	386,197
Non-current assets	18,119	217,879	101	275	236,374

Jan. 1 to Dec. 31, 2012 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world	Total
External sales	138,159	164,802	50,055	79,798	432,814
Non-current assets	19,318	163,530	163	8,738	191,749

External sales by product

(TCHF)	2013	2012
Service production	137,565	127,861
Film	196,063	225,523
Sports- and Event-Marketing	48,851	69,408
Other Business Activities	3,718	10,022
Total external sales	**386,197**	**432,814**

Sales by customers

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

	2013		2012	
(TCHF)	nominal	in %	nominal	in %
Customer A (Sports- and Event-Marketing segment)	48,851	13	69,395	16
Customer B (Film segment)	53,309	14	71,754	17
Customer C (Film segment)	33,270	9	52,076	12
Sales with other customers	250,767	64	239,589	55
Total external sales	**386,197**	**100**	**432,814**	**100**

10. Contingent liabilities and other financial obligations

10.1 Overview

The following table provides an overview of contingent liabilities and other financial obligations:

(TCHF)	Contingent liabilities	Purchase commit-ments for licenses	Other financial obligations	Rental obligations (operating lease contracts)	Total
Balance: December 31, 2013					
Due within one year	11,033	26,075	3,113	4,931	45,152
Due between one and five years	–	24,930	5,954	7,648	38,532
Total	**11,033**	**51,005**	**9,067**	**12,579**	**83,684**
Balance: December 31, 2012					
Due within one year	10,869	9,191	2,733	4,675	27,468
Due between one and five years	–	6,258	6,023	7,595	19,876
Total	**10,869**	**15,449**	**8,756**	**12,270**	**47,344**

10.2 Contingent liabilities

As of December 31, 2013, there were guarantees to various TV stations for the completion of service productions totaling TCHF 11,033 (previous year: TCHF 10,869). It is not expected that the contingent liabilities will result in significant actual liabilities.

10.3 Purchase commitments for licenses

The Group secures its access to future film rights by concluding license agreements. Film purchasing and production preparations result in future financial obligations of TCHF 51,005 (previous year: TCHF 15,449).

10.4 Other financial obligations

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

10.5 Rental and lease obligations

The Highlight Group rents and leases offices, warehouses, vehicles and facilities. The total rental expenses for fiscal year 2013 amounted to TCHF 5,748 (previous year's period: TCHF 5,746).

The Group had the following minimum lease obligations as of December 31, 2013:

(TCHF)	Building and room rental	Vehicle lease	Other rental and lease obligations	Rental and lease obligations (operating lease contracts)
Balance: December 31, 2013				
Due within one year	4,693	161	77	4,931
Due between one and five years	7,433	54	161	7,648
Total	**12,126**	**215**	**238**	**12,579**
Balance: December 31, 2012				
Due within one year	4,440	139	96	4,675
Due between one and five years	7,532	24	39	7,595
Total	**11,972**	**163**	**135**	**12,270**

The minimum lease obligations are calculated based on the respective uncancellable term of the lease.

11. Related party disclosures

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

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

Joint ventures

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Receivables	2,283	1,399
Liabilities	–	1,344

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Sales and other income	12,098	13,152
Cost of materials and licenses and other expenses	12,490	12,796

Associated companies

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Receivables	3,079	5,221
Liabilities	26	–

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Sales and other income	8	640
Cost of materials and licenses and other expenses	171	180

Other related parties

(TCHF)	Dec. 31, 2013	31. 12. 2012
Receivables	–	–
Liabilities	106	69

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Sales and other income	–	–
Cost of materials and licenses and other expenses	424	398

Parent company and its direct subsidiaries

(TCHF)	Dec. 31, 2013	Dec. 31, 2012
Receivables	77	102
Liabilities	176	181

(TCHF)	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Sales and other income	3,769	549
Cost of materials and licenses and other expenses	433	621

Other related party transactions essentially include the following:

There is a consulting agreement between the Constantin Film Group and Fred Kogel GmbH in the areas of license trading, TV service production and film distribution, which was extended by one year in fiscal year 2013 until December 31, 2014. Expenses of TCHF 369 (previous year's period: TCHF 362) were incurred under this agreement in the reporting period. Mr. Kogel also received Supervisory Board remuneration of TCHF 37 (previous year's period: TCHF 36).

As of December 31, 2013, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 49 (previous year: TCHF 41).

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

Highlight Communications AG did not perform significant services for companies controlled by related parties in fiscal year 2013 or the previous period.

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

Please refer to note 8 to the annual financial statements of Highlight Communications AG for details of the remuneration and shareholdings of members of the Board of Directors and members of Group management.

12. Disclosures on events after the balance sheet date

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

Report of the statutory auditor

to the General Meeting of Highlight Communications AG, Pratteln

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Highlight Communications AG, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 82 to 167), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 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 Ltd

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

Lucerne, 25 March 2014

Financial statements

as of December 31, 2013
of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2013

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2013	Dec. 31, 2012
Current assets		
Cash and cash equivalents	899	5,191
Securities	28,547	17,994
Trade accounts receivable		
due from Group entities	8,563	8,395
Other receivables		
due from third parties	10	435
due from Group entities	29	526
Prepaid expenses/accrued income	17	21
	38,065	**32,562**
Non-current assets		
Financial assets		
Investments	239,067	248,547
	239,067	**248,547**
Total assets	**277,132**	**281,109**

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2013	Dec. 31, 2012
Liabilities		
Trade accounts payable		
due to third parties	120	70
Current bank liabilities	55,000	50,000
Other current liabilities		
due to third parties	115	32
due to related parties	135	133
due to Group entities	17,659	32,972
Deferred income/accrued expenses	505	523
Provisions	250	500
	73,784	**84,230**
Equity		
Subscribed capital	47,250	47,250
Legal reserves		
Legal reserves from capital contributions	25,865	41,864
Reserves for treasury stock from capital contributions	16,863	8,665
Other general legal reserves	331	331
Free reserves	67,798	67,798
Profit carried forward	30,971	–
Profit for year	14,270	30,971
	203,348	**196,879**
Total equity and liabilities	**277,132**	**281,109**

INCOME STATEMENT 2013

Highlight Communications AG, Pratteln

(TCHF)	2013	2012
License income	208	1,978
Other revenues	449	460
Financial income		
Interest income	157	276
Income from securities	2,092	3,068
Income from investments	33,156	45,442
Currency exchange rate gains	127	1,153
Total income	**36,189**	**52,377**
License expense	-125	-214
Personnel expense	-4,915	-4,669
Office and administrative expense	-2,978	-3,074
Depreciation on investments	-12,126	-12,126
Financial expense		
Interest expense	-1,179	-1,259
Expense on securities	-556	-11
Currency exchange rate losses	-40	-53
Total expense	**-21,919**	**-21,406**
Profit before taxes	**14,270**	**30,971**
Income taxes	–	–
Net profit for the year	**14,270**	**30,971**

NOTES TO THE FINANCIAL STATEMENTS 2013

Highlight Communications AG, Pratteln

1. Accounting

These annual financial statements were prepared applying the transitional provisions for the new accounting law in accordance with the provisions of the Swiss Code of Obligations regarding bookkeeping and accounting that applied until December 31, 2012.

2. Pledged assets as collateral for own obligations

	Dec. 31, 2013	Dec. 31, 2012
Shares in Constantin Medien AG		
Number	6,012,749	6,012,749
TCHF	12,442	11,059
Shares in Constantin Film AG		
Number	12,742,600	12,742,600
TCHF	137,994	143,838
Shares in Highlight Communications AG		
Number	2,580,793	313,000
TCHF	12,560	1,504
Credit facility utilized		
TCHF	55,000	50,000

As of December 31, 2013, there was no restriction of the disposal of cash and cash equivalents (previous year: TCHF 3,935).

3. Contingent liabilities

Joint liability exists in respect to Group value-added taxation under Section 22 of the Swiss Value-Added Tax Act.

4. Notes on main investments

Company, domicile, purpose	Shareholding in %	Share capital
Team Holding AG, Lucerne *Investments in sports marketing companies*	100.00 %	TCHF 250
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
Highlight Event & Entertainment AG, Düdingen *Event marketing*	68.63 % (previous year: 59.89 %)	TCHF 15,593

5. Share capital/authorized capital

On June 1, 2012, 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.

6. Shareholder structure

Shareholders with holdings of over 5%	Dec. 31, 2013	Dec. 31, 2012
Constantin Medien AG	52.39%	47.31%
Highlight Communications AG (treasury stock)	5.75%	2.45%
DWS Investment GmbH	–	8.25%

For the stakes held by members of the Board of Directors and the Group management as well as their related parties, refer to note 8.

The Board of Directors is aware of no other material shareholdings (over 5 %).

7. 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, 2013	1,156,567			8,665
Sales	–	–	–	–
Aquisitions	1,559,083	5,26	8,198	8,198
Balance on December 31, 2013	**2,715,650**			**16,863**

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

Remuneration 2013 (TCHF)	Basis remuneration	Variable remuneration	Remuneration as member of the Board of Directors	Social security/ pension liabilities	Total
Bernhard Burgener, Chairman and Delegate, executive member (highest remuneration)	1,140	371	208	201	1,920
Martin Wagner, Vice Chairman, executive member	1,000	243	161	204	1,608
Dr. Ingo Mantzke, executive member	405	204	10	101	720
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
Dr. Dieter Hahn, non-executive member	–	–	50	3	53
Martin Hellstern, non-executive member	–	–	50	2	52
Total Board of Directors	**2,545**	**818**	**589**	**517**	**4,469**
Group management (consisting of two Managing Directors)	816	328	49	197	1,390
Total Group management	**816**	**328**	**49**	**197**	**1,390**

Remuneration 2012

(TCHF)	Basis remuneration	Variable remuneration	Remuneration as member of the Board of Directors	Social security/ pension liabilities	Total
Bernhard Burgener, Chairman and Delegate, executive member (highest remuneration)	1,139	323	208	204	1,874
Martin Wagner, Vice Chairman, executive member	1,008	193	161	204	1,566
Dr. Ingo Mantzke, executive member	417	155	10	101	683
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
Dr. Dieter Hahn, non-executive member	–	–	50	3	53
Martin Hellstern, non-executive member	–	–	50	2	52
Total Board of Directors	**2,564**	**671**	**589**	**520**	**4,344**
Group management (consisting of two Managing Directors)	844	228	53	197	1,322
Total Group management	**844**	**228**	**53**	**197**	**1,322**

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 2013.

In fiscal year 2013, Martin Wagner received compensation for consultancy in his operating function at Highlight Event & Entertainment AG in the amount of TCHF 100, 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 2013 and 2012, 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, 2013 and December 31, 2012, 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, 2013, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2013	2012
Bernhard Burgener, Chairman and Delegate, executive member	2,000,000	1,950,000
René Camenzind, non-executive member	628,715	628,715
Martin Hellstern, non-executive member	200,000	200,000
Dr. Erwin V. Conradi, non-executive member	177,000	177,000
Dr. Ingo Mantzke, executive member	100,000	100,000
Dr. Dieter Hahn, non-executive member	21,000	21,000
Martin Wagner, Vice Chairman, executive member	–	–
Antonio Arrigoni, non-executive member	–	–
Dr. Paul Graf, Managing Director	–	–
Peter von Büren, Managing Director	–	–

9. Risk assessment

As part of its risk assessment, the Group's management compiles a risk report divided into quantifiable and non-quantifiable risks. In so doing, risks identified in prior periods are analyzed, deleted if no longer relevant and newly identified risks are added. The risk tracking process focuses on risks to which the Group as a whole is exposed; company-specific risks affecting the Group's subsidiaries are reported by their management to the Group's risk manager and included in the consolidated risk report.

In risk assessment, quantifiable risks are rated with a probability and a monetary value. Non-quantifiable risks are classified according to qualitative features.

The Group's management initiates and monitors corresponding measures in order to reduce risks to a level acceptable to the company. The results of risk assessment including steering and monitoring (the action plan) are discussed with the Board of Directors and approved by it.

The Group's management carried out the annual risk assessment on August 2, 2013 and it was approved by the Board of Directors on August 13, 2013.

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS AND THE LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS

Highlight Communications AG, Pratteln

Appropriation of available retained earnings

(TCHF)	2013
Profit carried forward	30,971
Net profit for the year	14,270
Withdrawal from the legal reserves from capital contributions	8,033
Available retained earnings	**53,274**

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

Balance to be carried forward	45,241

Distribution of a dividend from legal reserves from capital contributions

Payment of a dividend of CHF 0.17 per share	8,033
	53,274

The dividend amount of TCHF 8,033 is entirely distributed from “legal reserves from 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 as well as the withdrawal from the legal reserves from capital contributions 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 of Highlight Communications AG, Pratteln

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Highlight Communications AG, which comprise the balance sheet, income statement and notes (pages 172 to 179), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 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 and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

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

Lucerne, 25 March 2014

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TEAM Group, Lucerne
(pages 48, 49)
Highlight Event & Entertainment Group, Düdingen
(pages 52, 53)

Highlight

Highlight Communications AG

Events 2014

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

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