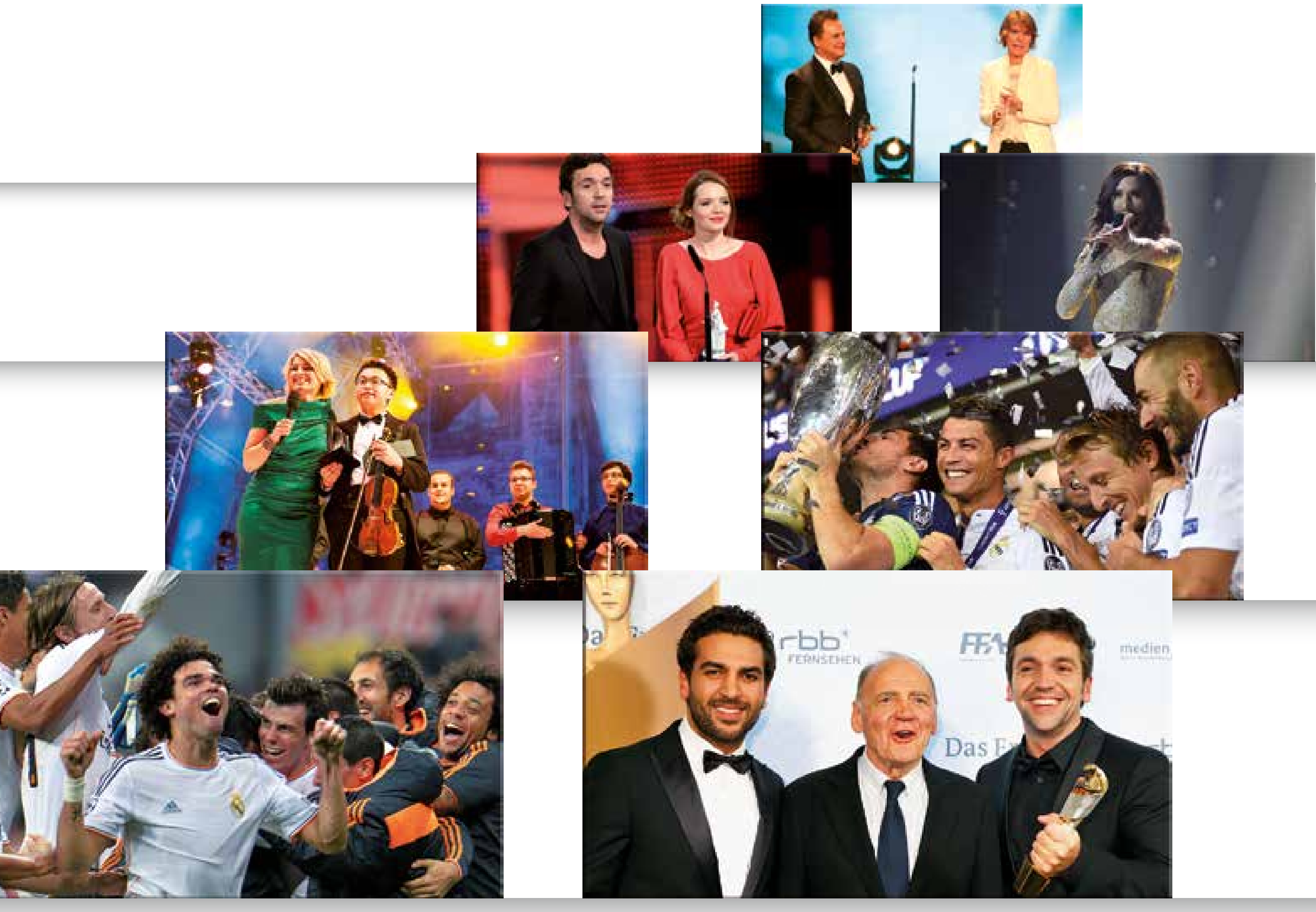
Highlight

Highlight Communications AG

Annual Report 2014



Swiss-based Highlight Group comprises companies with considerable synergy potential. It is one of the biggest media stocks on the German capital market.

Highlight Communications AG at a glance (TCHF)		**2014**	2013
Consolidated balance sheet	Total assets	**361,558**	443,329
	Film assets	**160,385**	211,044
	Cash and cash equivalents	**44,773**	44,259
	Financial liabilities	**81,279**	151,997
	Equity attributable to the shareholders	**96,532**	96,675
Consolidated income statement	Sales	**412,578**	386,197
	Profit from operations	**29,013**	18,496
	Net profit (Highlight shareholders)	**16,651**	9,731
	Earnings per share (CHF)	**0.37**	0.21
	Earnings per share (EUR)	**0.31**	0.17
Consolidated statement of cash flows	Cash flow from operating activities	**156,369**	117,499
	Cash flow for investing activities	**–76,527**	–140,835
	thereof payments for film assets	**–70,584**	–136,178
	Cash flow for financing activities	**–78,914**	–5,563
	thereof dividend payments	**–8,897**	–9,424
	Cash flow from/for the reporting period	**928**	–28,899
Personnel	Headcount as of December 31	**825**	761

The Highlight Group's expertise covers the planning, production and marketing of top events and first-class entertainment in the areas of film, sports and music.

Highlight Communications AG, Pratteln, Switzerland

Film		Sports- & Event-Marketing	Other Business Activities
100 %	100 %	100 %	68.986 %
Constantin Film AG MUNICH, GERMANY Subsidiaries of Constantin Film AG **Constantin Film Schweiz AG** BASEL, 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** LUCERNE, SWITZERLAND **Highlight Event AG** LUCERNE, SWITZERLAND

Members of the Highlight Group

Top movies and TV formats, best-selling home entertainment releases, top-level European football and world-famous major musical events make up the Highlight portfolio.

Markets & Events of the Highlight Group

Cinema
Constantin Film AG is Germany's leading independent producer and exploiter of theatrical movies. "Fack Ju Göhte" (3rd place), "Fünf Freunde 3" (5th place) and "Männerhort" (6th place) were three of the six most-watched German productions of 2014 that belonged to Constantin Film.

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 theatrical movies. 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 2014 were the Constantin Film titles "Fack Ju Göhte", "The Mortal Instruments: City of Bones" and "Pompeii".

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 Eurovision 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".

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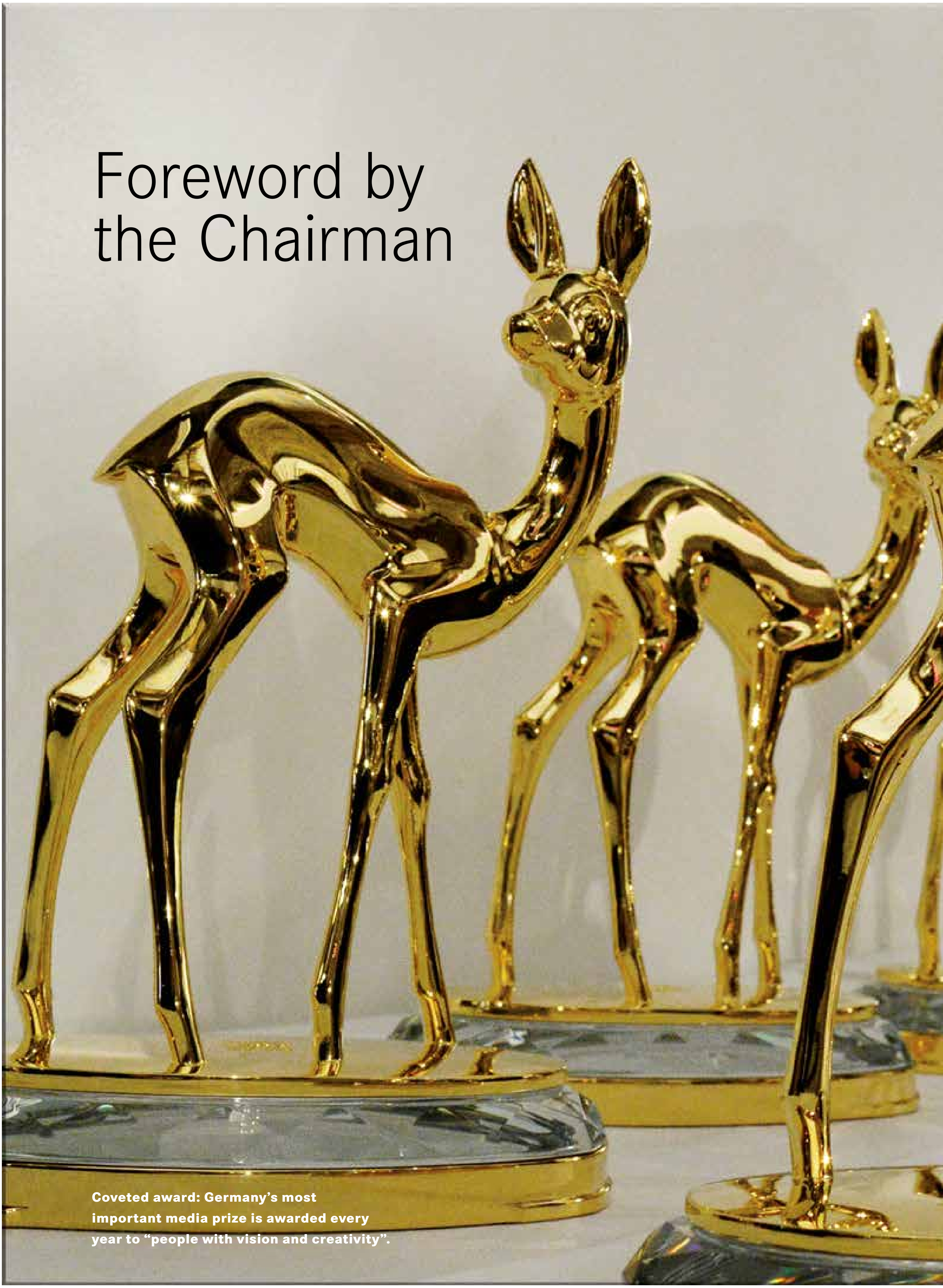
Foreword by the Chairman



Coveted award: Germany's most important media prize is awarded every year to "people with vision and creativity".

Dear shareholders and other interested parties,

The Highlight Group can look back at a successful fiscal year 2014.

Consolidated sales rose year-on-year by 6.8 % to CHF 412.6 million and were therefore higher than the guidance figure of between CHF 380 million and CHF 410 million. Consolidated net profit improved to CHF 18.1 million – a 75.7 % increase against 2013. Earnings per share rose by 76.2 % to CHF 0.37. There was thus a significant outperformance on our earnings guidance, which we raised in fall 2014 to a range of between CHF 12 million to CHF 14 million, and earnings per share of between CHF 0.27 and CHF 0.31.

The good result was also reflected in the balance sheet. The equity ratio improved to 29.6 % as of the end of 2014, and was thus more than five percentage points higher than the comparable figure of the previous year. At the same time, net debt declined from CHF 107.7 million to CHF 36.5 million, resulting in gearing (net debt in relation to equity) decreasing from 100.5 % to 34.1 %.

The sales and earnings growth at the Highlight Group was driven primarily by the Film segment. Here, external sales rose year-on-year by 7.6 % to CHF 359.1 million. The strongest selling film was the international production "Pompeii", which unfortunately disappointed in German movie theaters, but performed very successfully internationally. As there was no major international production in the reporting year, production volume was below the level of the previous year. Thus, segment expenses were correspondingly lower and the segment result moved up by 63.9 % to CHF 13.6 million.

This positive trend was supported particularly by the extraordinarily good performance of the movie hit "Fack Ju Göhte" in home entertainment exploitation. For both physical and digital marketing, the title achieved outstanding sales and rental figures. Furthermore, the Constantin Film subsidiaries, particularly Constantin Entertainment, were very successful in TV service productions in 2014.

In the theatrical distribution business area, which was negatively impacted to a certain extent as a result of the football World Cup broadcast, the Constantin Film Group released a total of 14 films in German movie theaters in 2014. With a viewer market share of 7.5 %, it again defended its leading position among independent distributors. This success was underpinned by the Constantin Film in-house productions "Fack Ju Göhte", which continued as a hit in 2014 with another 1.7 million moviegoers, the comedy "Männerhort", and the youth adventure movie "The Famous Five 3", each of which achieved a moviegoer figure of just short of 1.2 million. The licensed title "Die Mannschaft" also achieved good visitor figures – with approximately 850,000 moviegoers.

The Sports- and Event-Marketing segment generated external sales of CHF 49.9 million in 2014, a slight upturn as against the previous year (CHF 48.9 million). Segment expenses also remained at the previous year's level at CHF 29.5 million (CHF 29.4 million), while other income climbed by CHF 1.6 million to CHF 2.0 million. Consequently, segment earnings also increased from CHF 19.9 million to CHF 22.4 million.

During the year, the activities of the TEAM Group centered on the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League (for the 2015/16 to 2017/18 seasons respectively). In a difficult market environment, TEAM achieved very good results. For example, in the field of TV rights, numerous contracts were concluded worldwide for both competitions. Negotiations on sponsorship rights are well advanced, meaning that further deals are expected in the foreseeable future.

External sales in the Other Business Activities segment were down slightly year-on-year at CHF 3.5 million (CHF 3.7 million). Segment expenses were reduced considerably by CHF 3.7 million to CHF 6.0 million. The segment loss that resulted – as in the previous year – from online/social gaming therefore decreased from CHF 4.8 million to CHF 1.9 million.

In the previous year, Highlight Event AG supported not only the major annual events Eurovision Song Contest, the New Year's Day Concert and the Summer Night Concert of the Vienna Philharmonic Orchestra, but also the "Eurovision Young Musicians" project for the first time. This competition for young European artists in the field of classical music was held on the Cathedral Square in Cologne at the end of May and was successfully implemented by Highlight Event AG to the great satisfaction of all participants. At the beginning of December 2014, the agency agreement between Highlight Event AG and the Vienna Philharmonic Orchestra was extended early. It will now run until 2022.

The general economic prospects for 2015 – particularly in the euro zone – are marked by uncertainties and probably by further changes in exchange rates. Even so, the Highlight Group is confident it can overcome forthcoming challenges and continue its success story. On the basis of our successful, broadly based business model, we are anticipating consolidated sales of CHF 310 million to CHF 330 million and a consolidated net profit for the period attributable to shareholders of CHF 14 million to CHF 16 million. The sales forecast is lower than in the previous year. This is the result of a cautious estimate of the EUR/CHF exchange rate as well as the fact that no international in-house productions in the Film segment are planned in 2015.

In theatrical exploitation, we are pursuing a Constantin Film distribution slate that covers a good dozen own/co-productions and licensed titles. The comedy "Frau Müller muss weg" started very successfully in the middle of January and has already drawn approximately 1 million people to the movie theaters. We expect a comparable performance from the youth adventure "Ostwind 2", which will start in the middle of May, as well as from "Fack Ju Göhte 2". The sequel to what was by far the most successful film in 2013 is slated for release in the German movie theaters in middle of September 2015.

The home entertainment business area will benefit primarily from new releases of last year's successful movies from Constantin Film. For example, the licensed title "Step Up: All In" released at the beginning of January went straight to 2nd place on the German DVD sales charts. Similar sales successes are to be anticipated from movies including "Männerhort" and "The Famous Five 4".

The activities in Sports- and Event-Marketing will remain focused on the optimum marketing of the remaining TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League, which should be concluded in the summer this year. The aim of the TEAM Group here is to fulfill the performance targets agreed with UEFA as early as possible in order to achieve an automatic contract extension for the next seasons (2018/19 to 2020/21).

In conclusion, I would like to thank – also on behalf of my colleagues on the Board of Directors – all employees of our company for their dedicated work. Their motivation and commitment are key factors contributing to the success of the Highlight Group. I would like to offer my special thanks to all of those who accompanied our company over the last year in a trusting and fair manner – whether as a shareholder, customer, or business partner. In the future, we will continue to do our utmost to justify this confidence and to create sustained values.

Yours,

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. In addition, he was the CEO of Constantin Film AG from 2009 until 2013 and he has been the Chairman of the Supervisory Board of Constantin Film AG since 2014.

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. He has had a seat on Constantin Medien AG's Supervisory Board since 2009 and was elected as the Chairman of this Supervisory Board in 2014. In addition, he has been a member of the Board of Directors of Highlight Communications AG since 2011 and a member of the Supervisory Board of Constantin Film AG since 2014.

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”.

On June 12, 2015, the Board of Directors will propose to the Annual General Meeting the adoption of an amendment to the articles of incorporation to reflect the new requirements and duties of the Annual General Meeting in the areas of corporate governance and remuneration.

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, 2014, the market capitalization of the company was around EUR 148.1 million at a closing stock price for the year of EUR 3.33.

1.2.2 Highlight Event & Entertainment AG

Highlight Event & Entertainment AG, headquartered in Lucerne, 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, 2014, 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, 2014, 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, 100,000 treasury shares were bought back and no shares were sold. As of December 31, 2014, treasury stock comprised 2,815,650 shares, equivalent to 5.96% 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 7.93 % 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 was implemented in the year under review.

2.3 Changes in capital – changes in nominal value

There were no changes in capital in the last three reporting years.

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, 2014, 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:
CEO of Constantin Medien AG, Ismaning, Germany
Chairman of the Supervisory Board 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, Lucerne, 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
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
President of the Board of Directors of Inside World Football IWF AG, Basel, Switzerland
Delegate of the Board of Directors of Paperflakes AG, Pratteln, 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, Lucerne, 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 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 Pima Canyon JDS AG, Rünenberg, Switzerland

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

Other (corporate) activities and interests:
Member of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Managing partner of PeopleNet Verwaltungs GmbH, Königstein, Germany
Member of the 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

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
Member of the Supervisory Board of Constantin Medien AG, Ismaning, Germany

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 Medical One AG, Essen, Germany
Managing Director of 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:
Chairman of the Supervisory Board of Constantin Medien AG, Ismaning, Germany
Member of the Supervisory Board of Constantin Film AG, Munich, Germany
Managing Director of KF 15 GmbH, Munich, Germany
Managing Director of SIRIUS SportsMedia GmbH, Munich, Germany
Member of the 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
President of the Board of Directors of Kart-Bahn-Wohlen AG, 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. Reelection 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, 2014.

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 has 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, communication 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)

Martin Moszkowicz, CEO

German national, producer and Managing Director since 1991, today CEO, 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.

Hans Beese, CFO

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

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.

Fred Kogel, television, license trading, HR, process management and integration

German national, Board member television, license trading, HR, process management and integration since 2014, previously Chairman of the Supervisory Board of Constantin Film AG until 2002, CEO of Constantin Film AG from 2003 to 2008, and Chairman of the Supervisory Board of Constantin Film AG again from 2009 to 2013.

4.2 Further corporate activities and interests

None.

5. COMPENSATION, SHARES AND LOANS

Information on the compensation and shares of members of the Board of Directors and the management as well as loans to these parties can be found in the “Remuneration Report” section of this annual report.

On June 12, 2015, the Board of Directors will propose to the Annual General Meeting the adoption of an amendment to the articles of incorporation to reflect the new requirements and duties of the Annual General Meeting in the areas of corporate governance and remuneration.

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. Matthias von Moos is the auditor in charge since fiscal year 2014.

8.2 Auditing fees

A sum of TCHF 100 was accrued for auditing services of PricewaterhouseCoopers AG in fiscal year 2014, and TCHF 50 were paid. Additional fees of TCHF 13 were invoiced by PricewaterhouseCoopers AG for tax consulting relating to Highlight Communications 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.

Remuneration report

This remuneration report for fiscal year 2014 sets out the remuneration system and remuneration to members of the Board of Directors and the management team of Highlight Communications AG. The content and scope of the details comply with the regulations of the Ordinance against Excessive Compensation in Stock-Exchange Companies (VegüV), passed by the Swiss Federal Council, which came into force on January 1, 2014, and the Corporate Governance Directive (RCGL) of the SIX Swiss Exchange. Remuneration is posted in accordance with the “accrual principle”.

The remuneration report of March 18, 2015, of Highlight Communications AG for the fiscal year ending December 31, 2014, has been audited by the statutory auditor. The audit was limited to the details pursuant to the sections of articles 14–16 of the Ordinance against Excessive Compensation in Stock-Exchange Companies (VegüV) marked with a bar, including the associated footnotes. The Board of Directors will recommend to the Annual General Meeting of Highlight Communications AG on June 12, 2015, to ratify an amendment to the articles of incorporation that takes into account the new requirements and powers of the Annual General Meeting in the area of corporate governance and remuneration.

As part of implementation of VegüV, from fiscal year 2015, the compensation committee will devise proposals for overall remuneration of the Board of Directors, the Chairman of the Board of Directors, the individual members of the Board of Directors, and overall remuneration of the management team as well as the individual members of the management team and the members of the committees. The corresponding proposals will be submitted by the compensation committee to the full Board of Directors for a resolution once a year. In future, subject to the planned amendment of the articles of incorporation being approved by the Annual General Meeting, overall remuneration for the Board of Directors and the management team will be submitted to the Annual General Meeting in advance each year for approval for the following year, starting with the 2015 Annual General Meeting for fiscal year 2016. The company's articles of incorporation will make a provision for members of the management team who are appointed after approval of the maximum total amount to be allowed to receive additional remuneration.

1. RESPONSIBILITIES AND AUTHORIZATIONS FOR REMUNERATION

The full Board of Directors is responsible for ensuring that the remuneration process is fair, transparent and monitored effectively. The chosen remuneration process is intended to provide adequate compensation for services rendered and a suitable incentive for the individual members of the Board of Directors and the management team, taking into account the long-term interests of shareholders and the company's success.

The main tasks of the full Board of Directors are:

a. Determining the principles of the remuneration strategy

b. Determining the level and composition of overall remuneration for the Chairman of the Board of Directors

c. Determining the level and composition of individual overall remuneration for the Vice Chairman and the other members of the Board of Directors

d. Remuneration of committee members

e. Determining the level and composition of overall remuneration and individual remuneration for the Delegate as well as the individual members of the management team (see sections 2.1 and 2.1.1)

2. REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

2.1 Principles

The level of remuneration of the members of the Board of Directors is geared towards the role and degree of responsibility of the individual members.

Remuneration to the Board of Directors consists of the following elements:

- Directors' fee (paid as cash remuneration)
- Pension benefits

The remuneration structure ensures that the Board of Directors is focused on the long-term success of Highlight Communications AG and takes into account the workload and responsibility of the individual members of the Board of Directors.

With due consideration of the maximum amount approved by the Annual General Meeting, at the request of the compensation committee, the full Board of Directors usually decides on the level of the Directors' and committees fees at its discretion once a year.

2.1.1 Directors' fee

The members of the Board of Directors of Highlight Communications AG receive fixed remuneration. The full Board of Directors determines the level of fixed remuneration at the request of the compensation committee. The level of remuneration is geared towards the role and degree of responsibility of the member of the Board of Directors. No attendance fees are paid to the members of the Board of Directors.

The Directors' fee also includes remuneration for work in the compensation and audit committee of Highlight Communications AG, comprising the Directors Bernhard Burgener (Chairman), René Camenzind and Martin Hellstern.

2.1.2 Pension benefits

Pension benefits consist of all contributions by the employer to old-age and risk insurance as well as employer's contributions for social security, the unemployment insurance and family compensation fund (AHV, ALV, FAK) and the accident and health insurances (BU, NBU and KTG).

2.2 Remuneration to the individual members of the Board of Directors

Fiscal year 2014

In 2014, the executive and non-executive members of the Board of Directors received overall remuneration of TCHF 256 (2013: TCHF 254). Compensation for the various activities at the subsidiaries is set out in section 3 “Remuneration to members of the management team”.

Overall compensation of the members of the Board of Directors for their work on the Board of Directors therefore remained virtually unchanged from the previous year.

The individual members of the Board of Directors received the following remuneration (in TCHF):

Name/role	Directors’ fee, gross	Pension benefits	Total remuneration as member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10	1	11
Martin Wagner, Vice Chairman, executive member	10	1	11
Dr. Ingo Mantzke, executive member	10	1	11
Antonio Arrigoni, non-executive member[1]	10	1	11
René Camenzind, non-executive member	50	4	54
Dr. Erwin V. Conradi, non-executive member	50	2	52
Dr. Dieter Hahn, non-executive member	50	4	54
Martin Hellstern, non-executive member	50	2	52
Total	**240**	**16**	**256**

[1] *On account of his work in an executive role at the parent company Constantin Medien AG, Antonio Arrigoni receives the same Directors’ fee as an executive member of the Board of Directors of Highlight Communications AG.*

audited

audited

Fiscal year 2013

Name/role	Directors' fee, gross	Pension benefits	Total remuneration as member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10	1	11
Martin Wagner, Vice Chairman, executive member	10	1	11
Dr. Ingo Mantzke, executive member	10	1	11
Antonio Arrigoni, non-executive member[1]	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	**240**	**14**	**254**

[1] *On account of his work in an executive role at the parent company Constantin Medien AG, Antonio Arrigoni receives the same Directors' fee as an executive member of the Board of Directors of Highlight Communications AG.*

No remuneration not in line with the market was granted to current or former members of the Board of Directors or related parties either in the year under review or in fiscal year 2013, and no such remuneration is outstanding.

3. REMUNERATION TO MEMBERS OF THE MANAGEMENT TEAM

3.1 Principles

The level of remuneration of the members of the management team is geared towards the role and degree of responsibility of the individual member, and consists of the following elements:

- Basic remuneration (paid as cash remuneration), including use of a company car for private and business purposes
- Variable remuneration (paid as cash remuneration)
- Indirect remuneration for activities at subsidiaries (paid as cash remuneration)
- Pension benefits

At the request of the compensation committee, the full Board of Directors usually decides on the level of overall compensation at its discretion once a year, and also decides on variable remuneration and the underlying company-specific targets once a year.

3.1.1 Basic remuneration

The members of the management team (including the executive members of the Board of Directors) receive fixed remuneration in cash, which has been contractually agreed in the employment contract with due consideration of the role and degree of responsibility.

As a benefit in kind, all members of the management team have the option of using a company car for private and business purposes.

3.1.2 Variable remuneration

The members of the management team (including the executive members of the Board of Directors) also receive variable remuneration. The level of variable remuneration is based on the calculation of the average share price between January 1 and October 31, 2015, multiplied by a numerator determined by the Board of Directors in accordance with performance and length of service. Variable remuneration is paid in cash with no resolution to the contrary by the Board of Directors. The remuneration is always paid in the fourth quarter of the year under review.

At present, there are no stock, option or similar participation programs that give entitlement to (physical) subscription of shares in Highlight Communications AG.

3.1.3 Indirect remuneration for activities at subsidiaries

In addition to the fixed Directors' fee as described in section 2.1.1, various members of the Board of Directors and management team of Highlight Communications AG receive further remuneration for their Board of Directors or Supervisory Board mandates and/or operating or advisory activities at (direct or indirect) subsidiaries of Highlight Communications AG. This essentially involves fixed basic remuneration, with the exception of remuneration for the Supervisory Board members of Constantin Film AG, where variable remuneration is possible, up to a maximum of 50 % of basic remuneration. The consultancy fee of TCHF 100 (2013: TCHF 100) for Martin Wagner in his operating role at Highlight Event & Entertainment AG is also shown in the table under indirect remuneration for activities at subsidiaries.

3.1.4 Pension benefits

Pension benefits consist of all contributions by the employer to old-age and risk insurance as well as employer's contributions for social security, the unemployment insurance and family compensation fund (AHV, ALV, FAK) and the accident and health insurances (BU, NBU and KTG).

3.2 Overall remuneration to members of the management team in the year under review

Fiscal year 2014

In 2014, the five members of the management team (including executive members of the Board of Directors, BoD) received overall remuneration of TCHF 5,737 (2013: TCHF 5,638). The differences in overall compensation of the members of the management team therefore remained virtually unchanged from the previous year.

Name/role	Basic remuneration, gross[1]	Variable remuneration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as member of the management team	Total remuneration as member of the Board of Directors[2]	Total remuneration
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD	945	285	233	244	1,707	11	1,718
Martin Wagner, Vice Chairman, executive member of the BoD (highest remuneration)	1,050	226	251	247	1,774	11	1,785
Dr. Ingo Mantzke, executive member of the BoD	419	191	–	117	727	11	738
Other members of the management team	894	320	48	234	1,496	–	1,496
Total	**3,308**	**1,022**	**532**	**842**	**5,704**	**33**	**5,737**

[1] *Basic remuneration also includes flat-rate expenses and a portion for private use of the company car.*
[2] *Details on remuneration as a member of the Board of Directors are set out in section 2.*

Fiscal year 2013

Name/role	Basic remuneration, gross[1]	Variable remuneration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as member of the management team	Total remuneration as member of the Board of Directors[2]	Total remuneration
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	1,140	371	198	200	1,909	11	1,920
Martin Wagner, Vice Chairman, executive member of the BoD	1,000	243	151	203	1,597	11	1,608
Dr. Ingo Mantzke, executive member of the BoD	405	204	–	100	709	11	720
Other members of the management team	816	328	49	197	1,390	–	1,390
Total	**3,361**	**1,146**	**398**	**700**	**5,605**	**33**	**5,638**

[1] *Basic remuneration also includes flat-rate expenses and a portion for private use of the company car.*
[2] *Details on remuneration as a member of the Board of Directors are set out in section 2.*

audited

No remuneration not in line with the market was granted to current or former members of the management team or related parties either in the year under review or in fiscal year 2013, and no such remuneration was outstanding.

4. ADVISORY BOARD

Highlight Communications AG did not have an Advisory Board in the year under review or in the previous year.

5. BENEFITS, CONTRACTUAL AGREEMENTS ON LEAVING HIGHLIGHT COMMUNICATIONS AG

No members of the Board of Directors or the management team have a contract with Highlight Communications AG that grants them severance pay on leaving Highlight Communications AG.

The employment contracts with members of the management team provide for notice periods of twelve months.

6. LOANS AND CREDITS TO EXECUTIVE BODIES

As of December 31, 2014, and December 31, 2013, there were no outstanding loans or credits granted by Highlight Communications AG to current or former members of the Board of Directors, the management team or related parties.

7. REMUNERATION TO RELATED PARTIES

7.1 Loans and credits to related parties on conditions not available on the market

As of December 31, 2014, and December 31, 2013, there were no outstanding loans or credits granted by Highlight Communications AG to related parties.

7.2 Other remuneration to related parties on conditions not available on the market

As of December 31, 2014, and December 31, 2013, the company had not paid any non-market-compliant remuneration to related parties.

8. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

In 2014 and the previous year, no compensation was paid to former members of executive bodies, nor was any such compensation outstanding.

9. MANAGEMENT CONTRACTS

There are no management contracts with third parties.

10. SHAREHOLDINGS IN HIGHLIGHT COMMUNICATIONS AG

As of December 31, 2014, the members of the Board of Directors and the management team (including related parties) held a total of 6.65 % of the outstanding bearer shares in Highlight Communications AG (previous year: 6.60 %).

The individual members of the Board of Directors and the management team (including related parties) held the following stakes in Highlight Communications AG:

		2014		2013
	Number of shares	Share of capital	Number of shares	Share of capital
Bernhard Burgener	2,000,000	4.23 %	2,000,000	4.23 %
René Camenzind	628,715	1.33 %	628,715	1.33 %
Martin Hellstern	200,000	0.42 %	200,000	0.42 %
Dr. Erwin V. Conradi	200,000	0.42 %	177,000	0.37 %
Dr. Ingo Mantzke	100,000	0.21 %	100,000	0.21 %
Dr. Dieter Hahn	21,000	0.04 %	21,000	0.04 %
Martin Wagner	–	–	–	–
Antonio Arrigoni	–	–	–	–
Dr. Paul Graf	–	–	–	–
Peter von Büren	–	–	–	–

Report of the statutory auditor

to the General Meeting
Highlight Communications AG, Pratteln

We have audited the pages 24, 25 and 27 of the accompanying remuneration report dated 18 March 2015 of Highlight Communications AG for the year ended 31 December 2014.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Highlight Communications AG for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Matthias von Moos	Josef Stadelmann
Audit expert	*Audit expert*
Auditor in charge	

Lucerne, 18 March 2015

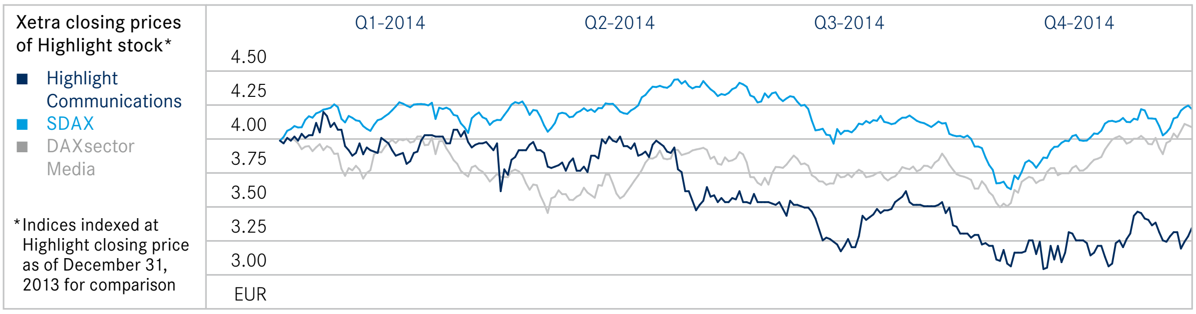
Red carpet in Munich: Actors at the premiere of "Winterkartoffelknödel" – the Constantin Film crime comedy – were greeted enthusiastically by a large number of fans.

Highlight stock

The positive performance of the Highlight Group in 2014 was again not reflected in the share price.

- At EUR 3.33, the closing price for the year was down 16.1 % year-on-year.
- Based on shares in circulation, this resulted in market capitalization of EUR 148.1 million.
- The average turnover per trading day declined from 42,900 to 15,700 shares


Nach dem sensationellen Kinoerfolg von „Dampf
die neue bayerische Kriminalkomödie mit
Sebastian Bezzel
Simon Schwarz
WINTER-
KARTOFFEL-
KNÖDEL
Ein Film von ED HERZOG n. d. Bestseller von RITA F
lmtheater SENDLINGER TO
PROGRAMM
WINTERKARTOFFEL
KNÖDEL
Constantin Fi



Uneven development on global stock markets

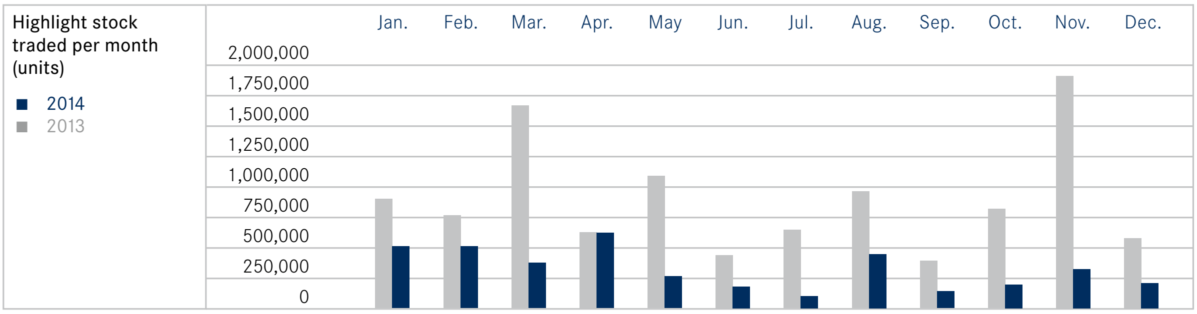
Even though the monetary policy of the major central banks remained very relaxed and key interest rates were still at an extremely low level, the stock markets were characterized by severe fluctuations in the past year. In the first quarter of 2014, weak economic data from the United States and China, combined with the persistently escalating Crimea crisis, led to unease on the international stock markets. In the strong recovery phase that followed, which was largely driven by diminishing risk aversion on the part of numerous stock investors, some benchmark indices – including the DAX – reached new all-time highs.

In August and October, however, two further significant downward corrections then followed. These developments were triggered on the one hand by the geopolitical hot spots in the Middle East, Iraq and East Ukraine – coupled with tough sanctions on Russia – and, on the other, the discussions on Greece leaving the euro zone as well as fears that the global economy would cool significantly. These setbacks were also more than compensated for by the end of the year, though the upswing on the international stock markets varied greatly from region to region.

Aided by a sharp improvement in economic data in the US – particularly on the labor market – the Dow Jones Industrial Average Index, for example, set a new record of 18,103 points in the second half of December. On December 31, 2014, the American benchmark index closed at 17,823 points, corresponding to a rise of 7.5 % over the course of the year. The Japanese Nikkei index performed similarly, benefitting from the clear weakening of the yen and rising by 7.1 % to 17,451 points.

By contrast, almost all the European benchmark indices suffered from the weak economic performance in the euro zone. One exception to this was the Swiss Market Index (SMI), which tracks the share price performance of the 20 Swiss companies with the highest capitalization. After rising by 4.3 % in the first six months of the year, it added a further 5.0 % in the second half of the year. The SMI closed at 8,983 points, corresponding to an increase in value of 9.5 % across 2014 as a whole.

The DAX, which broke the magic 10,000-point barrier twice during the year, was unable to hold this level and ended the year at 9,806 points. This marks growth of 2.7 % since the end of 2013. The SDAX small cap index performed a little better, closing at 7,186 points and rising by 5.9 % over the year. The index for German media stocks (DAXsector Media), which had dazzled with a high double-digit growth rate in the previous year, improved by only nine points to 350 in the period from January to December 2014, thereby gaining 2.6 %.



Highlight stock price bucks the market trend

Despite the positive business performance of the Highlight Group in fiscal year 2014, the price of Highlight shares unfortunately did not develop in line with the general trend on the German stock market. On December 30, 2014, they closed on Xetra at EUR 3.33 and therefore lost 16.1 % of their value over the year. As of the end of the year, the 52-week high was EUR 4.18 (January 17) while the 52-week low was EUR 2.97 (October 29).

Having started the year on the stock market at a closing price of EUR 3.97, price performance was defined by a clear upward trend in the first two weeks of trading. During this period Highlight's stock also hit its highest closing price for the year at EUR 4.18. Driven by the general market weakness, there then began a strong downswing that – with a brief interruption – continued until the end of the first quarter. The price on March 31, 2014, was EUR 3.72, corresponding to a drop of 6.3 %.

The first two months of the second quarter were marked by a recovery trend, during which Highlight stock once again reached a price level of EUR 4.00. From June 10, however, the price fell to EUR 3.46 in the space of a few days due to relatively strong selling pressure, which was not triggered by any news. After slightly rising to EUR 3.52 as of the end of the quarter, the stock closed the first half of the year down by 11.3 %.

The price stayed at this level until the end of July. But in August and October the two downward market corrections due to market conditions both left a mark. Except for a brief positive phase, which allowed the price to rise back to EUR 3.60 at the start of September, the stock gradually declined and reached its lowest closing price for the year of EUR 3.03 on October 29.

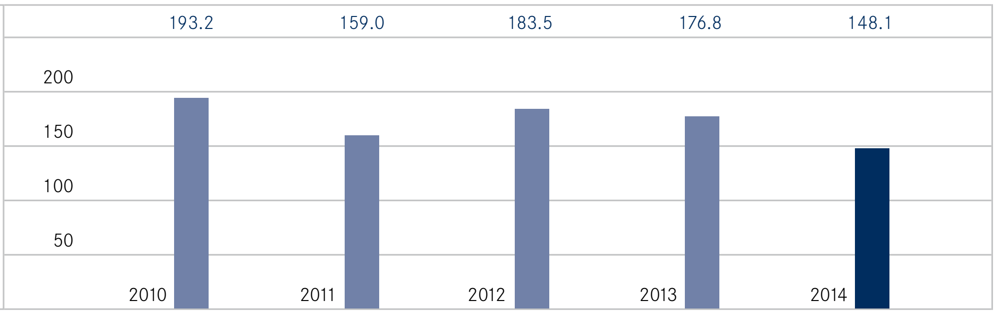
Significant decrease in trading volume

In the period from January to December 2014, around 3.93 million Highlight shares were traded on Deutsche Börse AG's Xetra trading system, a decline of 63.8 % as against the previous year (around 10.85 million). The average turnover per trading day therefore fell from approximately 42,900 to a little over 15,700. According to Deutsche Börse AG's ranking for the segments below the DAX, Highlight shares were therefore ranked 126th as of the end of the year (December 31, 2013: 103rd). It placed 117th (December 31, 2013: 111th) in terms of free float market capitalization.

Distribution policy continuing

Having allowed our shareholders to regularly participate in the economic earnings power of our company in previous years, we naturally intend to maintain this policy for the year under review. 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 2014 at the Annual General Meeting on June 12, 2015.

Development of Highlight's market capitalization in relation to shares in circulation (in EUR mn)



No changes in shareholder structure

As of December 31, 2014, the subscribed capital of Highlight Communications AG still amounted to CHF 47.25 million, divided into 47.25 million bearer shares with a nominal value of CHF 1.00 per share. In the fourth quarter of 2014, the company acquired a total of 100,000 treasury shares without voting rights, as a result of which the total number of treasury stock rose to around 2.82 million as of the end of the year under review. These account for 5.96 % of the subscribed capital. Not including these shares, there were 44.43 million shares in circulation as of December 31, 2014.

The shareholder structure of our company remained unchanged from the previous year: Constantin Medien AG holds 52.39 % of Highlight's shares while other significant share packages are held by members of the Board of Directors as well as private and institutional investors. As of December 31, 2014, the free float amounted to 41.65 % as per the Deutsche Börse AG's index weighting.

In May 2014, the member of the Board of Directors Dr. Erwin V. Conradi acquired a total of 23,000 Highlight shares and thus increased his holdings to 200,000 shares. We did not receive any notifications from the other members of the Board of Directors or the Group management concerning acquisitions or disposals of shares subject to reporting in fiscal year 2014.

As of December 31, 2014, the Chairman and Delegate of the Board of Directors, Bernhard Burgener, and the Board of Directors member René Camenzind held direct or indirect shareholdings in Highlight amounting to more than 1 % of the subscribed capital. 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, 2014:

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	200,000	–
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 focusing on direct communication

From the start, the Highlight Group's strategy has been focused on sustainably increasing enterprise value. Ongoing and open communication with capital market participants forms a key element of this strategy. In the year under review as well, we therefore provided the target group of financial analysts, fund managers and institutional investors with comprehensive information at a large number of individual meetings in order to help them to assess our current business situation and the future prospects of the Highlight Group.

The number of direct contacts with capital providers was also increased further. Among other things, this was aided by roadshows and presentations at key financial centers such as Frankfurt, Zurich and London. We also provided capital market players at the German Equity Forum – the most important investors' fair for small and medium-sized listed stock corporations in Europe – with detailed insights into the positioning of our business areas in the respective market environment and the overall strategic orientation of the Highlight Group.

However, our website (www.highlight-communications.ch) is still the main information tool for all interested parties. Based on the principle of fair disclosure, all relevant information on the company is published there in a timely manner. This primarily relates to our press releases and ad-hoc disclosures, as well as our annual and interim reports, which can either be read online or requested from us in printed form free of charge at any time. The dates for the most important publications and events have been clearly compiled in our financial calendar.

Information on Highlight stock as of December 31, 2014

Subscribed capital	CHF 47.25 million
Number of shares	47,250,000
Stock class	Ordinary bearer shares
Shares in circulation	44.43 million
Market capitalization (based on shares in circulation)	EUR 148.1 million
Year-end price	EUR 3.33
52-week high (January 17)	EUR 4.18
52-week low (October 29)	EUR 2.97
Earnings per share	EUR 0.31

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 2014	Buy (target price: EUR 4.00)
DZ BANK	November 2014	Buy (target price: EUR 5.40)

Report on the Highlight Group's situation

The business performance of the Highlight Group in 2014 was very positive overall.

- Consolidated sales rose by 6.8 % to CHF 412.6 million and were therefore higher than the sales guidance of between CHF 380 million and CHF 410 million.
- Consolidated net profit for the period improved by 75.7 % to CHF 18.1 million, and earnings per share by 76.2 % to CHF 0.37.
- Notional equity ratio rose against the previous year by five percentage points to 29.6 %.
- Net debt reduced by CHF 71.2 million to CHF 36.5 million.

Happy winners: The hit comedy “Fack Ju Göhte” received the BAMBI in the “Film National” category in November 2014.

Successful continuation of the bestseller film adaptation: “The Famous Five 3”

BASIC INFORMATION ON THE GROUP

Group structure and operating activities

Highlight Communications AG, which has been 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 German and foreign subsidiaries, is Germany’s leading independent producer and exploiter of productions in the entire fictional and non-fictional sector. Its activities comprise development and production as well as exploitation of the rights to the films it produces and acquires. Self-produced feature films in the movie area 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 home entertainment releases down to TV broadcasting are fully utilized in exploitation. 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 source material, 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).

Approximately 1.2 million moviegoers in Germany: "Männerhort"

The main sources of financing in the Sports- and Event-Marketing segment are the agency commissions associated with the marketing of TV and sponsorship rights, while personnel expenses account for the largest share of expenses.

Other Business Activities segment

The Other Business Activities segment comprises the activities of Highlight Event & Entertainment AG, Lucerne, which is listed on the Swiss stock exchange (SIX Swiss Exchange) and in which Highlight Communications AG holds a 68.986 % 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 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 commissions associated with the marketing of TV and sponsorship rights as well as the income resulting from the marketing of online/social gaming products. The main expense items here are personnel expenses and the purchase of services, both in the areas of marketing of TV and sponsorship rights and the development of online/social 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 consists of four members, at Constantin Film AG it is the Management Board, which is also made up of four people, while Highlight Event & Entertainment AG has a three-member Board of Directors. Management of all activities within the Highlight Group is based on short-term and medium-term planning as well as regular reporting.

Financial performance indicators

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

Delightful culture clash comedy: "The Hundred-Foot Journey"

Non-financial performance indicators

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

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

Looking back to the successful World Cup of the German team: "Die Mannschaft"

Film segment

In the Film segment, the Highlight Group is subject to several particularly important statutory regulations. These include the provisions of copyright legislation. Furthermore, it is necessary to adhere to the German Youth Protection Act, which commits movies and video films to the FSF – a German organization for the voluntary self-regulation of television – for age classification.

German movie production – such as that of the Constantin Film Group – depends on funding. In Germany, around EUR 170 million a year is spent at federal and state level, mainly on movie funding. The German Federal Film Fund (DFFF) is the most important of the funding agencies, with EUR 60 million a year according to the most recent figures. Like similar bodies in other countries, it funds production activities within Germany. According to a decision by the Budget Committee of the German Bundestag on November 13, 2014, only EUR 50 million will be earmarked for the DFFF for 2015.

The German Federal Constitutional Court ended the legal dispute regarding the German Film Subsidies Act (the court examined whether the federal government actually has the necessary legislative authority to pass the German Film Subsidies Act) with a ruling on January 28, 2014, and declared the Act to be constitutional in its entirety. According to the court, the Act passed by the federal government did not constitute impermissible infringement of the cultural sovereignty of the states. The "Cinema Communication of the EU Commission" was approved back in 2013, with the result that there will be no major changes to the funding options of the German Federal Film Board (FFA) or the DFFF. The permissibility of film funding in its current form is therefore legally secured.

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 the 2012 German State Treaty on Gambling.

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 and the advertising industry with authoritative and sound information for assessing their investment decisions.

Athletic bodies and hot rhythms: "Step Up: All In"

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

In addition to these purely quantitative performance measures, qualitative data – relating to research of advertising effectiveness, for example – 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. The level of market acceptance of elaborate source material is tested even prior to their respective production.

ECONOMIC REPORT

General economic environment

According to International Monetary Fund (IMF) calculations published in January 2015, the expansion of the global economy in 2014 remained at the previous year's level of 3.3.%, despite falling oil prices and an economic recovery in the US. The main negative factor was the weak growth in the euro zone, which particularly affected France as well as the crisis-hit countries.

As the year progressed, another factor was a slowdown in the pace of growth in the emerging and developing nations, resulting in an increase in economic output of just 4.4% in these economies (2013: 4.7%). This group of countries was again led by China, with an increase of 7.4% (2013: 7.8%), followed by India, with growth of 5.8% (2013: 5.0%). By contrast, the Russian economy posted a significant decline from 1.3% to 0.6%, a clear effect of sanctions imposed as a result of the Ukraine conflict.

With an increase of 1.8%, the economies of industrialized countries performed slightly better than in the previous year (1.3%). However, of the larger industrialized nations, only the UK (+2.6%) and the US (+2.4%) posted significant growth, while the Japanese economy (+0.1%) virtually stagnated. For the euro zone, the IMF calculated growth of 0.8%, following an economic downturn of 0.5% in the previous year.

The engine of this growth was Germany, whose economy – measured in terms of gross domestic product (GDP) – grew by 1.5% in 2014 according to provisional calculations by the German Federal Office of Statistics (Destatis). This increase was much higher than in the two previous years (2012: 0.4%; 2013: 0.1%), and also above the average for the past ten years (1.2%). Domestic demand delivered the strongest impetus here. Private consumption rose by 1.1% (2013: 0.8%), and government consumption by 1.0% (2013: 0.7%).

The Swiss economy maintained a sound upward trend last year. According to projections by the State Secretariat for Economic Affairs (SECO) published in mid-December 2014, GDP increased by 1.8%, almost matching the previous year's figure (1.9%). The Swiss economy

Film adaptation of the racing cult game: "Need for Speed"

benefited from its partly crisis-resistant export sector, which grew by 3.6 %, and from private and government consumption, which rose by 1.0 % and 1.1 % respectively.

In Austria, the economy lost significant momentum, particularly in the second half of 2014, and headed into stagnation. In view of this, the Austrian Institute of Economic Research (WIFO) forecasts an increase in real economic output of just 0.4 % in mid-December 2014 (2013: 0.3 %). The main contributors to this growth were gross investments (+1.4 %) and goods exports (+1.2 %).

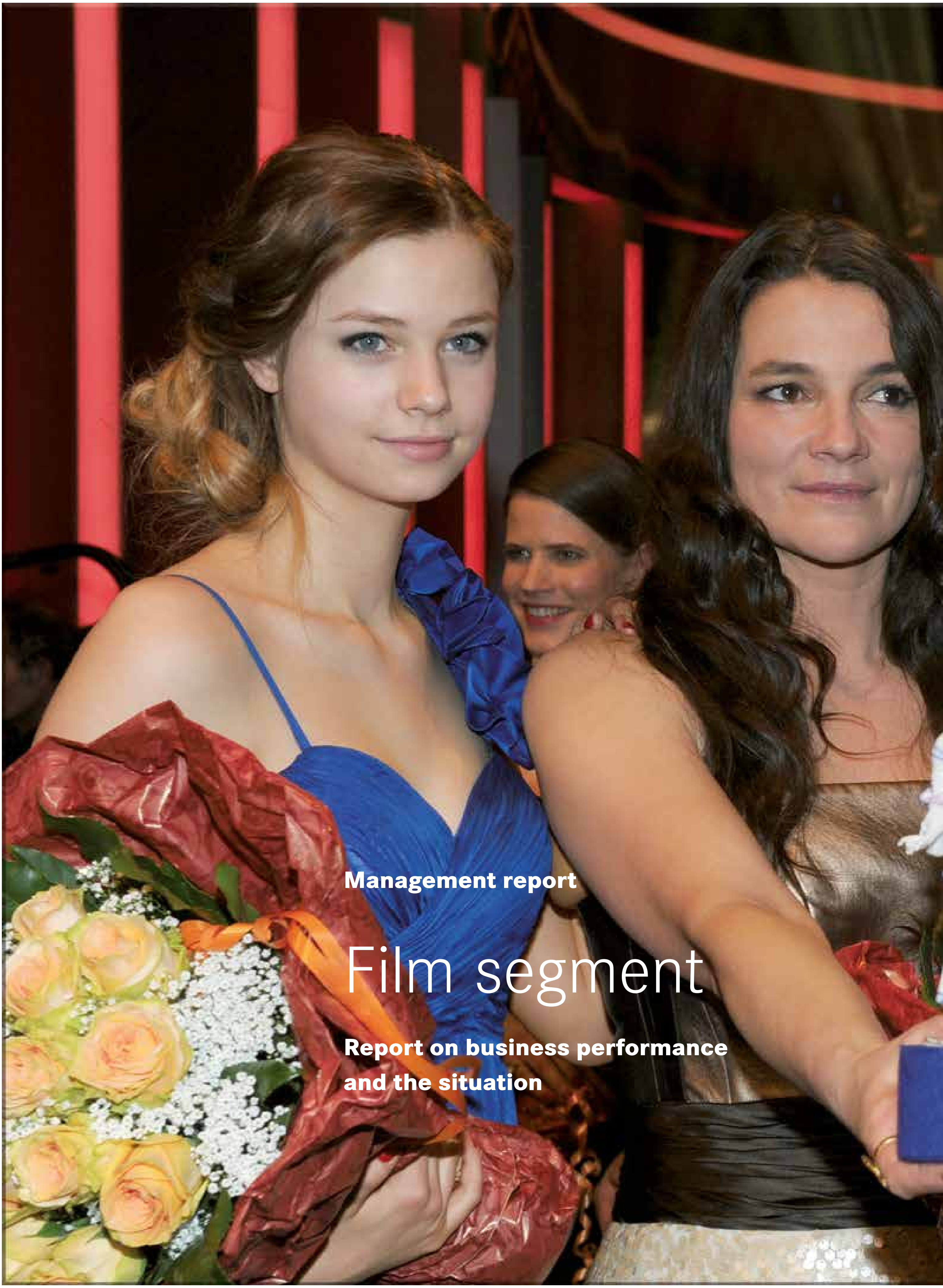
Media and entertainment market environment in Germany

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 2014, the auditing company PricewaterhouseCoopers (PwC) forecasts revenues growth of 1.9 % to around EUR 66.4 billion for the entire media and entertainment industry in Germany. That is roughly in line with the growth rate for 2013 (+1.8 %). Accordingly, as in the previous years, the growth drivers were digitized services, which are fundamentally affecting patterns of people's media use and the distribution of media content.

By media type, the main beneficiaries in this environment in 2014 were television with revenues growth of 3.9 % (previous year: +2.5 %) and radio (+3.4 % compared as against +2.6 %), while magazines (–1.9 %) and newspapers (–3.5 %) lost ground, as in the preceding years. For online advertising, the experts expected growth of 8.1 %, marking a further decrease in the pace of growth, as in the preceding years.

Regarding spending on media consumption in Germany, PwC expected a consistent growth rate of 2.0 % for the year under review (2013: +2.0 % to EUR 48.7 billion). The growing distribution of paid content, the general rise in sales of digital content, the strong performance of the market for Internet access and the 2013 reform of financing of public-sector broadcasting are cited as positive influencing factors.

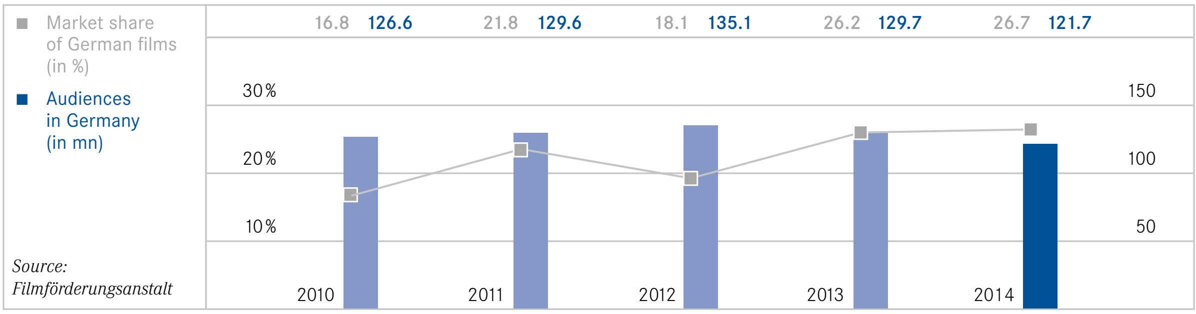


Management report

Film segment

Report on business performance and the situation

Best Young People's Film 2013: The Constantin Film co-production "Ostwind" won the Bavarian Film Prize at the beginning of 2014.



SECTOR-SPECIFIC SITUATION

Theatrical production/acquisition of rights

In light of the reduction of the DFFF by a further EUR 10 million for 2015, resolved at the end of 2014, a recent study by the strategy and consulting firm Roland Berger shows the far-reaching consequences this step could have. On the basis of analyses and estimates, Roland Berger comes to the conclusion that even a cutback in current DFFF funding of 10% (= EUR 6 million) could lead to a decline in Germany's film production volume of up to EUR 49 million. The loss of indirect and induced revenues of a further EUR 69 million would also be anticipated.

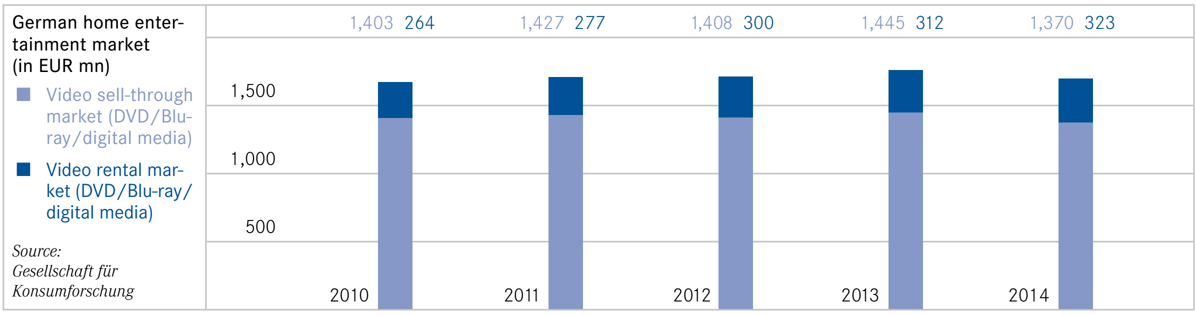
To avoid a decrease in production activities, to safeguard jobs, to maintain Germany's competitiveness as a production location, and to enable film grants to be defined as promotion of the economy, it is necessary to try to top up this funding pot more effectively.

In rights acquisition and license trading, supply and demand for high-quality licensed product were again generally weak on the major film markets in Berlin, Cannes, Toronto, and Los Angeles in 2014. Conclusion of corresponding exploitation agreements is now more an exception than the rule. For instance, the "American Film Market" was characterized mainly by the inconclusive bidding contest over the latest Quentin Tarantino film "The Hateful Eight", which resulted in hesitancy over all subsequent deals.

Theatrical distribution

In contrast to the previous year, the EUR 1 billion barrier was not broken at the box office in the 2014 theatrical year in Germany. Consequently, revenues were down on 2013 by a relatively large amount. The slight year-on-year increase in the average ticket price to EUR 8.16 (previous year: EUR 8.02) saw the market generate total revenues of around EUR 920 million. This equates to a decrease of around 3.3%. In percentage terms, the decline in audience figures was even sharper at around –4.9% compared with the previous year.

In the first half-year, only two films – the surprise hit "The Wolf of Wall Street" and "Vaterfreuden" – attracted more than two million visitors to German movie theaters. Visitor numbers and sales figures were down substantially on the previous year, partly due to a cautious distribution policy with few releases around the football World Cup tournament. In the second half-year, the World Cup-induced lull came to an end with the release of "Transformers: Age of Extinction", and audience figures were up on the first half-year.



The most popular films of the year included several sequels such as "How to Train Your Dragon 2". The biggest surprise hit was "Serial (Bad) Weddings", which was the third most successful film in terms of moviegoers in 2014 with 3.6 million. At the end of the year, two major blockbusters – the new releases "The Hobbit: The Battle of the Five Armies" and "The Hunger Games – Mockingjay, Part 1" – had lived up to expectations, taking the top two places in the list of most-watched films in 2014.

Revenue figures were also down on the previous year on the US movie market. US box-office takings totaled around USD 10.3 billion in 2014, 5.2 % less than in the previous year. The most successful film of 2014 in US movie theaters was "Guardians of the Galaxy", with box-office takings of around USD 333 million. Disappointing performers included "The Amazing Spiderman", "How to Train Your Dragon 2", "Mr. Peabody & Sherman", "Exodus: Gods and Kings", "Robocop", "Transcendence", and "Sin City 2".

Home entertainment

In 2014, the German home entertainment industry failed to repeat the previous year's record result, posting total market revenue of EUR 1.694 billion (previous year: EUR 1.757 billion), a decrease of around 4 %.

The drop was due largely to the decline of the sell-through market, which generated EUR 1.370 billion, 5 % less than in the previous year (EUR 1.445 billion). The video rental market posted an increase of 4 % to EUR 323 million (previous year: EUR 312 million). Within the sell-through market, revenue from physical audiovisual media (DVD and Blu-ray) fell from EUR 1.394 billion in 2013 to the current level of EUR 1.304 billion. By contrast, electronic sell-through continued to perform positively, with revenue rising by 29 % to EUR 67 million (previous year: EUR 52 million).

Consolidation in the video rental market is mainly attributable to the ongoing growth in the digital sector. While revenue from rental of physical media (DVD and Blu-ray) fell by 10 % to EUR 188 million (previous year: EUR 210 million), the digital format "transactional video-on-demand" (TVoD) saw its revenue increase by 22 % to EUR 83 million (previous year: EUR 68 million). In addition, "subscription video-on-demand" (SVoD) contributed EUR 52 million, up 53 % on the previous year (EUR 34 million).

In total, digital sell-through and rental content accounted for EUR 201 million or 12 % (previous year: 9 %) of the total market revenue of EUR 1.694 billion. Accordingly, 88 % continued to be generated by the conventional silver discs (DVD and Blu-ray).

The biggest-selling title in physical business was the sequel "The Hobbit: The Desolation of Smaug", followed by the CGI comedy "Frozen" and the German hit film "Fack Ju Göhte".

Second screen adaptation of a Rita Falk detective story: "Winterkartoffelknödel"

License trading/TV exploitation

Free-to-air TV stations are increasingly competing with pay-TV broadcasters, download portals and streaming platforms, with pay-TV even designated as the fastest growing segment on the German TV market in some cases. Sky was virtually the only provider in Germany for many years, but now, new services are emerging almost every week.

TV subscriptions are enjoying a high level of popularity in Germany. This is mainly because subscribers of streaming platforms determine what they want to watch and when, and how long they want to watch it for. From a psychological viewpoint in particular, streaming subscription platforms such as Maxdome, Netflix and amazon prime are superior to pay-on-demand services, as there is only a one-off decision for a subscription here; subsequent use "feels" like nothing.

TV service production

After ARD responded to the demand for more transparency regarding public broadcaster service productions in September 2013, ZDF also published specific figures for its TV service productions for the first time in August 2014. For example, the production budget for "small television plays" ranges from EUR 100,000 to EUR 400,000, while event miniseries can cost up to EUR 2.6 million per episode and a 45-minute episode of an early evening series averages EUR 400,000.

90% of the annual production volume in the German film business stems from TV service productions. It is therefore comprehensible that the distribution of income from these productions is a recurring subject of discussion. Producers in particular, as well as others involved who contribute their artistic and creative work, criticize the total buy-out model practiced to date by television broadcasters and are increasingly demanding appropriate participation in the value of their work – for example in the form of a license model in which the commissioning broadcaster receives only the right to a specific number of broadcasts within a defined period.

OPERATIONAL DEVELOPMENT

Filming of "Fack Ju Göhte 2" underway

Filming of 11 out of 16 planned own and co-productions of Constantin Film AG and its subsidiaries took place in 2014. In addition to "Fack Ju Göhte 2", directed by Bora Dagtekin (scheduled theatrical release: September 10, 2015), these included "Winterkartoffelknödel" (theatrical release: October 16, 2014), "Frau Müller muss weg" (theatrical release: January 15, 2015), "The Famous Five 4" (theatrical release: January 29, 2015), "Ostwind 2 – Rückkehr nach Kaltenbach" (planned theatrical release: May 14, 2015), "The Fantastic Four" (planned theatrical release: August 6, 2015), and "Er ist wieder da" (planned theatrical release: October 8, 2015). Some of the (international) theatrical productions originally planned for 2014, for example "Resident Evil 6", have been delayed until 2015.

Biting comedy about normal life at school: "Frau Müller muss weg"

The aim of the Constantin Film Group is to ensure a high-quality slate, if necessary reducing quantity to achieve this. As film grants are a key financing component of theatrical productions, current developments regarding regulations on film grants are also taken into account in project planning.

Multiple awards for the Constantin Film Group

The Constantin Film Group again won a host of film awards in 2014, underlining the quality of its production slate. At the 2014 Bavarian Film Awards on January 17, 2014, the Constantin Film production "Fack Ju Göhte" received the audience prize, and the youth adventure movie "Ostwind" picked up the prize in the "best young people's film" category.

At the 2014 Berlinale, the makers of "Fack Ju Göhte" collected three prestigious awards: For attracting five million moviegoers in just 50 days, the comedy was the only movie from 2013 to win Blickpunkt Film magazine's platinum Box Office Germany Award. In conjunction with the trade journal Filmecho/Filmwoche, the German Movie Theater Association awarded this production the "Golden Screen" and the "Golden Screen with 1 Star" for audience figures of three million and six million.

At the Monte Carlo Film Festival, director and writer Bora Dagtekin received a best director award for "Fack Ju Göhte". In addition, Elyas M'Barek was named best leading actor, and Christof Wahl won the prize for best camera work.

At the German Film Awards on May 9, 2014, "Fack Ju Göhte" received a nomination for best film and the Lola for most-watched film of 2013, as well as winning the cinema prize for European movies in German movie theaters at the CIVIS Media Prize ceremony. The production "Ostwind" won a Lola in the "best children's film" category at the German Film Awards.

On May 16, 2014, the CGI film "Tarzan" won the Golden Sparrow in the "best animation" category, and the Constantin Film Group received the Independent Film Award at Cine-Europe 2014 in Barcelona on June 19, 2014.

Three movies performing well in theatrical distribution

In 2014, the Constantin Film Group released 14 of 17 originally planned films in German theaters, as some of the planned releases such as "Frau Müller muss weg" and "Mara und der Feuerbringer" were delayed until 2015.

The decline of the German movie market in 2014 was also reflected by the audience figures of Constantin Film titles. Despite intensive prior market research in the target groups, the taste of the movie-going public is assessable to a limited extent only. Movie theaters need products that clearly set them apart from other forms of media use. The trend is towards "spectacle".

Market position consolidated in home entertainment

In German-speaking regions, the Highlight Group consolidated its market position in 2014. In particular, the product portfolio was carried by the new releases, most notably the Constantin Film co-productions "The Mortal Instruments: City of Bones", "Pompeii", and "Fack Ju Göhte". "Fack Ju Göhte" went on to become the most successful video release in 2014, setting new benchmarks in electronic sell-through. Just before the end of the year, the title also received two Video Champions in the "best German film" and "audience prize" categories. The licensed movies "Ender's Game" and "Need for Speed" also made a positive contribution to total earnings in in-house marketing of home entertainment programs.

Material contracts in license trading/TV exploitation

The Constantin Film Group also has an open-minded approach to digital advancements in TV exploitation/license trading, and is working with its partners in public and private broadcasting on new models with which the legal distribution of content on the Internet is attractive to users and also lucrative for rights holders. However, the conventional exploitation stages free-TV and pay-TV accounted for almost all significant transactions in terms of sales in 2014.

In 2014, the starts of the initial licenses for films such as "Resident Evil: Retribution", "Fack Ju Göhte", "Scary Movie 5", "The Mortal Instruments: City of Bones", "Ostwind", "Ender's Game", "Tarzan", and "Walking with Dinosaurs" had a positive impact on sales. All licenses were licensed for the pay-TV stations Sky and/or Teleclub. In addition, there were initial licenses in the free-TV sector, in particular for "Glück" (ZDF), "Werner – Eiskalt" (ProSiebenSat.1), "Wrong Turn 4" (ProSiebenSat.1), "Agent Ranjid rettet die Welt" (ZDF), "The Three Musketeers" (ProSiebenSat.1), "Carnage" (ARD), "Wickie and the Treasure of the Gods" (ProSiebenSat.1), "Blutzbrüdaz" (ProSiebenSat.1), and "3096 Tage" (ARD).

Improved order situation in TV service production

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 year under review, resulting in numerous service productions for the subsidiaries of Constantin Film AG. The public-sector broadcasters and the major private broadcasters were again the main customers in 2014. In addition, production activity was stepped up on the international markets, including the founding of subsidiaries of Constantin Entertainment GmbH in Romania and Bulgaria. The establishment of customer relationships with new clients, particularly in the pay-TV sector, is still in the early stages.



Movie quality for TV productions: “Das Zeugenhaus”, “Tatort” and “Die Hebamme”

Constantin Entertainment GmbH gained further commissioned formats and produced follow-up series for existing projects. These primarily include the projects “Schicksale” (Sat.1), “Im Namen der Gerechtigkeit” (Sat.1), “In Gefahr – Ein verhängnisvoller Moment” (Sat.1) and the 2014 German Television Award-winning format (“docutainment” category) “Shopping Queen” (Vox). The format “Mario Barth deckt auf!”, produced for RTL, was also a winner at the 2014 German Comedy Awards (“best comedy show” category).

The subsidiaries of Constantin Entertainment GmbH also produced successful formats for several major TV stations outside Germany, including the cooking show “Game of Chefs” and the improvisation comedy “Friday” for the Israeli broadcaster Reshet.

In 2014, Olga Film GmbH filmed the TV comedies “Zwei Brüder und die Antilopenschere” and “Drunter und Brüder” for Degeto as well as two further episodes of the crime series “Kommissarin Lucas” for ZDF. Moovie GmbH (previously MOOVIE – the art of entertainment GmbH, renamed on January 27, 2015) made the two-part series “Alles muss raus” and the TV movie “Das Zeugenhaus” for ZDF. In addition, “Der Äthopier” and six episodes of the series “Schuld” – a sequel to the series “Verbrechen” based on the book by Ferdinand von Schirach – were filmed.

In 2014, Rat Pack Filmproduktion GmbH made “Kalkofes Mattscheibe 5 – Rekalked” with Oliver Kalkofe for Tele 5 on an ongoing basis. The Bavarian daily program “Dahoam is Dahoam”, produced by Constantin Television GmbH, is now in its ninth season. On behalf of ZDF, filming has also started on the two-part series “A Dangerous Fortune”, an adaptation of the bestselling novel of the same name by Ken Follet.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Continuous optimization of consistently high quality of in-house productions and license purchases

To further ensure the high quality of national and international in-house productions and purchased licensed movies, the Constantin Film Group continues to focus on titles that have a strong emotional link with the audience’s requirements and are based on specific brands, for example. In addition, the specialist expertise of employees and business partners as well as a highly-developed network of contacts with screenwriters and producers in Germany and abroad are essential factors in a successful production slate. The combination of these factors is particularly apparent from the numerous film prizes won by the Constantin Film Group in 2014.

Constantin Film again Germany's most successful independent distributor despite a fall in audience figures

Two films released in the 2014 theatrical year broke the million viewers barrier, attracting just under 1.2 million moviegoers each: "Männerhort" and "The Famous Five 3". In addition, "Fack Ju Göhte", the hit comedy released back in November 2013, again pulled in more than 1.7 million moviegoers in 2014. Consequently, the Constantin Film Group met the number of films with an audience of over a million forcasted in the 2013 annual report. Other strong performers in 2014 were the Constantin licensed titles "Die Mannschaft", with approx. 850,000 moviegoers in Germany, and "Step Up: All In", with approx. 660,000.

Overall, in terms of subject matter and quality, the Constantin Film Group's film slate for 2014 had the potential for high audience figures, but there was a lack of further runaway hits. One reason for this is the large number of international and German productions: In 2014, 343 international and 210 German productions were released in movie theaters (2013: 330 and 206 films), which makes it hard for smaller films to position themselves on the market against blockbusters and their huge marketing campaigns. Even so, films – particularly comedies – with a medium-sized budget remain attractive to the Constantin Film Group, as they can generate significant profits if they perform well in movie theaters.

The two Constantin Film in-house productions "Tarzan" (approx. 270,000 moviegoers) and "Pompeii" (approx. 250,000 moviegoers) fell particularly short of expectations in 2014. In the distributor rankings in Germany, the Constantin Film Group nevertheless secured fourth place behind Warner, Fox, and Universal with a market share of 7.5 % in terms of moviegoers and 7.1 % in terms of revenue in 2014.

Market share increased in the video rental market

In 2014, the Highlight Group achieved market share figures of 3 % (previous year: 3 %) in the video sell-through market and 6 % (previous year: 4 %) in the video rental market. As forcasted in the previous year, the market share was up slightly on the previous year on the basis of the expected rise in sales in this sector. The main driver of the increased market share in 2014 was the hit comedy "Fack Ju Göhte", which achieved outstanding sales and rental figures in the physical and electronic sectors.

Home entertainment bestsellers: "Fack Ju Göhte", "The Mortal Instruments", "Ender's Game" and "Pompeii"

"Türkisch für Anfänger" achieves good ratings in TV exploitation

In license trading/TV exploitation, numerous high ratings in the double-digit range were again achieved in 2014, in line with expectations. The initial broadcast of the film adaptation of the well-known play "Carnage" on July 21, 2014 on ARD attracted 3.61 million viewers, corresponding to 12.5 % of the overall market. The comedy "Türkisch für Anfänger" reached an audience of 4.63 million, corresponding to 17.4 % of the overall market, on ARD on July 11, 2014.

With the initial broadcast of the Constantin Film co-production "The Three Musketeers" at the end of April 2014, ProSieben attracted a total of 3.37 million viewers, achieving a healthy market share of 10.1 % of the total audience (18 % in the target demographic of 14-to-49-year-olds).

TV service production: Numerous high ratings

Pleasing viewing figures were again achieved in TV service production, both for television plays and series, in line with expectations. This success is a key factor in follow-up commissions.

One big hit was the Moovie GmbH-produced Sat.1 TV movie "Die Hebamme" starring Josefine Preuss, which was third most-watched program of the whole evening on March 25, 2014 with 5.36 million viewers. The two-part Moovie production "Alles muss raus" for ZDF achieved a market share of just under 15 % of the overall market. Moovie GmbH scored another success on November 24, 2014 with the broadcast of the ZDF TV movie "Das Zeugenhaus", which achieved a market share of 17.4 %.

On March 9, 2014, 10.12 million viewers tuned into the Constantin Television GmbH-produced ARD "Tatort" episode "Kopfgeld" starring Til Schweiger. This was the highest audience of the weekend, representing a market share of 27.7 %. The Olga Film GmbH production "Kommissarin Lucas – Kettenreaktion" on ZDF delivered a market share of 20.5 % of the overall market. Constantin Entertainment GmbH also reached a wide audience and achieved a pleasing double-digit market share with the daily programs "Schicksale" and "In Gefahr – Ein verhängnisvoller Moment", as well as the production "Mario Barth deckt auf!".

Dramatic final: In the UEFA Champions League final 2014, Real Madrid CF won against Club Atlético de Madrid only in extra time.

Management report

Sports- and Event-Marketing segment

Report on business performance and the situation

SECTOR-SPECIFIC SITUATION

According to estimates by the sponsorship measurement consultancy firm IEG, global sponsorship spending rose by 4.1 % to USD 55.3 billion in 2014. The increased competition in terms of budgets for – predominantly digital – marketing alternatives may have prevented even stronger growth here.

Sponsorship spending on larger and prestigious events remained at a high level, while it is getting increasingly hard to find sponsors for smaller events, particularly outside the sports and entertainment sectors. This is partly because it is easier to secure financing for larger events, as they are regarded as a "safe bet". However, they are also more capable of meeting the rising expectations of the major sponsorship partners in terms of research/market intelligence, ROI/ROO measured values, social media communities, account management, and servicing.

With regard to the acquisition of TV rights for sporting events, the current rights holders often pay high premiums to enable them to keep rights to major events. For instance, US media companies invested a total of more than USD 38 billion for just four sports rights contracts in October 2014 alone. The two biggest deals – with license prices up by 50 % and 180 % respectively on the previous agreements – were the contract extensions for the National Football League (NFL) with the broadcaster DirecTV and the National Basketball Association (NBA) with Disney and Turner.

OPERATIONAL DEVELOPMENT

Successful marketing of UEFA competitions

At the TEAM Group, fiscal year 2014 was dominated by 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, which proved highly successful. In the field of TV rights, TEAM managed to conclude numerous contracts worldwide for both competitions, despite difficult market conditions in some areas.

Sponsorship rights activities also proved successful. Many promising contract negotiations were conducted with existing and potential partners here. After TEAM secured the early extension of its contract with the longstanding UEFA Champions League partner Heineken until the 2017/18 season at the end of 2013, it was announced in spring 2014 that the Japanese automobile group Nissan is on board as a new sponsor of this format from the 2014/15 season. Negotiations with other partners are already well-advanced.

The objective for fiscal year 2014 of concluding as many deals as possible on the best possible terms was fully achieved.

Still drawing in viewers: the UEFA Europa League, the UEFA Super Cup and the UEFA Champions League

Implementation of various operational tasks

Operations were focused mainly on providing active support for commercial partners and UEFA in connection with the successful handling of the three highlights of the European club football calendar. On May 14, 2014, Turin hosted the UEFA Europa League final between SL Benfica and Sevilla FC. Sevilla FC won an exciting game after extra time and penalty shootout. SL Benfica's unlucky streak thus continued with an eighth consecutive final defeat.

The all-Spanish UEFA Champions League final between Real Madrid CF and Club Atlético de Madrid took place in Lisbon on May 24, 2014. In a dramatic game, Real Madrid CF tied just before the end of normal time to take the game into extra time. The favorites then dominated proceedings, scoring three more goals. This meant that Real Madrid CF lifted the coveted trophy for the tenth time – after a gap of twelve years.

The UEFA Super Cup, also marketed by TEAM and played on August 14 at the Cardiff City Stadium in Wales between the reigning UEFA Champions League winners (Real Madrid CF) and the winner of the UEFA Europa League (Sevilla FC), was the traditional curtain-raiser to the new season of the European club football competitions. In the 17th Super Cup, Real Madrid CF won 2:0, adding another title to their collection.

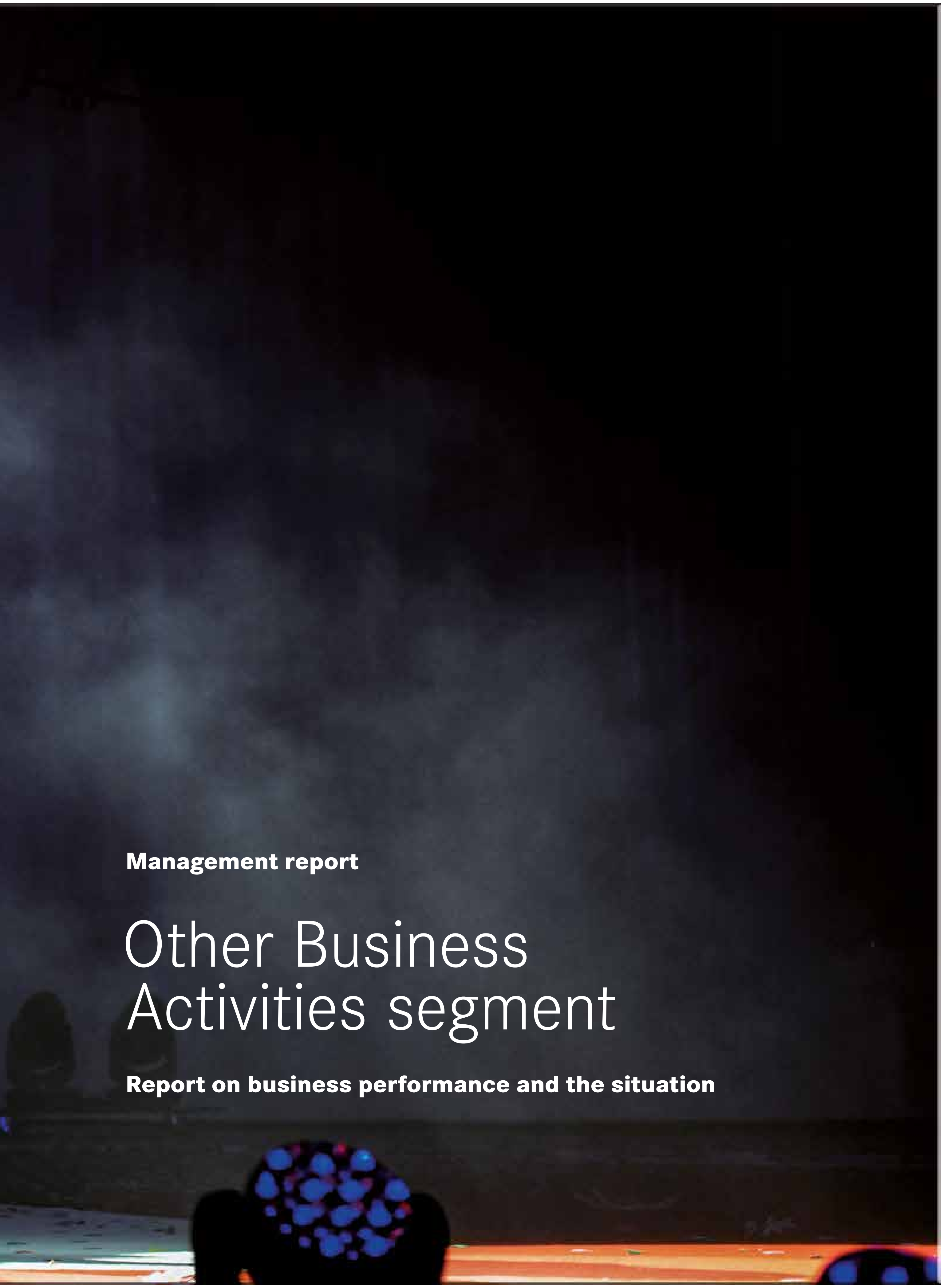
ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Another strong audience for the UEFA Champions League final

The grand final of the UEFA Champions League, held for the 22nd time already, was broadcast in more than 200 countries worldwide, and watched at home by an average of approx. 165 million viewers. The peak viewing figure was around 380 million, underlining the status of this event as the most-watched annual sporting event in the world, ahead of the US Super Bowl.

The highest single rating was recorded in Spain, where the match drew an average audience of 12.7 million viewers and a market share of 69 % – the highest figure measured there since the TV broadcast of the European Football Championships final in 2012. However, Brazil was the market with the most viewers, with just under 20 million.


Surprise in Copenhagen: After a lean period of almost 50 years, Austria won the Eurovision Song Contest for the second time – with Conchita Wurst.



Management report

Other Business Activities segment

Report on business performance and the situation

Impressive staging and euphoric atmosphere: The Eurovision Song Contest 2014

SECTOR-SPECIFIC SITUATION

Event and entertainment business

Music events remain highly attractive to sponsors. In Germany alone, companies invested a total of EUR 27 million in 2014 in order to set their brand messages in the special atmosphere of music events. This is a 29 % increase on the previous year. Brewers were among the biggest spenders last year, accounting for 21 % of the total volume. The second-largest sponsor was the financial services sector with a share of 14 %, followed by automobile companies, who made up 13 %.

Online/social gaming

The market for mobile games is the fastest-growing sector of the gaming industry. While revenue from console games is stagnating, revenue from mobile games is growing by 10 % per year. Worldwide, the mobile gaming market is estimated at more than USD 10 billion, with more than 25 % of global mobile games revenue being generated in the US, where one in two cellphone owners plays mobile games. Mobile games now account for two-thirds of spending on content on smartphones and tablets.

OPERATIONAL DEVELOPMENT

Successful handling of the Vienna Philharmonic Orchestra's concerts

At the beginning of the year, Highlight Event AG was focused on the successful commercial handling of the 2014 New Year's Day Concert of the Vienna Philharmonic Orchestra, which was conducted for the second time by the world-famous pianist and conductor Daniel Barenboim. The orchestra's second musical highlight, the Summer Night Concert, under the musical direction of the renowned conductor Christoph Eschenbach, was held on May 29, 2014, in the Schönbrunn palace garden near Vienna. Both events were hugely successful both in artistic and marketing terms.

The Vienna Philharmonic Orchestra's special events were held in Milan, Sarajevo, and Cologne in 2014. The Sarajevo concert was particularly important to both the Vienna Philharmonic Orchestra and the European Broadcasting Union (EBU), as it was at the heart of the commemorations marking the 100th anniversary of the outbreak of World War I. In front of an impressive open-air setting, guests at the event included numerous heads of state, the entire local diplomatic corps and the heads of various major public broadcasters, including France Television, RAI (Italy) and ORF (Austria), as well as the EBU Executive Board.

The aim of high-quality handling of all concerts was fully met.

Classical music highlights: The Vienna Philharmonic Orchestra's concerts

Start of the "Eurovision Young Musicians" project

In 2014, Highlight Event AG also managed the "Eurovision Young Musicians" project for the first time. This is a competition for young European artists in the field of classical music, organized by the EBU. The event, which was held on the Cathedral Square in Cologne on May 31, 2014, also proved a success, and fulfilled all of the strategic considerations that had been discussed in advance. These included the involvement of the Vienna Philharmonic Orchestra, with the winner of the competition being given the chance of a solo performance with the orchestra, and the participation of Rolex as the main sponsor of the event.

Contract extension with the Vienna Philharmonic Orchestra

On the basis of these successes, an early extension of the agency agreement between Highlight Event AG and the Vienna Philharmonic Orchestra until 2022 was announced on December 11, 2014. The successful, trust-based partnership between the orchestra and Highlight Event AG is therefore set to continue for many years.

Successful handling of the Eurovision Song Contest

The Eurovision Song Contest (ESC), which was held in Copenhagen, Denmark, from May 6 to 10, 2014, was a success from a commercial perspective – particularly in terms of TV presence, branding and hospitality for international sponsors. All of the contractual agreements with sponsors and TV partners were fulfilled.

Continuous enhancements in online/social gaming

At Pokermania GmbH, the targeted development of the "white-label" software FunPoker was completed in 2014. The aim of this development work was to integrate additional forms of poker in order to acquire new players, including in an international environment. In addition, continuous enhancements were made in online/social gaming in 2014. Progress was also made with portability for various games consoles and smartphones (iOS and Android). Reach has been significantly extended as a result of this measure.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Significant audience interest in the Vienna Philharmonic Orchestra and the Eurovision Song Contest

The Vienna Philharmonic Orchestra's 2014 New Year's Day Concert was broadcast live or delayed in more than 90 countries, underlining the event's status as the most famous televised classical music event in the world. The same applies to the open-air Summer Night Concert, which was broadcast to over 80 countries – including Kenya for the first time – as a result of Highlight Event AG's successful marketing activities. In addition, the event was enjoyed by an enthusiastic crowd of 60,000 people on-site – despite unfavorable weather conditions once again.

The 2014 Eurovision Song Contest was attended by around 50,000 fans and watched by more than 100 million TV viewers worldwide. The grand final was shown live by 37 public broadcasters and seen by an average of 61 million TV viewers. This audience interest marked a significant increase on the previous year's figure of 55 million. Particularly high viewing figures were recorded in the host country Denmark (89 % market share), the Netherlands (65 % market share) and Austria (53 % market share).

Growing download figures for "Recharge – Wastelands"

The mobile game "Recharge – Wastelands" developed in collaboration with the band Linkin Park has also been available to play on iPhones since November 2014, and download figures have been rising ever since. For instance, more than 200,000 downloads from 125 countries were recorded between December 2014 and January 2015.

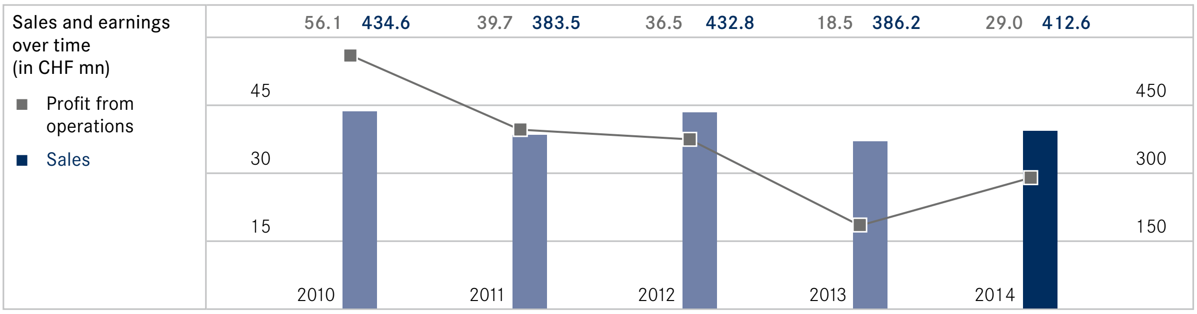
RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL SITUATION OF THE HIGHLIGHT GROUP

OVERALL ASSESSMENT OF THE REPORTING PERIOD

The business performance of the Highlight Group in 2014 was very positive overall. Consolidated sales increased to CHF 412.6 million, slightly above the upper limit of the planning horizon of CHF 380 million to CHF 410 million. Compared to fiscal year 2013 (CHF 386.2 million), consolidated sales were up 6.8 %.

EBIT improved by 56.8 % to CHF 29.0 million (2013: CHF 18.5 million), while consolidated net profit for the period rose by as much as 75.7 % to CHF 18.1 million (2013: CHF 10.3 million). The forecast earnings corridor, which had already been raised to between CHF 12 million and CHF 14 million (previously: between CHF 9 million and CHF 11 million) when the ad-hoc disclosure of November 7, 2014 was published, was thus significantly exceeded. The same applies to earnings per share, which were up 76.2 % year-on-year at CHF 0.37 (2013: CHF 0.21) and were also considerably higher than the forecast of CHF 0.27 to CHF 0.31. This increase is due in particular to the unexpectedly strong development in the Film segment.

In addition to the sales and earnings growth generated, the Highlight Group's balance sheet ratios were also improved substantially in fiscal year 2014. The notional equity ratio rose by more than 5 percentage points to 29.6 % as of the end of the year (December 31, 2013: 24.2 %) and net debt decreased from CHF 107.7 million to CHF 36.5 million, causing gearing (net debt in relation to equity) to fall from 100.5 % to 34.1 %.



RESULTS OF GROUP OPERATIONS

Increase in consolidated sales

The Highlight Group generated consolidated sales of CHF 412.6 million in the past fiscal year, corresponding to an increase of CHF 26.4 million or 6.8 % in comparison to the previous year (CHF 386.2 million). This increase mainly resulted from considerably higher sales in the home entertainment and TV service production business areas of the Film segment.

By contrast, capitalized film production costs and other own work capitalized were down by CHF 51.6 million year-on-year at CHF 37.8 million (2013: CHF 89.4 million). This was attributable to a lower production volume in the Film segment as compared to the previous year. Consequently, the Highlight Group's total output decreased by CHF 25.2 million or 5.3 % to CHF 450.4 million (previous year's period: CHF 475.6 million). Other operating income of CHF 21.6 million was approximately at the previous year's level of CHF 20.9 million.

Significant improvement in EBIT

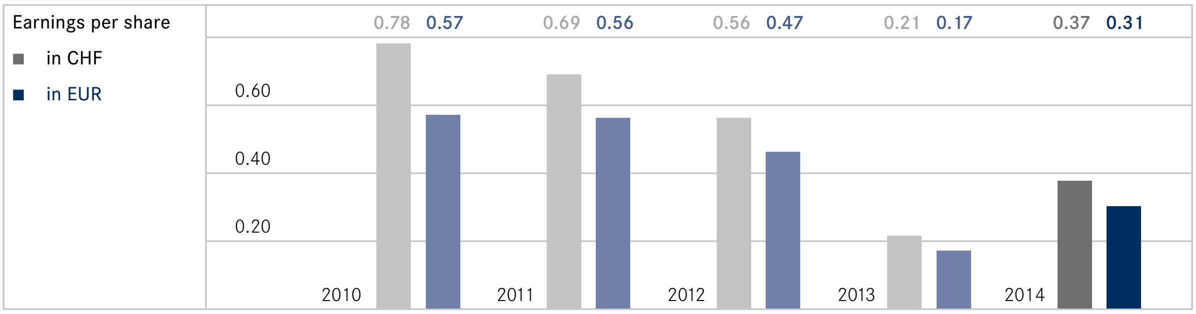
Consolidated operating expenses, which totaled CHF 443.0 million, were down by CHF 35.1 million or 7.3 % compared to their level in fiscal year 2013 (CHF 478.1 million). This decline is primarily attributable to the cost of materials and licenses, which fell by CHF 40.6 million to CHF 162.4 million (previous year's period: CHF 203.0 million) as a result of productions. In addition, personnel expenses posted a decrease of CHF 8.0 million to CHF 97.2 million (previous year's period: CHF 105.2 million), while other operating expenses were reduced by CHF 6.1 million to CHF 64.9 million (previous year's period: CHF 71.0 million).

By contrast, amortization, depreciation and impairment rose by CHF 19.8 million to CHF 118.6 million (previous year's period: CHF 98.8 million), primarily due to considerably higher scheduled amortization of films being exploited. This amortization is based on a unit of production amortization method that represents the loss in value of the film rights used as a factor of the recoverable sales. The increase in amortization therefore results primarily from the higher sales of the Film segment in the year under review.

Overall, however, the decrease in consolidated operating expenses was considerably more substantial than the decline in total output, with the effect that EBIT improved by CHF 10.5 million or 56.8 % to CHF 29.0 million (previous year's period: CHF 18.5 million). The EBIT margin consequently rose from 4.8 % in fiscal year 2013 to its current level of 7.0 %.

Earnings per share increase by 76.2 %

Earnings from investments in associated companies and joint ventures improved by CHF 0.2 million to CHF 0.3 million in the year under review (previous year's period: CHF 0.1 million), while the financial result declined by a total of CHF 3.3 million to CHF –5.9 million (previous year's period: CHF –2.6 million). Financial income climbed by CHF 1.6 million to CHF 12.7 million (previous year's period: CHF 11.1 million) and financial expenses increased by CHF 4.9 million to CHF 18.6 million (previous year's period: CHF 13.7 million). Both developments are primarily attributable to currency effects.



After tax expenses (income taxes and deferred taxes), which saw a slight year-on-year decrease of CHF 0.3 million to CHF 5.3 million, the Highlight Group posted a consolidated net profit of CHF 18.1 million for fiscal year 2014. Compared to the previous year (CHF 10.3 million), this was equivalent to an increase of CHF 7.8 million or 75.7 %. CHF 1.4 million (previous year's period: CHF 0.6 million) of this is attributable to non-controlling interests.

The profit share attributable to Highlight shareholders amounted to CHF 16.7 million, up CHF 7.0 million or 72.2 % on the previous year's figure (CHF 9.7 million). Based on an average number of shares in circulation in the year under review of 44.5 million (previous year's period: 45.3 million), this results in earnings per share of CHF 0.37. This corresponds to an increase of 76.2 % in comparison to the previous year's figure (CHF 0.21).

RESULTS OF SEGMENT OPERATIONS

Film: Earnings increased significantly

The Constantin Film Group largely achieved its targets in fiscal year 2014. In theatrical production, 11 out of 16 originally planned projects were implemented – in line with the principle of quality before quantity – and some, including the international own production "Resident Evil 6", were postponed until 2015. The same applies to theatrical exploitation, with the distribution slate for 2014 being reduced from the original total of 17 titles to 14. Two of the films on this slate – "Männerhort" and "The Famous Five 3" – each drew more than a million viewers, as did the comedy "Fack Ju Göhte" that had been released back in November 2013.

The theatrical success of "Fack Ju Göhte" also carried over to home entertainment exploitation, where the movie achieved outstanding sales and rental figures on both the physical and the electronic market, which was reflected in considerably higher sales in comparison to the previous year. In TV service production, the market situation eased slightly in 2014, allowing the subsidiaries of Constantin Film AG to implement several productions, particularly for public broadcasters and the major private broadcasters. They also succeeded in securing contracts for new formats and filming of further seasons for existing projects.

As a result of these developments, the Film segment generated external sales of CHF 359.1 million in the year under review, thus exceeding the previous year's figure (CHF 333.6 million) by 7.6 %. By contrast, other segment income – which is mainly influenced by capitalized film production costs – declined by 47.3 % to CHF 57.9 million (previous year's period: CHF 109.8 million) due to a lower production volume. Despite a significant rise in scheduled amortization and depreciation, segment expenses fell by 7.3 % overall to CHF 403.4 million (previous year's period: CHF 435.2 million), with the result that segment earnings improved by 63.9 % to CHF 13.6 million (previous year's period: CHF 8.3 million).

Sports- and Event-Marketing: Slight rise in sales and higher earnings

In the current marketing process for the UEFA Champions League and the UEFA Europa League (for the 2015/16 to 2017/18 seasons in each case), the TEAM Group is pursuing the primary objective of fulfilling the performance targets agreed with UEFA as early as possible in order to achieve an automatic contract extension for the 2018/19 to 2020/21 seasons. TEAM made significant progress here in the year under review and, thanks to its extensive market expertise and the good business relationships with the rights acquirers that have been developed over many years, it was able to conclude numerous TV contracts for both competitions. Sponsorship rights activities were also successfully advanced.

The segment's external sales were up only slightly year-on-year at CHF 49.9 million in the year under review (previous year's period: CHF 48.9 million). Segment expenses also remained at the previous year's level of CHF 29.5 million (previous year's period: CHF 29.4 million), while other income climbed by CHF 1.6 million to CHF 2.0 million (previous year's period: CHF 0.4 million). Consequently, segment earnings also increased from CHF 19.9 million to CHF 22.4 million.

Other Business Activities: Clear improvement in earnings due to cost reductions

Highlight Event AG fully achieved its goal of high-quality handling of the Eurovision Song Contest and the Vienna Philharmonic Orchestra's concerts in fiscal year 2014. The same applies to the "Eurovision Young Musicians" project, which was managed for the first time and in which the Vienna Philharmonic Orchestra was involved in the activities for the European Broadcasting Union (EBU).

External sales in the Other Business Activities segment posted a slight decline from CHF 3.7 million to CHF 3.5 million. Other income of CHF 0.6 million was also down slightly on the previous year's level (CHF 1.1 million), while segment expenses – particularly amortization, depreciation and impairment – were reduced significantly by CHF 3.7 million to CHF 6.0 million (previous year's period: CHF 9.7 million). The segment loss, which resulted – as in the previous year – from online/social gaming, therefore decreased from CHF 4.8 million to CHF 1.9 million.

Slight increase in holding costs

The costs of holding activities rose slightly by CHF 0.3 million to CHF 5.1 million in fiscal year 2014 (previous year's period: CHF 4.8 million).

NET ASSETS SITUATION

Total assets down year-on-year

As of December 31, 2014, the Highlight Group's total assets amounted to CHF 361.6 million, corresponding to a decline of CHF 81.7 million compared to their level as of the end of 2013 (CHF 443.3 million). On the assets side of the balance sheet, both non-current and current assets decreased. The decrease in non-current assets was chiefly attributable to film assets, the value of which declined by CHF 50.6 million. This was partly offset in particular by the reclassification of a property in the amount of CHF 3.9 million that had still been reported as a current asset in the previous year. As of December 31, 2014, the share of non-current assets in total assets was virtually unchanged at 55.1 % as compared to 54.9 % at the end of 2013.

In current assets, there were significant changes in trade accounts receivable and other receivables due from third parties, which fell by CHF 30.8 million to CHF 95.4 million (December 31, 2013: CHF 126.2 million), and in other financial assets, which declined by CHF 4.4 million to CHF 13.2 million (December 31, 2013: CHF 17.6 million). By contrast, inventories climbed by CHF 1.3 million to CHF 5.2 million (December 31, 2013: CHF 3.9 million) and current receivables due from associated companies and joint ventures increased by CHF 1.1 million to CHF 3.4 million (December 31, 2013: CHF 2.3 million). Cash and cash equivalents amounted to CHF 44.8 million, up CHF 0.5 million on the figure as of the end of 2013 (CHF 44.3 million).

Decline in film assets

As of the end of the reporting year, the value of film assets amounted to CHF 160.4 million – a decline of CHF 50.6 million compared to December 31, 2013 (CHF 211.0 million). CHF 119.3 million of this total related to in-house productions (December 31, 2013: CHF 175.2 million) and CHF 41.1 million to third-party productions (December 31, 2013: CHF 35.8 million). The decrease in the area of in-house productions is due to the fact that the value of the additions was significantly lower than amortization and impairment losses on films being exploited in the year under review.

Additions to film assets totaled CHF 67.9 million in fiscal year 2014 – a decrease of CHF 70.8 million compared to the previous year's figure (CHF 138.7 million). By contrast, amortization on film assets increased by CHF 28.8 million to CHF 107.9 million (previous year's period: CHF 79.1 million), while impairment was down CHF 5.9 million year-on-year at CHF 7.1 million (CHF 13.0 million).

Further reduction of debt item

On the equity and liabilities side of the balance sheet, non-current liabilities declined by a total of CHF 2.4 million to CHF 16.2 million (December 31, 2013: CHF 18.6 million) as a result of the CHF 5.5 million reduction in deferred tax liabilities to CHF 5.5 million (December 31, 2013: CHF 11.0 million) and the reversal of non-current provisions in the amount of CHF 1.6 million. This decline was partly offset by a CHF 4.7 million increase in pension liabilities to CHF 10.7 million (December 31, 2013: CHF 6.0 million) as a result of the higher present value of defined benefit obligations.

Current liabilities decreased significantly by CHF 78.9 million to CHF 238.5 million (December 31, 2013: CHF 317.4 million). This development was primarily due to a decline in financial liabilities of CHF 70.7 million to CHF 81.3 million (December 31, 2013: CHF 152.0 million). In addition, trade accounts payable and other liabilities due to third parties recorded a decline of CHF 11.2 million to CHF 89.3 million (December 31, 2013: CHF 100.5 million), while income tax liabilities rose by CHF 7.3 million to CHF 8.3 million (December 31, 2013: CHF 1.0 million).

Equity ratio considerably improved

Consolidated equity (including non-controlling interests) decreased slightly by CHF 0.3 million to CHF 106.9 million in comparison to the end of the previous year (CHF 107.2 million). This decline was chiefly due to dividend payments of CHF 8.9 million, currency effects of CHF 1.7 million, actuarial losses of defined benefit obligation plans of CHF 3.5 million, losses from the fair value measurement of financial assets of CHF 3.8 million, and the acquisition of treasury shares of CHF 0.4 million. Equity was increased by the consolidated net profit for the period of CHF 18.1 million.

In relation to total assets, this equity corresponds to a notional equity ratio of 29.6 % – an improvement of more than 5 percentage points in comparison to December 31, 2013 (24.2 %). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and film assets against advance payments received) recorded an even better development, rising from 31.5 % to 40.7 %. For detailed information on the development of consolidated equity, please see the consolidated financial statements (pages 100 and 101).

FINANCIAL SITUATION

Net debt and gearing reduced

The level of cash and cash equivalents as of the end of fiscal year 2014 was virtually unchanged at CHF 44.8 million as compared to CHF 44.3 million as of December 31, 2013. By contrast, financial liabilities were reduced by CHF 70.7 million to CHF 81.3 million (December 31, 2013: CHF 152.0 million), with the effect that net debt decreased by CHF 71.2 million to CHF 36.5 million (December 31, 2013: CHF 107.7 million). The Highlight Group's gearing accordingly fell from 100.5 % as of the end of fiscal year 2013 to its current level of 34.2 %.

Operating activities generated a net cash inflow of CHF 156.4 million in the year under review – up CHF 38.9 million compared to fiscal year 2013 (CHF 117.5 million). This increase was mainly due to changes in net working capital.

The Highlight Group's investing activities used cash of CHF 76.5 million, representing a CHF 64.3 million decrease in comparison to the previous year's figure of CHF 140.8 million. This significant decline was mainly attributable to payments for film assets, which were down CHF 65.6 million year-on-year at CHF 70.6 million (previous year's period: CHF 136.2 million). By contrast, payments for property, plant and equipment and financial assets rose by a total of CHF 1.3 million to CHF 6.0 million (previous year's period: CHF 4.7 million).

Net cash used in financing activities increased by CHF 73.3 million to CHF 78.9 million (previous year's period: CHF 5.6 million). This development was primarily due to the net repayment of debt in the amount of CHF 69.5 million, whereas in the previous year's period there had been net borrowing of CHF 14.7 million. This was partly offset in particular by a CHF 10.3 million decrease in payments for the acquisition of non-controlling interests and treasury shares, which amounted to CHF 0.5 million (previous year's period: CHF 10.8 million).

External and internal sources of financing ensure liquidity

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 1.3 % and 5.0 % in the euro zone in the year under review. For other foreign currencies, especially USD and CAD, interest rates were between 1.7 % and 2.4 %.

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, 2014, the Highlight Group employed 825 people (December 31, 2013: 761), including freelance staff. Of this number, 125 employees (previous year: 122) worked in Switzerland, 687 (previous year: 626) worked in Germany and 13 (previous year: 13) worked in Austria.

EVENTS AFTER THE BALANCE SHEET DATE

On February 13, 2015, Constantin Film AG sold 90 % of the shares it had previously held in the joint venture Mister Smith Entertainment Ltd., London, which was accounted for using the equity method as of December 31, 2014. The buyer also acquired assets and liabilities of this company on a pro rata basis. Constantin Film AG still holds a 5 % interest in the company.

REPORT ON RISKS AND OPPORTUNITIES

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

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

Features of the Group-wide risk management system

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.

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 opportunities and risks
- Increasing reaction speed through transparency and timely communication of opportunities and 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 opportunities and risks 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 and committee members, and the managing directors and department managers of the individual subsidiaries. The factors underlying the risks and opportunities are identified and assessed on a quarterly basis and approved by the risk officers.

Opportunity and risk factors are identified, assessed and aggregated at the level of Constantin Film AG, Team Holding AG and Highlight Event & Entertainment AG for their respective area of responsibility by in-house risk officers. The same applies to the factors of Highlight Communications AG. At Group level, the reported factors are standardized and consolidated where appropriate, and passed on in the form of a risk report to the Group management on a quarterly basis and to the Board of Directors on an annual basis. Potential risks to the company as a going concern are required to be reported immediately.

In the periodic report, the cause and effects of the factors 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 possible 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 Board of Directors 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, business and market, operational, financial, legal, and compliance risks.

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

Individual risks, their risk factors and their effects are set out below. 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

In the Film segment, the Highlight Group is particularly dependent on the following factors of legislation:

- In film production, the Constantin Film Group uses various national and international public film subsidies. Via the German Federal Film Fund (DFFF), the German Federal Government provides subsidies which refund producers for certain film production costs on the basis of specific criteria. At the end of 2014, the German Federal Budget Committee resolved to cut funding of the DFFF from EUR 60 million in 2014 to EUR 50 million in 2015. Nevertheless, according to the German Bundesrat, funding for the DFFF is to be increased again to at least the level of 2014 in 2016, and the German Federal Government is expected to safeguard the DFFF in its medium-term financial planning beyond 2017.
- A complaint against the German Film Production Act was rejected in a ruling by the German Federal Constitutional Court in January 2014, and the funding was declared to be fully constitutional.
- A EU Commission Green Paper on topics including pan-European licenses for films is in the pipeline. If the EU sets requirements here and regards territorial licensing as incompatible with EU law, this would have implications for the licensing practice of the Constantin Film Group and its business model.
- Tightening of the producers' and exploiters' position in the copyright law by legislators remains a remote prospect. In advocating "WLAN for all", legislators tend to practically exempt operators of public or "semi-public" WLAN networks (e.g. Internet cafés, hotels) from liability for breaches of copyright via these WLAN networks, unless the operator is specifically aware of a breach of the law. This could lead to an increase in piracy (particularly as a result of streaming).

A reduction in film grants could lead to a loss of planned income or an increase in film expenses.

As countermeasures with regard to possible legislation amendments, 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 the event of subsidies being curtailed, movie productions could be relocated abroad.

In light of the possible effects, this risk continues to be classified as significant overall.

Business and market risks

The Highlight Group requires access to licenses and source material

The Highlight Group requires access to exploitation rights for its product portfolio.

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 as well as licensors are important factors for the production of TV and theatrical movies. Furthermore, in distribution and production in particular, the Highlight Group depends on close partnerships, including those with film producers and licensors. To meet the need for new source material for in-house and service productions, continuous development of new projects is essential, as otherwise there is a risk of an excessively low project implementation rate. At present, the need for new source material and licenses is sufficiently met, and the implementation rate is in line with planning.

Third-party productions are generally purchased at the major film markets. Various prices are paid here on a project- and market-specific basis. Usually, the film has not yet been made at this point, so the rights are sold in advance for financing. It could take up to two years from acquisition to actual delivery of the film. Here too, films bought at a high price can adversely affect the Group's business, financial position and results of operations if they are a complete failure.

Dealers from regions with significant growth rates in the movie theater sector such as Asia and South America drove up prices for the best films considerably, further intensifying the price pressure for the few promising films that has already been very strong for several years. As with prices for licensed movies, the cost risk incurred by distribution firms also rises if the film fails to perform at the box office and in the further stages of exploitation.

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 in-house productions is being expanded so as to create a certain degree of independence from third-party rights. The attractiveness of the platforms 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 continues to be classified as significant.

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

In the Film segment, market changes in the movie theater or the home entertainment sector, such as falling audience figures and growing competition, could be linked with a drop in prices for productions and license products.

A step-up in production and distribution activities on the part of the relevant and competing independents and majors as well as distributors on the German-speaking market could lead to falling margins in the movie theater sector.

The expiry of framework agreements or a deterioration in the economic situation of licensees can lead to falling sale prices for licenses. Such a development could threaten the intrinsic value of the Constantin Film Group's film stock. At present, there are framework agreements in the free-TV and pay-TV sector. However, the coordination processes for productions and licensed titles between free-TV rights and pay-TV rights are increasingly complex. This is also due to growing competition for valuable licensing rights between free-TV and pay-TV stations, although this growth in competition should not be detrimental to the Highlight Group.

The Group's planning assumes certain market shares, ranges 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 ranges, market shares and audience figures in particular are key factors for the amount of income that can be generated, the Highlight Group endeavors to gain possession of attractive marketing projects, 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 continues to be 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 exploitation of theatrical productions, in the pay-TV exploitation stage there is a dependency on the customer Sky Deutschland Fernsehen GmbH & Co. KG or Sky Österreich GmbH respectively, who generate a considerable share of the license sales. If these (framework) agreements with which a considerable share of the sales in the pay-TV area are generated are not extended or are terminated during the contract period, there could be a loss of significant sales.

In TV service productions, the Constantin Film Group depends on continuous commissioning. In the German TV market, there are many producers, but few demanders. Consequently, the individual TV stations have a strong market position that adversely affects the attainable margins of the Constantin Film Group.

In production and distribution, the Highlight Group depends on close partnerships, including with film producers, writers, directors and licensors. Furthermore, 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 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. Greater fragmentation of the broadcasting sector may result in a medium-term loss of market share for the major broadcasters.

If contracts with key customers or business partners – including those mentioned above – 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. Early termination of individual supplier agreements could lead to higher costs in searching for new partners and establishing new structures.

Accordingly, this risk continues to be classified as significant.

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:

Market changes in the home entertainment area of the Film segment are particularly characterized by advancing digitization combined with an increase in additional offers and distribution areas, and this is leading to constantly changing patterns of media use. Theatrical movies are facing ever-growing competition from rival media products such as video games, increasing consumption of content on mobile devices or in social networks, as well as video-on-demand offers. Changing market developments in the home entertainment area can have a negative impact on earnings potential.

In the Film segment, failure to cater to customers’ tastes can lead to a decrease in audience figures and declining sales. Failure to cater to customers’ tastes in service productions and an associated slump in viewing figures can lead to declining sales and a negative earnings trend in the TV service production area due to a lack of follow-up commissions from the broadcaster.

The discontinuation of conventional exploitation channels and lower margins for digital distribution models can lead to decreased earnings in the home entertainment area.

Due to technical possibilities for producing illegal copies of movies and the lack of legal protection against breaches of copyright, there is a risk of lost sales as a result of infringements of copyright regulations. Although the ECJ ruled in the “kino.to case” (test case) that an Internet access provider can be compelled by a court decision to block access by its customers to a (clearly) illegal portal site, it remains to be seen how the national courts will implement this ruling.

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.

The Highlight Group is attempting to anticipate future trends through 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 continues to be 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 negative impact.

Based on the assessments made and the measures taken, this risk is still 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, which can negatively affect a movie’s planned contribution margin and therefore its earnings.

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.

In the unlikely event of a delay or cancellation of theatrical or TV service production due to unforeseeable market or project developments, it is possible that already delivered or commissioned services may no longer be usable and additional costs may arise from renewed commissioning of the services.

The lack of budget discipline in terms of release expenses can cause an overspend on film-related marketing costs and reduce a film's contribution margin. Despite intensive research on the legal situation and market conditions with the help of local experts, the international activities of the Constantin Film Group can be affected by country-specific earnings risks. The Constantin Film Group stepped up its international activities in fiscal year 2014 by, among other things, founding two foreign subsidiaries.

A change to the regulations or arrangements concerning film grants in a production country of an international project can lead to tax credit being lower than planned. This can reduce a project's contribution margin. Project controlling tools are used to prevent budget overruns and extraordinary costs in theatrical and TV productions. In addition to the regular monitoring of production costs, movie insurance and completion bonds in particular are agreed to help ensure the completion of a movie. Furthermore, an overrun reserve is included in planning to take unforeseen costs into account in the budget.

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 sales in the past. Furthermore, Constantin Film AG kept film productions on schedule and budget and largely avoided unplanned costs or insured against them.

Overall, this risk continues to be 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, measures are taken 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 continues to be 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 in future.

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 continues to be 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. In the event of damages, third-party claims or replacement investments would have to be financed from our own resources.

Overall, this risk continues to be 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, external service providers or partners 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 and German 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 continues to be 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 continues to be 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 and details for the social security agencies 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 continues to be classified in the small risk level.

Risks from the use of financial instruments

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 and interest rate risks). The risks associated with financing are described in detail in the notes to the consolidated financial statements in note 8 "Management of financial risks". The Group uses corresponding hedges for currency and interest rate risks where appropriate.

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.

Budgeting for the next fiscal year took into account the fact that the Swiss National Bank (SNB) has stopped support buying to adhere to the euro lower exchange-rate limit of EUR/CHF 1.20, and the Swiss franc has consequently gained against the euro.

In significant transactions, the Highlight Group attempts to reduce currency risks by using suitable derivative financial instruments. However, 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 will not have a negative impact on earnings.

A comprehensive presentation of the currency risks of Highlight Communications AG is provided in note 8.6 of the notes to the consolidated financial statements.

Taking into account the effects of the countermeasures, this risk was classified as a small risk in the previous periods. Due to the changed currency policy of the Swiss National Bank, taking into account the effects of the countermeasures, this risk is now to be classified as medium.

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 by corresponding credit facilities. As of the end of the reporting period, the Highlight Group had liquidity reserves taking into account the available short-term credit facilities. Nonetheless it cannot be ruled out that the guarantee or master credit agreements in place will be canceled or not renewed by individual banks or investors, with the result that the Highlight Group, even taking into account the free working capital facilities, is forced to borrow further debt capital on the capital market or from banks, at short notice or in the medium term, to finance new projects or to refinance existing financial liabilities.

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 continues to be 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 and non-current financial liabilities. There is also an interest rate risk resulting from the mismatching of maturities.

At the current time, the Highlight Group has fixed-rate and floating-rate current financial liabilities.

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

Overall, this risk continues to be 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 credit quality.

Potential risks of default on customer receivables are assessed regularly and allowances for bad debts are recognized if necessary. Furthermore, the Group also hedges the risk of default due to insolvency of a debtor by obtaining credit rating information. Therefore, the Group rates its credit quality for receivables that are neither overdue nor impaired as predominantly good.

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

Taking into account the measures implemented, this risk continues to be classified as a small risk.

REPORT ON OPPORTUNITIES

Features of the opportunity management system

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.

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 of the term "risk", 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. As with risks, opportunities are classified in four categories: low, medium, significant and high.

The Highlight Group sees opportunities in implementing the digital transformation strategy

Advancing digitization is changing the individual patterns of media use. For some time, the Highlight Group has been vigorously developing its business models, thus actively promoting digital transformation within the Group.

The planning of the sales that can be generated using these business models is based on cautious assumptions. There is the chance that actual development will be far better than the assumptions made and that digital transformation results in increased sales more quickly than anticipated.

The opportunity is classified at the medium opportunity level.

The Highlight Group sees opportunities in the exploitation and development of licenses, formats and source 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 orders for sports and entertainment events that are important for its operating activities in the different segments, as well as film rights and source 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.

Attractive source material and film rights may anticipate customers' tastes more than expected which could lead to higher sales than planned along the entire exploitation chain.

This opportunity continues to be classified as medium.

The Highlight Group sees opportunities in the cooperation with UEFA

Based on 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 are on TEAM's Board of Directors.

This opportunity continues to be classified as medium.

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 and cooperations, increasing the intrinsic value of the overall application and opening up opportunities for additional sublicensing.

With the "Eurovision Young Musicians" project in particular, the existing activities in the field of classical music have been linked with those of the European Broadcasting Union (EBU), with which we have had a successful partnership for many years. With regard to the projects that we have already 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.

Overall, this opportunity continues to be classified as medium.

The Highlight Group sees opportunities in making use of synergies by optimizing internal processes

In recent years, the Group management has rigorously optimized key internal processes by ensuring transparency, reducing susceptibility to errors and making the individual processes more efficient, focusing on the processes within individual Group companies. As the Highlight Group is made up of companies that operate relatively independently of each other, the Group management sees synergy potential in the further optimization of collaboration between individual Group companies. At present, possible synergies from the transfer of intra-Group best-practice approaches, agglomeration effects – particularly at the sites in and around Munich – and simplification, standardization and automation of processes across the boundaries of individual Group companies are being examined and assessed.

As well as increasing the quality, effectiveness and efficiency of processes, utilization of these synergies could lead to cost savings and increased income in subsequent periods following initial essential investment.

At the time of publication, the identification and assessment phase had not yet been completed, meaning that the classification of this new opportunity as low is based on a cautious initial estimate.

SUMMARY OF THE OPPORTUNITY AND RISK SITUATION

In line with the RMS directive, the opportunities and risks reported by the individual risk officers are combined and aggregated and an assessment is performed at Group level. The decentralized Group structure is taken into account here. The officers at the company concerned are responsible for full and accurate identification, assessment and communication of opportunities and risks.

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 Board of Directors considers the Group to be adequately equipped to deal with the residual risks that are not reduced by countermeasures.

The Group depends heavily on buying attractive licenses and source material and enhancing it profitably with the application of technical and creative expertise. In doing so, the company must anticipate current and future media use, identify customers' tastes and cater to them with attractive products. The Group management continues to see the biggest opportunities in the rigorous expansion of the digital strategy and the potential afforded by a reorganization of the media world.

All the Group companies are established in their respective sectors and can access a broad network of technical and creative energy and respond quickly to changes. Accordingly, the Group management believes that the measures taken keep the risk to an economically acceptable level and considers the Group's risk-bearing capacity to be sufficient. At the same time, it is rigorously pursuing the existing opportunities. Diversification of business into different areas is also beneficial to distribution of risks.

In comparison to previous reports, particularly the Group management report for fiscal year 2013, no significant deviations have been identified with regard to the allocation of individual factors to the different classes.

RISKS AND OPPORTUNITIES OF HIGHLIGHT COMMUNICATIONS AG

The financial statements of Highlight Communications AG are largely impacted by the risks and opportunities of the subsidiaries, as it is directly involved as a financial holding company and parent company. Accordingly, the above-mentioned opportunities and risks also apply to Highlight Communications AG.

As things stand, there are no special or relevant opportunities for Highlight Communications AG.

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. While separate departments exist at the levels of the subgroups, Highlight Communications AG supports 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. Clear delimitations of responsibilities and process-integrated controls such as the use of the dual control principle constitute 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. The Highlight Group's monitoring and controlling system is also supported by management team 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

The prospects for development of the global economy in 2015 are muted. Although the International Monetary Fund (IMF) expects global growth to be up slightly on 2014 at 3.5 %, the negative influencing factors have increased considerably according to the organization. These particularly include geopolitical crises such as the still unresolved Ukraine/Russia conflict as well as fears that the economic recovery in the euro zone is stagnating or that very low inflation in Europe will turn into deflation. In addition, overheating of the financial markets is possible. Accordingly, the sharp rise in stock-market prices in recent years do not appropriately reflect the growing macroeconomic risk factors.

A 3.6 % increase in economic output is forecast for the US, meaning that the economy is likely to remain generally healthy. For the euro zone, the IMF expects economic growth of 1.2 %. Positive influencing factors identified are falling oil prices and the devaluation of the euro against the US dollar, which is likely to make products from the European currency area more competitive. By contrast, the low level of investment activity is likely to have a negative impact on the economy.

The German economy is set for moderate growth in 2015. The IMF expects economic output to rise by 1.3 %. The Ifo Institute is rather more optimistic, and forecasts a 1.5 % increase. This development is expected to be driven mainly by the domestic economy, which is likely to benefit from the decline in crude oil prices. As a result of the devaluation of the euro, the Ifo Institute also expects exports to rise more sharply than in previous years. Expectations for the development of the Swiss gross domestic product are much higher, with the State Secretariat for Economic Affairs (SECO) forecasting a 2.1 % rise in 2015. 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

PricewaterhouseCoopers (PwC) expects the media and entertainment industry in Germany to underperform the average for Western Europe in the next few years due to the existing high level of market saturation. The experts continue to see digitization as the main source of impetus for the sector. A particularly important factor here is the fast spread of smartphones, tablets, smart TVs and other devices with Internet connectivity. For instance, PwC predicts that around 57 % of the German population will own a tablet by 2018.

The convergence of media formats, changes in the use of devices and permanent connection of users to the Internet are set to have a strong influence on future business models in the industry. Personalization of media services, i.e. adaptation of content to the individual requirements of users, and the use of several devices simultaneously are megatrends that have placed significant demands on the advertising industry in terms of efficient planning of their media budgets.

Overall, robust revenue growth of 1.8 % per year on average is forecast for the industry in Germany from 2014 to 2018. On the basis of positive development of the advertising volume and consumer spending, the industry is likely to generate revenue of some EUR 71 billion by the end of this period.

FOCAL POINTS IN FISCAL YEAR 2015

Film segment

Sector-specific situation

The German Bundesrat opposes the decision to reduce the German Federal Film Fund (DFFF) to EUR 50 million in the federal budget for 2015, and has called for an increase to at least EUR 60 million for the 2016 budget year. In addition, the Bundesrat has declared that it firmly expects the DFFF to be safeguarded beyond 2017. Assured continuation of the DFFF beyond 2017 is a key factor in the financing of planned films that will encourage production companies like the Constantin Film Group to undertake creative and ambitious production business in Germany. A potential increase for the 2016 budget year also provides major impetus for sustainable growth prospects of the entire industry.

The movie market in Germany shows plenty of promise in 2015 in view of numerous blockbusters such as “Star Wars: The Force Awakens”, the new James Bond adventure “Spectre”, “Fack Ju Göhte 2”, “The Hunger Games – Mockingjay, Part 2”, “Inside Out”, “Minions”, “Fast and Furious 7”, “The Avengers – Age of Ultron”, “Ted 2”, “Jurassic World”, “Der Nanny”, “Kingsman: The Secret Service”, “Fifty Shades of Grey”, “Traumfrauen”, “Kung Fu Panda 3” and “The Peanuts Movie”. Attractive films, good stories and well-known stars will continue to be the main reasons to go to the movies. Going to the movies is an event, and triggers a greater propensity to spend. Therefore, PwC expects slight growth in revenue from movie-theater ticket sales, mainly as a result of higher ticket prices.

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

Most broadcasters now have sufficient programming assets, which makes negotiations for the sale of license products/library titles increasingly difficult, particularly for titles that are more than 10 to 15 years old. In addition, license prices have fallen sharply in recent years, both with public sector and private TV stations. Low demand from some of the new niche broadcasters and the growing prominence of subscription and streaming models – combined with low license prices – means that this trend cannot yet be countered.

Video-on-demand services are currently playing an increasingly important role in TV service production. For instance, a study by PwC forecasts revenue of over EUR 500 million in 2017 for current German online providers. The market, and producers in particular, need to adapt to this. In addition to traditional free-TV stations, pay-TV, niche broadcasters and IP-based exploitation platforms are becoming increasingly important as potential clients for producers. Fans of movies and sophisticated series are turning to pay-TV in ever larger numbers. Internet platforms will also be properly recognized as potential competition for commercial television and therefore as a possible new partner. However, platforms such as Netflix first need to recruit an appropriately large number of subscribers if they are actually to operate as customers for TV producers in Germany.

However, this market development does not indicate any negative impacts on conventional TV stations in the near future. A study by the Association of Commercial Broadcasters and Audiovisual Services in Germany (VPRT) forecasts positive development of income from TV advertising until 2019, meaning that there are no current expectations of a dramatic decrease in advertising income or an associated significant cut in production budgets as in the 2009 financial crisis. In particular, TV broadcasters can benefit from an aging audience that uses conventional TV extensively, while younger viewers are turning their backs on it only slowly.

Focal points in fiscal year 2015

In the theatrical production/rights acquisition business area, the Constantin Film Group is still focusing on the 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 ideally based on specific brands and/or have an event nature. 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, the Constantin Film Group's production slate can 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, the Constantin Film Group recently secured the adaptation rights for a wide range of attractive source material. It is necessary to develop more original ideas and independent brands for future film and series productions. Overall, the Group's creativity level must be increased further.

For 2015, 13 promising movie projects are in the pipeline so far. Some of the planned theatrical productions are English-language titles that are geared towards the international market. They particularly include “Resident Evil 6”, “The Secret”, “The Fantastic Four”, and “Polar”. Filming started on “Fack Ju Göhte 2” back in December, and shooting of the Rat Pack production “Die Lochis – Bruder von Luder” is set to start in the first quarter of 2015. “Schweinskopf al Dente”, “The Famous Five 5” and “Timm Thaler” are also planned for 2015. In addition, Olga Film GmbH is preparing for the “Flaschentreffen” project (aka “Klassefesten”).

Acquisition and development of promising literary works and original source material will again be the central elements this year.

In the area of theatrical distribution, the Constantin Film Group is continuing to pursue its proven strategy of combining national and international own and co-productions with a few high-quality third-party productions and releasing these titles 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, the Constantin Film Group will continue to analyze very carefully when and how to position its films on the German movie market.

As things stand, the theatrical slate for 2015 contains a total of 13 new releases. Apart from two titles, it consists entirely of own and co-productions, including the national own and co-productions “Frau Müller muss weg”, “The Famous Five 4”, “Mara und der Feuerbringer”, “Ostwind 2”, “Abschussfahrt”, “Fack Ju Göhte 2”, “Er ist wieder da”, and “Flaschentreffen”. The two licensed titles “Enchanted Kingdom” and “Light between the Oceans” as well as the international co-production “The Fantastic Four” are also planned.

In the home entertainment area, the very strong market share of 2014, which resulted largely from the outstanding performance of “Fack Ju Göhte”, will not be repeated in the current fiscal year. In 2015, the main impetus will stem from the new releases of the theatrical hits “Männerhort” and “Step Up: All In”. Further significant sales are expected from the co-production “The Fantastic Four” as well as the young people’s films “The Famous Five 4” and “Ostwind 2”.

In license trading/TV exploitation, free-TV exploitation at the start of 2015 will be dominated mainly by sales from the films “Das Hochzeitsvideo”, “LOL”, and “Freelancers”. In pay-TV exploitation, the likes of “Da geht noch was”, “Fack Ju Göhte”, and “Pompeii” will generate sales.

In the TV service production business area, the subsidiaries of Constantin Film AG are constantly working to develop innovative TV formats and expand their contacts with the major TV stations. Creative new developments are particularly in demand. For example, TV series with a consecutive story arc will be developed at both national and international level. Existing brands (e.g. "The Mortal Instruments" aka "Shadow Hunters") are likely to become established in the TV sector next year.

For the current year, Constantin Film AG expects to see a further improvement in the order situation in this business area, which could also be positively affected by the increasingly aggressive purchasing policy of the major online portals.

Numerous productions for 2015 are already commissioned or in development. Moovie GmbH is planning the TV movies "Ein verhängnisvolles Angebot" (ZDF), "Die Schweigeminute" (ZDF), "Club der singenden Metzger" (SWR), "Die Hebamme 2" (Sat.1), and "Die Familie" (ZDF). Constantin Television GmbH is planning "Branka Maric" as a series for Degeto and "Kombi" as a TV movie. Olga Film GmbH plans to make the two TV movies "Prenzlberg" (ZDF) and "Hodscha und die Piepenkötter" (WDR) as well as two further episodes of "Kommissarin Lucas" (ZDF). Rat Pack Filmproduktion GmbH will produce "Old Shatterhand" (aka "Winnetou") as a trilogy for RTL.

Overall, the performance in this area is expected to be at a similar level as 2014. With its TV service productions as well as TV exploitations of its theatrical productions, the Constantin Film Group will again achieve successful viewing figures in the double-digit percentage range this year.

Sports- and Event-Marketing segment

Sector-specific situation

For 2015, the sponsorship measurement consultancy firm IEG expects a further rise in global sponsorship spending of 4.1 % (previous year: 4.1 %) to USD 57.5 billion. IEG again expects the Asia/Pacific region to deliver the biggest percentage growth rate at 5.2 % (previous year: 5.6 %), while Europe remains at the lower end of the forecast range with a growth rate of 3.3 %. Even so, this represents a considerable improvement compared with the previous year's forecast of 2.1 %. For North America, the world's largest sponsorship market, IEG forecasts a rise of 4.0 % (previous year: 4.2 %) to USD 21.4 billion, while growth in Central and South America is estimated at as much as 4.8 % (previous year: 5.0 %).

Focal points in fiscal year 2015

In the current fiscal year, the TEAM Group remains focused on optimum marketing of the remaining TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League for the 2015/16 to 2017/18 seasons. The aim here is to fulfill the performance targets agreed with UEFA as early as possible in order to achieve an automatic contract extension for the 2018/19 to 2020/21 seasons. After this, TEAM will be focused on preparations for this new marketing cycle.

Other Business Activities segment

Sector-specific situation

According to a study conducted by the games market research specialist Newzoo in collaboration with the mobile-games marketing platform AppLift, the market for mobile games is also likely to grow significantly in the future. Based on an expected global revenue volume of USD 21.7 billion in 2014, the study predicts that this figure will rise to USD 35.4 billion in 2017. This would equate to total growth of 63.1 %. Newzoo cites the engine of this growth as the tablet-games market, which is likely to almost double from USD 6.5 billion to USD 12.8 billion in this period.

Focal points in fiscal year 2015

The activities of Highlight Event AG will mainly be geared towards the Vienna Philharmonic Orchestra, as some of the TV and sponsorship contracts for this project are also up for renewal for the period from 2018 to 2022. This will involve renegotiating a very large number of agreements. Operations are focused on successful handling of the events in Vienna (Eurovision Song Contest and Summer Night Concert) as well as the orchestra's special events in Helsinki, Seoul, and Singapore.

Online gaming provides the major opportunity of interacting with users, particularly in the globally fast-growing mobile games sector. Accordingly, the activities already implemented are increasingly being expanded. The online/social gaming area will also press ahead with its developments in order to position itself in the global games market. The development work undertaken and the available contacts are also to be used in order to enter into cooperations with other strong brands in the area of social gaming.

Financial targets of the Highlight Group

In the Film segment, it is assumed that the Constantin Film Group will again have at least two movies seen by more than a million people in fiscal year 2015. However, there is still uncertainty, particularly in terms of the performance of movie releases in 2015. As no international in-house production will be launched in movie theaters in the current year, financing proceeds from global distribution, which are allocated to theatrical exploitation, will not materialize. Income from German theatrical exploitation will also fall slightly due to a lower number of releases in 2015. Overall, therefore, movie sales will be down significantly on 2014. However, on the expenses side, this decrease in sales will be offset by lower production costs and amortization, meaning that the impacts on earnings will be relatively minor.

In home entertainment, the absence of last year's outstanding performance of "Fack Ju Göhte" will lead to a substantial decline in sales in 2015. Furthermore, the global distribution income allocated to home entertainment will fall, as no home entertainment releases of international in-house productions are planned in 2015. Overall, sales will also be down significantly on the previous year in license trading/TV exploitation. This is determined by the commencement of license periods as well as the contract volumes of past theatrical slates.

As financing proceeds from global distribution of international in-house productions will also be absent in this area, sales will be down significantly on the previous year. In TV service production, it is too early to assess the commissioning situation. Although many market developments must be closely observed initially, we expect sales for 2015 to be slightly higher than in the previous year. Overall, we are currently forecasting lower sales for fiscal year 2015 compared to the previous year in the Film segment, and slightly lower earnings.

In the Sports- and Event-Marketing segment, the euro-based forecast sales and earnings targets are unchanged within the current contract agreement for marketing the UEFA Champions League and the UEFA Europa League. It is too early to assess how much the sharp appreciation of the Swiss franc will impact on sales and earnings.

In the Other Business Activities segment, the existing contractual cooperation with the EBU and the Vienna Philharmonic Orchestra will continue to the same extent in fiscal year 2015, meaning that the forecast sales and earnings targets remain on par with the previous year. The need for intensive investment will continue in online/social gaming in 2015. We are therefore anticipating that there will be no notable sales and that earnings will remain negative. We also anticipate a net loss for the segment as a whole.

Against this background, we expect consolidated sales of CHF 310 million to CHF 330 million and a consolidated net profit for the period attributable to shareholders of CHF 14 million to CHF 16 million. The sales forecast is lower than in the previous year. This is the result of a cautious estimate of the EUR/CHF exchange rate as well as the fact that no international in-house productions in the Film segment are planned in 2015.

Pratteln, March 2015

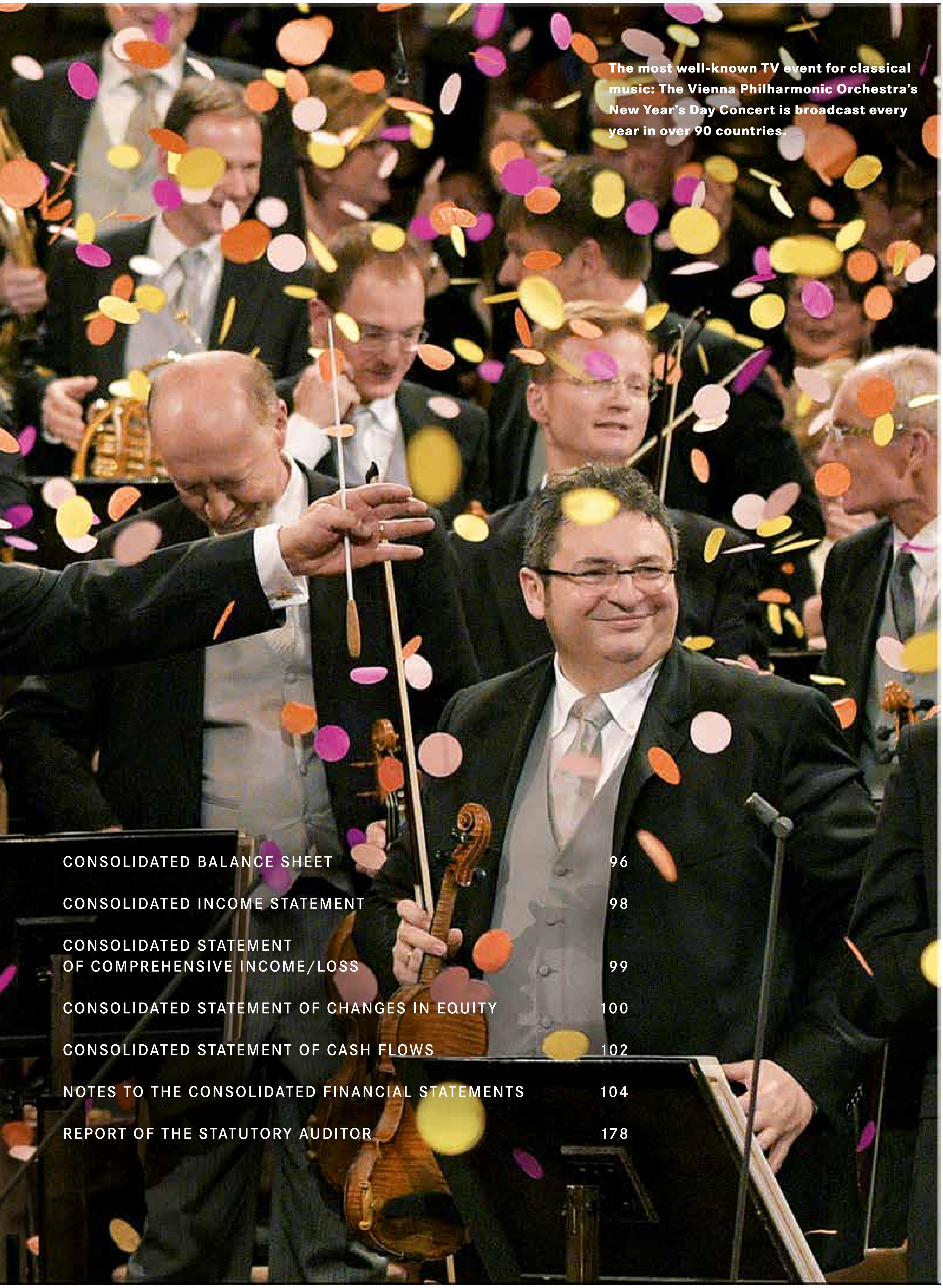
The Board of Directors

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.

Consolidated financial statements

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

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



The most well-known TV event for classical music: The Vienna Philharmonic Orchestra’s New Year’s Day Concert is broadcast every year in over 90 countries.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2014

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2014	Dec. 31, 2013
Non-current assets			
In-house productions		119,298	175,201
Third-party productions		41,087	35,843
Film assets	6.1	160,385	211,044
Other intangible assets	6.2	1,145	2,214
Goodwill	6.2	17,492	17,597
Property, plant and equipment	6.3	5,112	5,117
Investment property	6.4	3,900	–
Investments in associated companies and joint ventures	6.6	489	402
Non-current receivables due from third parties	6.9	1,666	1,068
Receivables due from associated companies and joint ventures	11	2,971	3,079
Other financial assets	6.8	1,802	227
Deferred tax assets	6.14	4,364	2,708
		199,326	243,456
Current assets			
Inventories	6.7	5,152	3,896
Trade accounts receivable and other receivables due from third parties	6.10/6.11	95,428	126,199
Receivables due from related parties	11	6	77
Receivables due from associated companies and joint ventures	11	3,371	2,283
Other financial assets	6.8	13,186	17,627
Income tax receivables	6.13	316	1,632
Cash and cash equivalents	6.12	44,773	44,259
Non-current assets held for sale		–	3,900
		162,232	199,873
Total assets		361,558	443,329

The notes on page 104 – 177 are an integral part of the consolidated financial statements.

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2014	Dec. 31, 2013
Equity	6.15		
Subscribed capital		47,250	47,250
Treasury stock		–2,816	–2,716
Capital reserve		–104,560	–104,534
Other reserves		–27,836	–26,187
Retained earnings		184,494	182,862
Equity attributable to shareholders		96,532	96,675
Non-controlling interests		10,348	10,573
		106,880	107,248
Non-current liabilities			
Pension liabilities	6.21	10,674	6,015
Provisions	6.22	–	1,601
Deferred tax liabilities	6.24	5,495	11,022
		16,169	18,638
Current liabilities			
Financial liabilities	6.18	81,279	151,997
Advance payments received	6.19	54,148	58,881
Trade accounts payable and other liabilities due to third parties	6.17	89,278	100,471
Liabilities due to related parties	11	137	282
Liabilities due to associated companies and joint ventures	11	700	26
Provisions	6.22	4,624	4,768
Income tax liabilities	6.23	8,343	1,018
		238,509	317,443
Total equity and liabilities		361,558	443,329

The notes on page 104 – 177 are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT 2014

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Sales	7.1	**412,578**	**386,197**
Capitalized film production costs and other own work capitalized	7.2	**37,840**	**89,449**
Total output		**450,418**	**475,646**
Other operating income	7.3	**21,643**	**20,912**
Costs for licenses, commissions and materials		–29,716	–39,472
Costs for purchased services		–132,635	–163,576
Cost of materials and licenses	7.4	**–162,351**	**–203,048**
Salaries		–85,111	–94,473
Social security, pension costs		–12,061	–10,712
Personnel expenses		**–97,172**	**–105,185**
Amortization and impairment on film assets	6.1	–115,059	–92,142
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	6.2/6.3	–3,567	–6,253
Goodwill impairment	6.2	–	–385
Amortization, depreciation and impairment		**–118,626**	**–98,780**
Other operating expenses	7.5	**–64,899**	**–71,049**
Profit from operations		**29,013**	**18,496**
Earnings from investments in associated companies and joint ventures	6.6	**273**	**57**
Financial income	7.6	12,681	11,070
Financial expenses	7.7	–18,617	–13,708
Financial result		**–5,936**	**–2,638**
Profit before taxes		**23,350**	**15,915**
Current taxes		–11,769	–3,947
Deferred taxes		6,485	–1,671
Taxes	7.8	**–5,284**	**–5,618**
Net profit		**18,066**	**10,297**
thereof shareholders' interests		16,651	9,731
thereof non-controlling interests		1,415	566

Earnings per share (CHF)			
Earnings per share attributable to shareholders (basic)		0.37	0.21
Earnings per share attributable to shareholders (diluted)		0.37	0.21
Weighted average number of shares (basic)		44,518,186	45,286,654
Weighted average number of shares (diluted)		44,518,186	45,286,654

The notes on page 104 – 177 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS 2014

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Net profit	**18,066**	**10,297**
Currency translation differences	–1,720	1,707
Items that may be reclassified to the income statement in future	**–1,720**	**1,707**
Actuarial gains and losses of defined benefit obligation plans	–3,534	2,529
Gains/losses from financial assets at fair value through other comprehensive income/loss	–3,797	1,707
Items that will not be reclassified to the income statement in future	**–7,331**	**4,236**
Other comprehensive income/loss, net of tax	**–9,051**	**5,943**
Total comprehensive income/loss	**9,015**	**16,240**
thereof shareholders' interests	7,845	15,505
thereof non-controlling interests	1,170	735

The notes on page 104 – 177 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2014

Highlight Communications AG, Pratteln

		Equity	
(TCHF)	Note	Subscribed capital	Treasury stock
Balance as of January 1, 2014		47,250	–2,716
Currency translation differences		–	–
Items that may be reclassified to the income statement in future		–	–
Actuarial gains and losses of defined benefit obligation plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income/loss		–	–
Items that will not be reclassified to the income statement in future		–	–
Other comprehensive income/loss, net of tax		–	–
Net profit		–	–
Total comprehensive income/loss		–	–
Purchase of treasury stock		–	–100
Sale of treasury stock		–	–
Dividend payments		–	–
Change in non-controlling interests		–	–
Other changes		–	–
Balance as of December 31, 2014	6.15	47,250	–2,816
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		47,250	–2,716

The notes on page 104 – 177 are an integral part of the consolidated financial statements.

attributable to shareholders					
Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
–104,534	–26,187	182,862	96,675	10,573	107,248
–	–1,649	–	–1,649	–71	–1,720
–	–1,649	–	–1,649	–71	–1,720
–	–	–3,360	–3,360	–174	–3,534
–	–	–3,797	–3,797	–	–3,797
–	–	–7,157	–7,157	–174	–7,331
–	–1,649	–7,157	–8,806	–245	–9,051
–	–	16,651	16,651	1,415	18,066
–	–1,649	9,494	7,845	1,170	9,015
–	–	–291	–391	–	–391
–	–	–	–	–	–
–	–	–7,571	–7,571	–1,326	–8,897
–26	–	–	–26	–69	–95
–	–	–	–	–	–
–104,560	–27,836	184,494	96,532	10,348	106,880
– 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 2014

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Net profit		18,066	10,297
Deferred taxes		–6,485	1,671
Current taxes		11,769	3,947
Financial result (without currency result)		4,656	6,158
Earnings from investments in associated companies and joint ventures	6.6	–273	–57
Amortization, depreciation and impairment on non-current assets		118,626	98,780
Gain (-)/loss (+) from disposal of non-current assets	7.3/7.5	–43	62
Other non-cash items		67	1,224
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities		29,179	–9,719
Decrease (-)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities		–13,676	13,495
Dividends received from associated companies and joint ventures		302	254
Interest paid		–3,214	–3,270
Interest received		453	578
Income taxes paid		–5,589	–11,005
Income taxes received		2,531	5,084
Cash flow from operating activities		**156,369**	**117,499**

The notes on page 104 – 177 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Payments for intangible assets	6.2	–288	–1,028
Payments for film assets		–70,584	–136,178
Payments for property, plant and equipment	6.3	–2,368	–1,747
Payments for financial assets		–3,582	–2,933
Proceeds from disposal of intangible assets and film assets		74	–
Proceeds from disposal of property, plant and equipment		151	40
Proceeds from disposal of financial assets		70	1,011
Cash flow for investing activities		**–76,527**	**–140,835**
Payments for purchase of treasury stock		–391	–8,198
Payments for purchase of non-controlling interests	6.15	–95	–2,647
Repayment of current financial liabilities		–94,956	–148,090
Proceeds from receipt of current financial liabilities		25,425	162,796
Dividend payments		–8,897	–9,424
Cash flow for financing activities		**–78,914**	**–5,563**
Cash flow from/for the reporting period		**928**	**–28,899**
Cash and cash equivalents at the beginning of the reporting period		44,259	72,517
Change in cash and cash equivalents due to exchange rate movements		–414	641
Cash and cash equivalents at the end of the reporting period		44,773	44,259
Change in cash and cash equivalents		**928**	**–28,899**

The notes on page 104 – 177 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2014

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 18, 2015, and require the approval of the Annual General Meeting of June 12, 2015.

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, 2014, 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 balance sheet 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 mandatory application of the following accounting standards and interpretations from January 1, 2014, did not result in any material changes in these consolidated financial statements:

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

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

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, 2014:

Standards/amendments/interpretations		Effective for fiscal years starting on or after
IFRS 9	Financial Instruments, full standard with new regulations for the recognition of impairment losses and changes in the classification and measurement of financial assets and hedges	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2017
IFRS 10	Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendment)	January 1, 2016
Investment Entities – applying consolidation exceptions (amendments to IFRS 10, IFRS 12 and IAS 28)		January 1, 2016
IFRS 11	Joint Arrangements – accounting for acquisitions of interests in joint operations (amendment)	January 1, 2016
IAS 1	Presentation of Financial Statements – disclosure initiative (amendment)	January 1, 2016
IAS 16	Property, Plant and Equipment and IAS 38, Intangible Assets – clarification of acceptable depreciation and amortization methods (amendment)	January 1, 2016

IAS 16	Property, Plant and Equipment and IAS 41, Agriculture – Bearer Plants (amendment)	January 1, 2016
IAS 19	Employee Benefits – Accounting for Employee Contributions (amendment)	July 1, 2014
IAS 27	Separate Financial Statements – Equity Method in Separate Financial Statements	January 1, 2016
Annual IFRS improvement process (2010–2012)*		July 1, 2014
Annual IFRS improvement process (2011–2013)**		July 1, 2014
Annual IFRS improvement process (2012–2014)***		January 1, 2016
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. The amendment to IFRS 13 is effective for the first time for annual periods beginning on or after January 1, 2014. However, this amendment does not influence these consolidated financial statements.*

** *This specifically relates to the following standards and interpretations: IFRS 1, IFRS 3, IFRS 13, IAS 40. The amendment to IFRS 1 is effective for the first time for annual periods beginning on or after January 1, 2014. However, this amendment does not influence these consolidated financial statements.*

*** *Specifically, this affects the following standards and interpretations: IFRS 5, IFRS 7, IAS 19, IAS 34.*

The following standards are significant for the future consolidated financial statements of Highlight Communications AG:

IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets – clarification of acceptable depreciation and amortization methods (amendment)

The provisions of IAS 16 were amended to clarify when a revenue-based depreciation method is not appropriate for property, plant and equipment. The newly introduced paragraph IAS 16.62A clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate as the revenue also reflects factors other than the actual consumption of the economic benefit of the asset. By contrast to the strict prohibition on the use of revenue-based depreciation methods for property, plant and equipment, a rebuttable presumption regarding the prohibition of revenue-based depreciation was added to the provisions of IAS 38. In a manner similar to IAS 16, this is justified by the fact that revenue generated using an intangible asset typically also reflects factors that do not relate directly to the consumption of the intrinsic economic benefit of the intangible asset. The newly introduced paragraph also describes the only two cases in which revenue-based depreciation is permitted:

- The intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and
- it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

The Highlight Group is currently examining the possible effects of implementing the amendments.

IFRS 9, Financial Instruments (2010, 2013 and 2014)

On July 24, 2014, the IASB published the final version of IFRS 9, Financial Instruments. This version compiles the results of the phases classification and measurement of financial assets (2009) and financial liabilities (2010), impairment (2014) and hedge accounting (2013), in which the project to replace IAS 39, Financial Instruments: Recognition and Measurement, was implemented.

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.

The new impairment model moves the focus to generally earlier loss allowances. IFRS 9 stipulates three levels that will determine the amount of loss and interest recognition in the future:

- Level 1: Losses expected on addition must be recognized in the amount of the present value of the 12-month expected credit losses
- Level 2: If the credit risk has increased significantly, the loss allowance must be increased up to the amount of losses expected for the full remaining term
- Level 3: In the event of an objective indication of impairment, interest revenue is recognized on the basis of the net carrying amount

IFRS 9 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. On first-time adoption of IFRS 9, an entity has a one-time option to choose between hedge accounting under IFRS 9 and the previous guidance under IAS 39. The variant chosen applies to all current and future hedge accounting.

The standard replaces all earlier versions of IFRS 9 and is effective for annual periods beginning on or after January 1, 2018. Voluntary early adoption is possible. The Highlight Group is currently examining the possible effects of implementing the amendments.

IFRS 15, Revenue from Contracts with Customers

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The core principle is implemented with a five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

There is new guidance on whether revenue is recognized over time or at a point in time. The standard also provides regulations on matters such as the identification of independent performance obligations, accounting for contract modifications, accounting for the time value of money, costs to obtain or fulfill a contract and sales with a right of return. The standard required extensive additional disclosures on revenue in the financial statements. IFRS 15 is effective for annual financial statements prepared by an entity for reporting periods beginning on or after January 1, 2017. Early adoption is permitted. The Highlight Group is currently examining the possible effects of implementing the amendments.

3. Scope of consolidation

The following changes occurred in the scope of consolidation in fiscal year 2014:

Acquisitions, new companies and first-time consolidation

On June 30, 2014, and on December 30, 2014, Highlight Communications AG increased its shares in Highlight Event & Entertainment AG, which was already included in consolidation, from 68.634 % to 68.986 %. The purchase price for the new shares was TCHF 95.

Rainbow Home Entertainment AG acquired an investment of 24.5 % or TCHF 123 in the newly founded Paperflakes AG, Pratteln, on July 7, 2014. The company is managed as an associate and included in the consolidated financial statements using the equity method.

Constantin Entertainment RO SRL, Bucharest, was founded on October 24, 2014. 99.9 % of the shares are held by Constantin Entertainment GmbH, 0.1 % by Constantin Film Produktion GmbH. The company is included in consolidation.

Constantin Entertainment Bulgarien EOOD, Sofia, was founded on November 4, 2014. All shares are held by Constantin Entertainment GmbH. The company is included in consolidation.

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

Other changes

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

Resident Evil Mexico S. DE R.L. DE C.V., Mexico, was liquidated on June 27, 2014. Impact Pictures Ltd., UK, which was not included in consolidation, was liquidated on July 8, 2014. The fully consolidated DoA Production Ltd., UK, was liquidated on July 15, 2014. Furthermore, the company not included in consolidation, Selskabet af 11. April 2013 A/S (formerly Smilla Film A/S), Denmark, was liquidated on December 9, 2014.

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

The shares in the company accounted for using the equity method, NEF-Production S.A.S., were sold at carrying amount of TCHF 0 on November 30, 2014.

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:

	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 exploitation 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	68.99 %	68.99 %
Escor Automaten AG	Development and distribution of gaming machines	CH	CHF	3,000,000	68.99 %	100 %
Highlight Event AG	Event marketing	CH	CHF	500,000	68.99 %	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	105,100	100 %	100 %
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	100 %	100 %
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	100 %	100 %
Constantin Film Development Inc.	Acquisition and development of content	US	USD	530,000	100 %	100 %
Constantin 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 %
Constantin Entertainment RO SRL****	TV entertainment production	RO	RON	10,000	100 %	100 %
Constantin Entertainment Bulgarien EOOD	TV entertainment production	BG	BGN	5,000	100 %	100 %
Olga Film GmbH	Film and TV production	DE	EUR	603,000	95.52 %	95.52 %
Moovie GmbH	TV entertainment production	DE	EUR	104,000	75.5 %	75.5 %
Rat Pack Filmproduktion GmbH	TV entertainment production	DE	EUR	103,000	51 %	51 %
Westside Filmproduktion GmbH	TV entertainment production	DE	EUR	103,000	51 %	51 %
Constantin Film Verleih GmbH	License trading and theatrical distribution	DE	EUR	250,000	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.*
** *0.03 % are held by Constantin Film Produktion GmbH.*
*** *0.2 % are held by Constantin Film Produktion GmbH.*
**** *0.01 % are held by Constantin Film Produktion GmbH.*

Overview of companies not included in consolidation

Owing to a lack of business activities, the following subsidiaries of Highlight Communications AG 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 Highlight Communications AG's scope of consolidation. 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
Impact Pictures LLC*	US	USD	1,000	51%
T.E.A.M. UK**	UK	GBP	1	100%

* *Share held by Constantin Pictures GmbH, Germany.*
** *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, 2014 - Dec. 31, 2014	EUR	100,000
Mister Smith Entertainment Ltd.	50%	Jan. 1, 2014 - Dec. 31, 2014	GBP	200

Financial information on the joint ventures can be found in note 6.6.

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, 2014 - Dec. 31, 2014	EUR	25,000
Kuuluu Interactive Entertainment AG	41.5%	Jan. 1, 2014 - Dec. 31, 2014	CHF	100,000
Paperflakes AG	24.5%	July 7, 2014 - Dec. 31, 2014	CHF	500,000

Financial information on the associated companies can be found in note 6.6.

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 which indicate 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. It 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 associated companies 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 balance sheet. They are reported in the consolidated balance sheet under equity but separately from the equity attributable to the shareholders of the parent company.

The effects 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 classified as held for sale are also recognized in other comprehensive income. Translation differences on fair value adjustments of monetary financial instruments classified as held for sale are recognized in equity.

Currency translation in the Group

The balance sheet items of foreign subsidiaries with a functional currency other than Swiss francs are translated in accordance with the functional currency concept at the middle rate 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

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

		Rate at balance sheet date		Annual average rate	
				Jan. 1 to	Jan. 1 to
		Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Euro	(EUR)	1.20290	1.22590	1.21482	1.23091
US dollar	(USD)	0.98960	0.89050	0.91537	0.92723
British pound	(GBP)	1.53720	1.46840	1.50710	1.45000
Canadian dollar	(CAD)	0.85110	0.83270	0.82900	0.90082

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 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 taken into account when measuring the fair value of financial assets and 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 recognized as investment property, there were no non-financial assets measured at fair value as of December 31, 2014.

When measuring non-financial liabilities and an entity's own equity instruments, a transfer to another market participant is not 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, 2014.

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 fair value 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.

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 (own and co-productions) plus the cost of developing new projects. The acquisition of rights to third-party productions usually includes movie theater, 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 sales. Under the individual film forecast method, the amortization for a film in a period is calculated by the formula “sales generated by the film in the period divided by the film’s estimated total remaining sales and multiplied by the residual carrying amount of the film”. The sales 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 sales. The maximum period for estimating sales is ten years for films as recognized in the film assets of the Highlight Group.

The estimate of the total sales 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 sales. Each film is also tested for impairment in each reporting period and if there are indications of impairment. If the cost or the carrying amount of the film is not covered by its estimated total sales less release costs yet to be incurred, the film is written down to its value in use. Estimated cash flows are discounted with an individual interest rate that takes into account the terms of the different periods of exploitation. Estimated cash flows can vary significantly as a result of a number of factors such as market acceptance. The 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 leasehold improvements, technical equipment and machinery, other equipment, operating and office equipment, advance payments and assets under construction.

The costs of leasehold improvements are usually depreciated over the term of the respective lease (up to 27.5 years). Technical equipment and other equipment, 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 resulting 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 Investment property

Investment property is defined as properties that are held to earn rentals or for capital appreciation or both. Investment property is initially recognized at cost, including transaction costs. Subsequently, investment property is measured at fair value. Gains and losses resulting from changes in fair value are recognized in profit or loss in the period in which they arise.

An investment property is derecognized on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is defined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the income statement in the period of disposal.

4.11 Inventories

Service productions under development

Inventories include service productions in development that have not yet been ordered by the broadcaster (see note 4.21).

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.

4.12 Non-current assets held for sale and disposal groups

Classification as held for sale requires specific non-current assets or groups of assets that can be sold in their current condition and on the premise 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.

4.13 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.

4.14 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, advance payments received 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 payables 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 with a negative fair value at the end of the reporting period are reported under other liabilities. Financial liabilities are classified as held for trading if they are purchased for sale in the near future. Derivative financial instruments with a negative market value at the end of the reporting period are always assigned to this category, except for derivatives that are financial guarantees or derivatives that are designated as hedging instruments and effective as such (hedge accounting).

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 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.

4.15 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”. 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 larger 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 of management. No contributions for this additional saving facility were charged to the income statement.

4.16 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.

4.17 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.

4.18 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. The best estimate of the tax payment provisionally expected is used for recognized income tax items.

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.

4.19 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.

4.20 Sales recognition

Trade accounts receivable are 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, sales from theatrical films are recognized from the time of their release. The amount of sales 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 sales in the reporting period (see note 4.21).

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

For home entertainment exploitation, sales from DVDs und Blu-rays sold are recognized as of release, taking into account the expected returns of merchandise. For digital purchase and rental transactions, sales are also recognized from release, based on the number of digital transactions. Sales from licenses for home entertainment rights are recognized as of the date on which the license takes effect.

Sales in Sports- and Event-Marketing are recognized as per the contracts for the respective projects. Most project contracts, including all key projects, provide for the 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 sales 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.

4.21 Long-term service production

Service productions are recognized using the percentage of completion method if the necessary requirements are met. Total contract sales 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, sales are 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 receivables or payables in the amount of the difference between realized sales and invoices. Service productions in development that have not yet been ordered by the broadcaster are recognized under inventories.

4.22 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, 2014, as was the case as of December 31, 2013.

4.23 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 and contingent liabilities 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 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 sales 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 2014			
Balance on January 1, 2014	476,665	949,796	1,426,461
Currency translation differences	–5,252	–18,154	–23,406
Additions	26,651	41,281	67,932
Disposals	415	–	415
Balance on December 31, 2014	**497,649**	**972,923**	**1,470,572**
Accumulated amortization 2014			
Balance on January 1, 2014	440,822	774,595	1,215,417
Currency translation differences	–4,533	–15,415	–19,948
Amortization for the year	19,091	88,844	107,935
Impairment	1,523	5,601	7,124
Disposals	341	–	341
Balance on December 31, 2014	**456,562**	**853,625**	**1,310,187**
Acquisition and production costs 2013			
Balance on 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 on December 31, 2013	**476,665**	**949,796**	**1,426,461**
Accumulated amortization 2013			
Balance on 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 on December 31, 2013	**440,822**	**774,595**	**1,215,417**
Net carrying amounts on December 31, 2014	**41,087**	**119,298**	**160,385**
Net carrying amounts on December 31, 2013	**35,843**	**175,201**	**211,044**

Impairment losses of TCHF 7,124 (previous year: TCHF 13,032) were recognized in fiscal year 2014 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 0.77 % and 5.36 % (previous year: between 2.98 % and 6.90 %). The disposals relate to third-party productions to which the rights expired in the year under review.

In fiscal year 2014, the Highlight Group received project subsidies and project promotion loans of TCHF 8,278 (previous year: TCHF 26,328), which were deducted from the capitalized costs.

Deferred project promotion loans amounted to TCHF 2,279 as of December 31, 2014 (previous year: TCHF 2,389). Project promotions of TCHF 567 were repaid in fiscal year 2014 (previous year: TCHF 753).

Sales subsidies and distribution loans of TCHF 4,276 (previous year: TCHF 5,868) were also recognized in the consolidated income statement in fiscal year 2014 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, 2014. Distribution loans of TCHF 1,374 (previous year: TCHF 194) were repaid over fiscal year 2014. As of December 31, 2014, there were receivables for subsidies and grants of TCHF 13,086 (previous year: TCHF 15,357).

Directly attributable financing costs of TCHF 1,229 (previous year: TCHF 1,827) were capitalized in fiscal year 2014. 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 1.34 % to 5.00 % (previous year: 1.44 % to 6.4 %).

6.2 Other intangible assets and goodwill

Other intangible assets broke down as follows as of December 31, 2014:

(TCHF)	Purchased intangible assets	Internally developed intangible assets	Total intangible assets	Goodwill
Acquisition and production costs 2014				
Balance on January 1, 2014	6,530	3,087	9,617	23,327
Currency translation differences	–58	–47	–105	–166
Additions	89	199	288	–
Disposals	10	–	10	–
Balance on December 31, 2014	6,551	3,239	9,790	23,161
Accumulated amortization 2014				
Balance on January 1, 2014	5,282	2,121	7,403	5,730
Currency translation differences	–56	–35	–91	–61
Amortization for the year	583	760	1,343	–
Disposals	10	–	10	–
Balance on December 31, 2014	5,799	2,846	8,645	5,669
Net carrying amounts on December 31, 2014	752	393	1,145	17,492

Acquisition and production costs 2013				
Balance on 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 on December 31, 2013	**6,530**	**3,087**	**9,617**	**23,327**
Accumulated amortization 2013				
Balance on 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 on December 31, 2013	**5,282**	**2,121**	**7,403**	**5,730**
Net carrying amounts on December 31, 2013	**1,248**	**966**	**2,214**	**17,597**

Purchased intangible assets of TCHF 752 (previous year: TCHF 1,248) primarily consist of software. The impairment losses recognized in this category in the previous year related to customer relationships of the Other Business Activities segment.

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 17,492 (previous year: TCHF 17,597) was recognized in the balance sheet as of December 31, 2014. The table below shows the allocation of goodwill:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Constantin Film Verleih GmbH	12,025	12,025
Olga Film GmbH	1,232	1,255
Constantin Entertainment GmbH	4,181	4,261
Other	54	56
Total	**17,492**	**17,597**

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 7.50 % and 7.52 % as of December 31, 2014 (previous year: 8.81 % and 8.92 %).

Goodwill underwent the annual impairment test as of December 31, 2014. This did not give rise to any impairment losses. The goodwill impairment recognized in the previous year related to Constantin Entertainment Croatia d.o.o., whose activities are reported in the Film segment.

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 sales 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, 2014:

(TCHF)	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total property, plant and equipment
Acquisition and production costs 2014					
Balance on January 1, 2014	5,019	2,149	12,145	–	19,313
Currency translation differences	–14	–45	–127	–	–186
Additions	259	427	1,619	63	2,368
Disposals	–	30	823	–	853
Balance on December 31, 2014	**5,264**	**2,501**	**12,814**	63	**20,642**
Accumulated depreciation 2014					
Balance on January 1, 2014	3,197	1,781	9,218	–	14,196
Currency translation differences	–10	–36	–99	–	–145
Depreciation for the year	461	388	1,375	–	2,224
Disposals	–	22	723	–	745
Balance on December 31, 2014	**3,648**	**2,111**	**9,771**	–	**15,530**
Acquisition and production costs 2013					
Balance on 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 on December 31, 2013	**5,019**	**2,149**	**12,145**	–	**19,313**
Accumulated depreciation 2013					
Balance on 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 on December 31, 2013	**3,197**	**1,781**	**9,218**	–	**14,196**
Net carrying amounts on Dec. 31, 2014	**1,616**	**390**	**3,043**	**63**	**5,112**
Net carrying amounts on Dec. 31, 2013	**1,822**	**368**	**2,927**	–	**5,117**

Fire insurance values amounted to TCHF 16,957 (previous year: TCHF 17,272) as of December 31, 2014.

6.4 Investment property

The investment property is a former business property of Highlight Event & Entertainment AG in Düdingen, which is predominantly held for generating rental income. As the management does no longer consider the sale of the property to be highly likely in the coming months, it was reclassified from “Non-current assets held for sale” to “Investment property” as of June 30, 2014. As a result of the discontinued sale of certain gaming machines for casinos at the start of 2013 and the relocation of the head office of Highlight Event & Entertainment AG from Düdingen to Lucerne in May 2014, the self-used portion is insignificant and the property is practically only held for rental purposes. Valuation was performed using the fair value model (see note 8.4).

The fire insurance value was TCHF 5,661 (previous year: TCHF 5,661) as of December 31, 2014.

Rental income for the investment property amounts to TCHF 153 and the associated direct operating expenses amount to TCHF 84.

An impairment loss of TCHF 250 was recognized on this property in the previous year, which was then recognized as a non-current asset held for sale.

6.5 Subsidiaries with significant non-controlling interests

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

Subsidiary	Dec. 31, 2014	Dec. 31, 2013
Highlight Event & Entertainment AG, Lucerne, Switzerland	31.01%	31.37%

Disclosures on financial information (after elimination of internal relations)

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Equity attributable to non-controlling interests	6,058	6,234

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Earnings attributable to non-controlling interests	67	–18

Disclosures on financial information (before elimination of internal relations)

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Current assets	16,998	20,917
Non-current assets	3,966	65
Total assets	**20,964**	**20,982**
Current liabilities	246	427
Non-current liabilities	1,184	680
Total liabilities	**1,430**	**1,107**
Net assets	**19,534**	**19,875**

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Sales	3,193	3,309
Earnings from continuing operations after taxes	213	–102
Other earnings after taxes	–554	382
Total earnings	**–341**	**280**
Cash flow for/from operating activities	–13	402
Cash flow from/for investing activities	10	–48
Cash flow from financing activities	–	–
Cash flow for/from the period	**–3**	**354**

This is the consolidated financial information of the Highlight Event & Entertainment Group. The other non-controlling interests are not material.

6.6 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 on 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 on December 31, 2013	**336**	**66**	**402**
Additions	–	123	123
Dividends/repayments of capital	–302	–	–302
Share of earnings	265	8	273
Currency translation	–6	–1	–7
Balance on December 31, 2014	**293**	**196**	**489**

Financial information	Joint ventures		Associated companies	
(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Earnings after taxes	–614	–320	–1,475	–3,580
Other earnings (OCI)	–	–	–	2
Total earnings	**–614**	**–320**	**–1,475**	**–3,578**
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Contingent liabilities (proportional)	198	25	–	–

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2013, were used for reporting on associated companies as the annual financial statements as of December 31, 2014, 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.

NEF-Production S.A.S. was sold at carrying amount of TCHF 0 on November 30, 2014.

The unrecognized pro rata loss of companies accounted for using the equity method was TCHF 1,159 in the year under review (previous year: TCHF 1,603). The cumulative unrecognized pro rata loss was TCHF 3,253 (previous year: TCHF 2,688). The unrecognized pro rata losses are losses exceeding the value of the Group's holding in an associated company or a joint venture.

6.7 Inventories

Inventories broke down as follows as of December 31, 2014:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Net balance		
Unfinished goods and services	2,585	1,375
Finished goods	–	48
Blu-rays/DVDs	2,522	2,426
Other merchandise	45	47
Total	5,152	3,896

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

Impairment losses of TCHF 171 (previous year: TCHF 41) were recognized in fiscal year 2014 and impairment losses of TCHF 5 (previous year: TCHF 27) were reversed.

6.8 Other financial assets

	Current assets		Non-current assets	
(TCHF)	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Financial assets at fair value through profit or loss				
Preference shares	1,624	2,268	–	–
Shares	–	–	1,712	–
Real estate funds	–	–	90	227
Financial assets at fair value through other comprehensive income/loss				
Shares	11,562	15,359	–	–
Total	13,186	17,627	1,802	227

Other current financial assets include an interest of 7.93 % in listed Constantin Medien AG (previous year: 8.72 %) with a carrying amount and market value of TCHF 11,562 (previous year: TCHF 15,359). The reported preference shares in a Canadian company in the amount of TCHF 1,624 in total (previous year: TCHF 2,268) were acquired in connection with the production of the movies "Resident Evil: Afterlife" and "Resident Evil: Retribution". In the year under review preference shares in the amount of TCHF 675 (previous year: TCHF 36) were sold at carrying amount. The gradual repurchase of the preference shares by the issuer is planned in the coming fiscal years as well. 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.

Other non-current financial assets of TCHF 1,802 in total (previous year: TCHF 227) included investment securities of TCHF 90 (previous year: TCHF 227) and shares in the company not included in consolidation, Pulse Evolution Corporation, in the amount of TCHF 1,712 (previous year: TCHF 0) as of December 31, 2014.

The investment 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. Parts of these securities were sold in the year under review.

Rainbow Home Entertainment AG acquired 6.2 % of shares in Pulse Entertainment Corporation at a purchase price of TCHF 1,522 in the second quarter of 2014. In October 2014, Pulse Entertainment Corporation concluded a stock swap with the company Pulse Evolution Corporation. This transaction resulted in a new equity investment in the company Pulse Evolution Corporation of 4.03 %. The stock swap had no effect on these consolidated financial statements. Pulse Evolution Corporation is in the start-up phase and has been listed on the OTCQB exchange in the US since October 10, 2014. Owing to the low trading level, there is currently no liquid, active market and a fair value cannot be reliably determined. These shares are therefore measured at cost in USD and assigned to level 3 of the fair value hierarchy (see note 8.4). No sale of these shares is planned as of December 31, 2014.

6.9 Non-current receivables

Non-current receivables of TCHF 1,666 in total (previous year: TCHF 1,068) essentially relate to the value added tax for sales not yet recognized under IFRS and are discounted in line with their maturity.

6.10 Trade accounts receivable

Trade accounts receivable broke down as follows as of December 31, 2014:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Trade accounts receivable		
Current receivables	34,273	41,564
PoC receivables	9,424	13,215
Gross amount	**43,697**	**54,779**
Individual write-downs	–4,801	–4,596
Portfolio write-downs	–216	–245
Net amount	**38,680**	**49,938**

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, 2014	Dec. 31, 2013
CHF	2,694	3,348
EUR	35,913	41,438
USD	73	5,152
Total	**38,680**	**49,938**

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 2014 and 2013:

(TCHF)	2014	2013
Balance write-downs on January 1	**4,841**	**4,598**
Currency translation differences	–88	67
Additions	589	272
Consumption	–124	–79
Reversal	–201	–17
Balance write-downs on December 31	**5,017**	**4,841**

The following table shows the maturities of trade accounts receivable:

(TCHF)	Carrying amount	neither impaired nor overdue	(Days) less than 90	between 91 and 180	between 181 and 270	between 271 and 365	more than 365
December 31, 2014							
Trade accounts receivable	38,680	36,179	1,500	349	446	21	185
December 31, 2013							
Trade accounts receivable	49,938	46,777	2,105	745	30	60	221

6.11 Other receivables

Other receivables broke down as follows as of December 31, 2014:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Prepaid expenses	7,422	4,385
Input tax	952	558
Other taxes	75	375
Advance payments	7,180	5,151
Suppliers with debit balances	746	822
Receivables due from personnel	725	630
Receivables from loans	19,968	43,165
Subsidies receivables	13,086	15,357
Positive fair value of underlying transactions in hedging relationships	185	565
Positive fair value of derivative financial instruments in hedging relationships	3,624	384
Positive fair value of financial instruments without hedging relationships	–	282
Other assets	2,785	4,587
Total	**56,748**	**76,261**

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

The receivables from loans/borrowings 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 1,354 (previous year: TCHF 3,345), TCHF 0 (previous year: TCHF 10,285) and TCHF 17,072 (previous year: TCHF 19,863).

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

The other receivables mature as follows:

(TCHF)	Other receivables	thereof not IFRS 7 relevant*
December 31, 2014		
Prepaid expenses	7,422	7,422
Input tax	952	952
Other taxes	75	75
Advance payments	7,180	7,180
Suppliers with debit balances	746	–
Receivables due from personnel	725	–
Receivables from loans	19,968	–
Subsidies receivables	13,086	–
Positive fair value of underlying transactions in hedging relationships	185	185
Positive fair value of derivative financial instruments in hedging relationships	3,624	–
Positive fair value of derivative financial instruments without hedging relationships	–	–
Other assets	2,785	28
Total	**56,748**	**15,842**
December 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**

** Not relevant under IFRS 7: These are not financial instruments.*

Other receivables are in the following currencies:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
CHF	5,476	5,627
EUR	30,596	36,950
USD	2,191	3,738
CAD	18,483	29,945
Other	2	1
Total	**56,748**	**76,261**

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
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
746	746	–	–	–	–	–
725	725	–	–	–	–	–
19,968	19,968	–	–	–	–	–
13,086	13,086	–	–	–	–	–
–	–	–	–	–	–	–
3,624	3,624	–	–	–	–	–
–	–	–	–	–	–	–
2,757	2,757	–	–	–	–	–
40,906	**40,906**	**–**	**–**	**–**	**–**	**–**
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
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**

6.12 Cash and cash equivalents

Interest is paid on call money and short-term sight deposits. The interest rate varies between 0 % and 0.3 % (previous year: 0 % to 0.5 %).

6.13 Income tax receivables

Income tax receivables developed as follows:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Income taxes Switzerland	8	54
Income taxes Germany	–	828
Income taxes rest of the world	308	750
Total income taxes	**316**	**1,632**

6.14 Deferred tax assets

Deferred tax assets are comprised as follows:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Tax loss carryforwards	3,613	3,700
Intangible assets/film assets	–	5,897
Property, plant and equipment	6	4
Trade accounts receivable	189	11,923
Inventories	7,944	7,770
Trade accounts payable	1,715	1,605
Other liabilities	406	8
Advance payments received	24,797	9,600
Provisions	–	97
Pension liabilities	1,499	856
Total	**40,169**	**41,460**
Netting with deferred tax liabilities	–35,805	–38,752
Deferred tax assets (netted)	**4,364**	**2,708**

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

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Current deferred tax assets	6	8
Non-current deferred tax assets	4,358	2,700

The Group has total loss carryforwards of TCHF 26,403 (previous year: TCHF 26,636) for which no deferred tax assets were recognized.

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

2014 (TCHF)	Expiry date		
	< 1 year	1–5 years	> 5 years
	527	8,622	17,254

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

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

6.15 Equity

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

Share capital

As of December 31, 2014, 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 2013 in the reporting period.

Authorized capital

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 was implemented in the year under review. There was no authorized capital available to the Board of Directors as of December 31, 2014.

Treasury stock

As of December 31, 2014, the separately reported item "Treasury stock" amounted to TCHF –2,816 (previous year: TCHF –2,716). The amount reflects the nominal capital of treasury shares. As of December 31, 2014, the number of directly and indirectly held non-voting treasury shares taking into account those held by subsidiaries was 2,815,650 shares in Highlight Communications AG (previous year: 2,715,650). 100,000 treasury shares were acquired at a purchase price of TCHF 391 in the year under review.

Capital reserve

As of December 31, 2014, the Group's capital reserve amounted to a total of TCHF –104,560 (previous year: TCHF –104,534).

The reduction in the capital reserve results from the gradual increase shown in equity in the number of shares in Highlight Event & Entertainment AG, Lucerne, from 68.634 % to 68.986 % in fiscal year 2014. The capital reserve decreased by TCHF 26 as a result of this transaction.

The change in capital reserves in the previous year was due to the gradual increase in the number of shares held in Highlight Event & Entertainment AG, Lucerne, from 59.891 % to 68.634 %.

Non-controlling interests

The change in non-controlling interests is essentially due to the gradually increased interest in Highlight Event & Entertainment AG in fiscal 2014 (reduction of TCHF 69; previous year: reduction of TCHF 1,727) and the dividend payments of TCHF 1,326 (previous year: TCHF 1,666). Furthermore, the net profit for the period attributable to non-controlling interests of TCHF 1,415 (previous year: TCHF 566) resulted in an increase in this item. Differences from currency translation amounted to TCHF –71 (previous year: TCHF 50).

Other reserves

As of the end of the reporting period, other reserves totaled TCHF 27,836 (previous year: TCHF –26,187). As of December 31, 2014, and December 31, 2013, these related solely to translation differences.

The changes in other components of equity in fiscal years 2014 and 2013 were as follows:

2014 (TCHF)	before taxes 2014	Tax effect	after taxes 2014
Net profit	**18,066**	**–**	**18,066**
Currency translation differences	–1,720	–	–1,720
Items that may be reclassified to the income statement in future	**–1,720**	**–**	**–1,720**
Actuarial gains and losses of defined benefit obligations	–4,119	585	–3,534
Gains/losses from financial assets at fair value through other comprehensive income/loss	–3,797	–	–3,797
Items that will not be reclassified to the income statement in future	**–7,916**	**585**	**–7,331**
Other comprehensive income/loss	**–9,636**	**585**	**–9,051**

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 obligations	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**

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.

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 co-financing the expansion of its 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.

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 essentially 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. 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. The financial covenants had not been violated as of December 31, 2014.

6.16 Overview of provisions and liabilities

The maturity structure of provisions and liabilities as of December 31, 2014, was as follows:

(TCHF)	less than 1 year	1 to 5 years	over 5 years	Total
Non-current liabilities				
Pension liabilities			10,674	10,674
Provisions				–
Deferred tax liabilities	372	5,123		5,495
Total	**372**	**5,123**	**10,674**	**16,169**
Current liabilities				
Financial liabilities	81,279			81,279
Advance payments received	54,148			54,148
Trade accounts payable	23,851			23,851
Liabilities due to related parties	137			137
Liabilities due to associated companies and joint ventures	700			700
Other liabilities	65,427			65,427
Provisions	4,624			4,624
Income tax liabilities	8,343			8,343
Total	**238,509**			**238,509**

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				
Pension liabilities			6,015	6,015
Provisions		1,000	601	1,601
Deferred tax liabilities	376	10,646		11,022
Total	**376**	**11,646**	**6,616**	**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**

6.17 Trade accounts payable and other liabilities

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Trade accounts payable	23,851	34,634
Other liabilities	65,427	65,837
Total	**89,278**	**100,471**

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 1,931 (previous year: TCHF 4,286).

Trade accounts payable are in the following currencies:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
CHF	2,910	4,464
EUR	19,971	27,481
USD	928	2,662
Other	42	27
Total	**23,851**	**34,634**

Other liabilities

Other current liabilities break down as follows:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Liabilities from conditional loan repayment (subsidies)	12,580	15,811
Personnel-related liabilities	11,248	10,705
Value-added tax liabilities	2,496	2,899
Other taxes	2,057	3,162
Social security	760	693
Deferred income	11,173	6,335
Customers with credit balances	72	45
Commissions and licenses	19,850	21,007
Other current loans	162	113
Negative fair value of underlying transactions in hedging relationships	2,142	912
Negative fair value of derivative financial instruments in hedging relationships	250	863
Negative fair value of derivative financial instruments without hedging relationships	–	637
Other current liabilities	2,637	2,655
Total	**65,427**	**65,837**

The other current liabilities are in the following currencies:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
CHF	9,770	10,558
EUR	41,561	41,896
USD	14,096	13,155
Other	–	228
Total	**65,427**	**65,837**

6.18 Financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 81,279 (previous year: TCHF 151,997), TCHF 31,279 (previous year: TCHF 96,997) of which relate to the financing of film projects.

The Highlight Group had free short-term credit facilities totaling around TCHF 200,911 (previous year: TCHF 167,364) 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 158,298 (previous year: TCHF 209,007) and the resulting proceeds from exploitation in addition to receivables of TCHF 29,341 (previous year: TCHF 36,147). 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 50,000 (previous year: TCHF 55,000) 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 2015.

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

Financial liabilities are in the following currencies:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
CHF	50,000	55,000
EUR	12,447	53,443
USD	1,766	13,047
CAD	16,390	30,507
Other	676	–
Total	81,279	151,997

6.19 Advance payments received

Advance payments received of TCHF 54,148 (previous year: TCHF 58,881) essentially include amounts received from global distribution for which sales have not yet been recognized.

6.20 Long-term service production

Receivables from customers for service productions amount to TCHF 9,424 (previous year: TCHF 13,215). Liabilities to customers for service productions amount to TCHF 1,931 (previous year: TCHF 4,286). These are reported under trade accounts receivable and trade accounts payable respectively.

Proceeds from service production for the period amount to TCHF 149,572 (previous year: TCHF 137,705). Total costs incurred for contracts in progress and reported profits (less any reported losses) amount to TCHF 12,350 (previous year: TCHF 13,664).

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 ordinances) stipulates the annual 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. But, 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 2015 amount to TCHF 1,558.

Maturity profile of defined benefit obligation:

(TCHF)	2014	2013
Less than 1 year	1,942	1,613
Weighted average maturity of defined benefit obligation (in years)	10.6	10.4

Change in defined benefit liabilities

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

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Present value of defined benefit obligation	43,699	38,582
Fair value of plan assets	33,025	32,567
Balance sheet amount	**10,674**	**6,015**

The pension obligation developed as follows:

(TCHF)	2014	2013
Present value of defined benefit obligation as of January 1	**38,582**	**41,128**
Current service cost (without employee contributions and administrative expenses)	1,985	2,433
Employee contributions	932	918
Interest cost	784	730
Curtailment, settlement	–	–1,948
Benefits paid	–3,142	–1,938
Actuarial losses/(gains) from experience adjustments	278	–1,802
Actuarial losses/(gains) from changes in financial assumptions	4,280	–939
Present value of defined benefit obligation as of December 31	**43,699**	**38,582**
thereof actively insured persons	37,342	32,698
thereof pensioners	6,357	5,884

Plan assets developed as follows:

(TCHF)	2014	2013
Fair value of assets as of January 1	**32,567**	**31,452**
Interest income	663	560
Employee contributions	932	918
Employer contributions	1,636	1,634
Administrative expenses of the foundation	–70	–70
Benefits paid	–3,142	–1,938
Actuarial (losses)/gains from experience adjustments	439	11
Fair value of assets as of December 31	**33,025**	**32,567**

Retirement benefit expenses broke down as follows:

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Current service cost (without employee contributions and administrative expenses)	1,985	2,433
Administrative expenses of the foundation	70	70
Effects from curtailments and settlements	–	–1,948
Net interest cost (income)	121	170
Total income statement	**2,176**	**725**

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 in the previous year.

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 3,857 in fiscal year 2014 (previous year: TCHF 3,502).

Plan assets

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

(TCHF)	2014	2013
Cash and cash equivalents	1,467	2,660
Bonds with quoted market prices on active markets	12,693	13,445
Bonds without quoted market prices	437	1,034
Shares with quoted market prices on active markets	3,543	415
Real estate	9,515	9,468
Insurance surrender values	4,826	4,785
Other	544	760
Total	**33,025**	**32,567**

The actual return on plan assets in the year under review amounted to TCHF 1,102 (previous year: TCHF 571).

Actuarial assumptions

The calculation of the pension provision was based on the following assumptions (in %):

	2014	2013
Discount rate	1.00	2.00
Pension trend	0.50	0.50
Salary trend	1.50	1.50
Average life expectancy after pension men (in years)	21.43	21.33
Average life expectancy after pension women (in years)	24.88	24.78

As in the previous year, the most recent BVG 2010 generation 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.

Sensitivity analysis of actuarial assumptions as of December 31, 2014:

(TCHF)	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–1,123	1,191	842	–802	286	–278	1,043

Sensitivity analysis of actuarial assumptions as of December 31, 2013:

(TCHF)	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
	+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 methods and assumptions that were used in preparing the sensitivity analysis have not changed as against the previous period. 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, 2014	Currency translation differences	Con-sumption	Reversal	Addition	Dec. 31, 2014
Licenses and returns	3,716	–62	2,180	1,482	4,236	4,228
Provisions for litigation risks	1,202	–3	30	1,170	137	136
Personnel provisions	1,201	–6	100	1,095	–	–
Other provisions	250	–	–	–	10	260
Total	**6,369**	**–71**	**2,310**	**3,747**	**4,383**	**4,624**
thereof non-current provisions	1,601	–6	–	1,595	–	–
thereof current provisions	4,768	–65	2,310	2,152	4,383	4,624

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

Non-current provisions in the previous year included provisions for litigation risks and personnel provisions in connection with long-term obligations for anniversaries, which were reversed owing to an amended works agreement in the year under review.

6.23 Income tax liabilities

Income tax liabilities break down as follows:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Income taxes Switzerland	1,526	278
Income taxes Germany	6,571	485
Income taxes rest of the world	246	255
Total income taxes	**8,343**	**1,018**

6.24 Deferred tax liabilities

Deferred tax liabilities broke down as follows as of December 31, 2014:

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Intangible assets/film assets	32,733	41,919
Property, plant and equipment	–	94
Inventories	27	22
Trade accounts receivable	2,593	2,610
Other receivables	1,298	693
Provisions	2	–
Trade accounts payable	651	1,641
Advance payments received	3,996	2,795
Total	**41,300**	**49,774**
Netting with deferred tax assets	–35,805	–38,752
Deferred tax liabilities (net)	**5,495**	**11,022**

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

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Current deferred tax liabilities	372	376
Non-current deferred tax liabilities	5,123	10,646

7. Notes to 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 37,641 (previous year's period: TCHF 88,486) and were down year-on-year on account of the lower production volume. Other own work capitalized in the amount of TCHF 199 (previous year's period: TCHF 963) relates to internally developed intangible assets.

7.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Income from the reversal of provisions and deferred liabilities	5,865	3,330
Non-period income	391	231
Reversal of impairment	2,145	46
Recharges	1,964	1,554
Currency exchange gains	3,244	2,192
Income from rents and leases	163	152
Income from the disposal of non-current assets	53	27
Income from settlements of claims for damages and settlement agreements	4,759	7,224
Miscellaneous operating income	3,059	6,156
Total	**21,643**	**20,912**

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 and the reversal of provisions for pending legal disputes.

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, 2014	Jan. 1 to Dec. 31, 2013
Licenses and commission	5,508	8,429
Other costs of material	24,208	31,043
Total licenses, commission and material	**29,716**	**39,472**
Production costs	118,140	146,702
Services	4,363	3,375
Overages in the Film segment	10,132	13,499
Total purchased services	**132,635**	**163,576**

7.5 Other operating expenses

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Rental costs	6,507	6,117
Repair and maintenance costs	865	760
Advertising and travelling expenses	4,830	4,745
Legal, consulting and auditing costs	10,648	10,527
Additions to impairment and write-off of receivables	897	2,385
IT costs	2,029	2,179
Administrative costs	1,229	1,380
Other personnel-related expenses	1,251	1,480
Insurance, dues and fees	885	915
Non-period expenses	345	192
Price losses	1,580	5,369
Vehicle costs	1,006	997
Bank fees	193	221
Distribution costs	188	187
Losses from the disposal of non-current assets	10	89
Depreciation of current assets	–	250
Other taxes	329	399
Release and promotion expenses	28,525	26,663
Sundry expenses	3,582	6,194
Total	**64,899**	**71,049**

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.

7.6 Financial income

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Interest and similar income	975	585
Compounding of receivables	53	53
Gains from changes in the fair value of financial instruments	188	669
Currency exchange gains	11,465	9,763
Total	**12,681**	**11,070**

The gains from changes in the fair value of financial instruments include fair value adjustments of TCHF 188 (previous year's period: TCHF 284). A gain from the disposal of a financial instrument measured at fair value, sold as part of an equity swap transaction, was also recognized in the amount of TCHF 385 in the previous year's period.

7.7 Financial expenses

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Interest and similar expenses	3,465	3,552
Write-downs of financial assets and non-current securities	2,045	2,960
Losses from changes in the fair value of financial instruments	362	572
Currency exchange losses	12,745	6,624
Total	18,617	13,708

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 1,965 (previous year's period: TCHF 2,960). TCHF 6,225 of the receivable was written down as of the end of the reporting period (previous year: TCHF 4,260).

7.8 Taxes

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.

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Profit before taxes	23,350	15,915
Expected taxes based on a tax rate of 21 %	–4,904	–3,342
Differing tax rates	752	2,006
Reversal of deferred tax assets	50	14
Write-down on deferred tax assets	–	–1,533
Tax-exempt income	–	9
Permanent differences	13	5
Tax rate changes	–1	78
Non-deductable expenses	–1,038	–1,372
Aperiodic income taxes	584	123
Other effects	30	–98
Unrecognized deferred taxes	–770	–1,508
Actual tax expense	–5,284	–5,618
Effective tax rate in %	22.6	35.3

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 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 at amortized cost	AC
Financial assets (equity instruments)	FVOCI
Financial assets at fair value	FVPL
Financial liabilities measured at amortized cost	OL
Financial liabilities at fair value	FLPL

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

Non-current receivables are discounted according to their remaining term (see note 6.9).

Carrying amount Dec. 31, 2014	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, 2014
44,773	–	44,773	–	–	44,773
38,680	–	38,680	–	–	38,680
6,342	–	6,342	–	–	6,342
–	–	–	–	–	–
52,945	–15,657	37,288	–	–	37,288
3,624	–	–	–	3,624	3,624
185	–185	–	–	–	–
1,624	–	–	–	1,624	1,624
11,562	–	–	11,562	–	11,562
1,666	–	1,666	–	–	1,666
1,802	–	–	–	1,802	1,802
81,279	–	81,279	–	–	81,279
–	–	–	–	–	–
23,851	–	23,851	–	–	23,851
700	–	700	–	–	700
63,172	–16,891	46,281	–	–	46,281
–	–	–	–	–	–
250	–	–	–	250	250
2,142	–2,142	–	–	–	–
144,406	–15,657	128,749	–	–	128,749
11,562	–	–	11,562	–	11,562
3,426	–	–	–	3,426	3,426
169,002	–16,891	152,111	–	–	152,111
–	–	–	–	–	–

**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 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 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 at amortized cost	AC
Financial assets (equity instruments)	FVOCI
Financial assets at fair value	FVPL
Financial liabilities measured at amortized cost	OL
Financial liabilities at fair value	FLPL

		Valuation in the balance sheet under IFRS 9 (assets)/IAS 39 (liabilities)			
Carrying amount Dec. 31, 2013	thereof not relevant under IFRS 7*	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

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 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.

Cash and cash equivalents and financial liabilities are reported net as of December 31, 2014, as in the previous year as well, if there is an unconditional and legally enforceable right to offset and it is intended to settle on a net basis.

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

Offsetting of financial assets as of December 31, 2014 (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	–	–	–	–	–
Derivative financial instruments with hedging relationships	3,624	–	3,624	–250	3,374
Receivables due from associated companies and joint ventures (current and non-current)	8,760	–2,418	6,342	–	6,342
Cash and cash equivalents	44,914	–141	44,773	–	44,773
Total	**57,298**	**–2,559**	**54,739**	**–250**	**54,489**

Offsetting of financial liabilities as of December 31, 2014 (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	–	–	–	–	–
Derivative financial instruments with hedging relationships	250	–	250	–250	–
Liabilities due to associated companies and joint ventures (current and non-current)	3,118	–2,418	700	–	700
Financial liabilities (current and non-current)	81,420	–141	81,279	–	81,279
Total	**84,788**	**–2,559**	**82,229**	**–250**	**81,979**

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

Net income

Net income from the respective classes of financial instruments for 2014 is shown in the table below:

		from subsequent measurement					
(TCHF)	from interest	Changes in fair value	Foreign currency translation	Impairment	Others	2014	2013
Loans and receivables (AC)	1,023	–	712	–797	–	938	–7,309
Financial assets at fair value through OCI (FVOCI)	–	–3,797	–	–	–	–3,797	1,707
Financial assets at fair value through profit or loss (FVPL)	–	188	190	–63	–	315	564
Financial liabilities and other liabilities (OL)	–3,460	–	–518	–	3,600	–378	2,198
Financial liabilities at fair value through profit or loss (FLPL)	–	–299	–	–	–	–299	–542

Net income from the respective classes of financial instruments for 2013 is shown in the table below:

		from subsequent measurement					
(TCHF)	from interest	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 is 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 2014

(TCHF)	Carrying amount Dec. 31, 2014	Cash flows 2015 Fixed interest	Cash flows 2015 Variable interest	Cash flows 2015 Repayment	Cash flows 2016 Fixed interst	Cash flows 2016 Repayment
Liabilities due to banks, bonded loans and similar liabilities	81,279	–	635	81,279	–	–
Other non-interest-bearing financial liabilities	70,832	–	–	70,832	–	–
Derivative financial instruments						
Currency derivatives without hedging relationships	–	–	–	–	–	–
Currency derivatives in connection with fair value hedges	250	–	–	5,686	–	–
Derivative financial assets						
Derivatives without hedging relationships	–	–	–	–	–	–
Currency derivatives with hedging relationships	3,624	–	–	36,969	–	–

Liquidity risk 2013

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

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 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 and non-financial assets and liabilities

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:

2014 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/without category	–	3,624	–	3,624
Financial assets at fair value through profit or loss	FVPL	90	–	3,336	3,426
Financial assets (equity instruments)	FVOCI	11,562	–	–	11,562
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	–	–	–
Derivative financial instruments	FLPL/without category	–	250	–	250

Disclosures on level 3 financial instruments:

Designation of the financial instrument	Long-term shares	Short-term shares
Fair value on January 1, 2014	–	2,268
Gains/(losses) income statement	190	–
Currency translation differences through equity	–	31
Acquisition	1,522	–
Sale	–	–675
Fair value on December 31, 2014	**1,712**	**1,624**

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

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 purchases of TCHF 1,522, sales in the amount of TCHF 675 and total currency translation effects in the amount of TCHF 221. The currency effects recognized in profit or loss are reported under financial expenses.

With the exception of the investment property, there were no reclassifications between the individual levels of the fair value hierarchy. Reclassifications are recognized quarterly if circumstances requiring a different classification arise.

Financial assets and liabilities at amortized cost

Given the short remaining term, the carrying amounts of current financial receivables and liabilities as of the end of the reporting period are approximately the fair value.

Non-current receivables are discounted according to their remaining term. Their carrying amounts are therefore also approximately their fair value.

Fair value of non-financial assets and liabilities

With the exception of the investment property measured at fair value (see note 6.4), there were no non-financial assets or liabilities measured at fair value as of December 31, 2014. There was a change in the fair value hierarchy from level 2 to level 3 as of December 31, 2014. The fair value of the property was calculated as of December 31, 2014 by the management, with the assistance of an independent valuation specialist, using a discounted cash flow method. A discount rate of 5.0% was used and planned rents, expenses and the corresponding vacancies were estimated. The property is therefore assigned to level 3 of the fair value hierarchy. The fair value is supported by a separate, third-party appraisal. The fair value had previously been assigned to level 2. The inputs used by the expert to calculate the fair value were parameters observable on the market based on similar transactions. The fair value calculated as of December 31, 2014 is equal to the previous carrying amount.

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 384 were recognized in profit or loss in fiscal year 2014 (previous year: TCHF –38).

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.

As of December 31, 2014, currency forwards with a nominal amount of TCHF 44,251 (previous year: TCHF 48,705) were designated as hedging instruments in fair value hedges. There were asset forwards in the amount of TCHF 3,624 (previous year: TCHF 384) and liability forwards in the amount of TCHF 250 (previous year: TCHF 863) 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 of 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 loss recognized in operating earnings in fiscal year 2014 for carrying value adjustments to hedges as of the end of the reporting period was TCHF 3,407 (previous year: gain of TCHF 482). Changes in the fair values of hedges resulted in gains of TCHF 3,407 (previous year: losses of TCHF 482), which were also recognized in operating earnings.

Foreign currency liabilities were also used as hedging instruments for currency risks in the previous year. They were used to hedge firm commitments in USD not yet recognized. These hedges were reported as fair value hedges. The fair value of the foreign currency liabilities was TCHF 0 (previous year: TCHF 506). The change in the fair value of the hedged item (previous year: expenses of TCHF 508) and the hedge (previous year: income of TCHF 508) resulted in neither expenses nor income in net finance costs in the year under review. 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, 2014 and 2013, are as follows:

	Dec. 31, 2014		Dec. 31, 2013	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
CAD	–	–	2,214	129
USD/CAD swap	–	–	4,289	–186
Foreign currency forwards (acquisition)				
USD	–	–	2,957	–21
CAD	–	–	2,245	–159
CAD/USD 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 in the Group, in particular by monitoring changes in the yield curve.

The risk of change in interest rates to which the Group is exposed primarily relates to current and non-current financial liabilities. The 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 365 (previous year: TCHF 1,101). A drop in interest rates of the same amount would have increased earnings before taxes by TCHF 365 (previous year: TCHF 1,101).

The Group’s currency sensitivities were calculated for the main currency pairings of EUR/CHF, 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 currency 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.

Sensitivity analysis 2014

	Interest rate risk	
(TCHF)	–1 %	+1 %
Financial assets		
Cash and cash equivalents	–448	448
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)	813	–813
Derivative financial instruments	–	–
Total increase/decrease in profit before taxes	**365**	**–365**

Sensitivity analysis 2013

	Interest rate risk	
(TCHF)	–1 %	+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**

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 +/–1,156 (previous year: TCHF +/–1,536).

	Exchange rate risk									
	EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
	–1,631	1,631	–25	30	–5	6	–1,661	1,667	–	–
	–547	547	–7	8	–	–	–554	555	–	–
	–297	297	–	–	–	–	–297	297	–	–
	–	–	–171	171	–148	180	–319	351	–1,164	1,164
	–	–	–79	97	–1,680	2,053	–1,759	2,150	–	–
	–	–	–3,215	3,930	–	–	–3,215	3,930	–	–
	168	–168	81	–99	–	–	249	–267	–	–
	104	–104	1,162	–1,419	–	–	1,266	–1,523	–	–
	–	–	161	–197	1,489	–1,820	1,650	–2,017	–	–
	–	–	260	–318	279	–340	539	–658	–	–
	–2,203	**2,203**	**–1,833**	**2,203**	**–65**	**79**	**–4,101**	**4,485**	**–1,164**	**1,164**

	Exchange rate risk									
	EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
	–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**

9. Segment reporting

The segment information below is based on the management approach.

The management of the company was defined as the chief operating decision maker. It 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, before taxes and before earnings from discontinued operations.

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

Segment information 2014

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Reconciliation	Group
External sales	359,123	49,920	3,535	–	–	412,578
Other segment income	57,927	1,961	556	–	–961	59,483
Segment expenses	–403,402	–29,476	–5,989	–5,142	961	–443,048
thereof amortization, depreciation	*–109,800*	*–797*	*–905*	*–*	*–*	*–111,502*
thereof impairment	*–7,124*	*–*	*–*	*–*	*–*	*–7,124*
Segment result	**13,648**	**22,405**	**–1,898**	**–5,142**	**–**	**29,013**
Non-allocable items						
Earnings from investments in associated companies and joint ventures						273
Financial income						12,681
Financial expenses						–18,617
Profit before taxes						**23,350**

Segment information 2013

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Reconciliation	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**

The elimination of intersegment transactions is reported in the “Reconciliation” column.

Segment information by region

Jan. 1 to Dec. 31, 2014 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world	Total
External sales	115,376	191,905	59,056	46,241	412,578
Non-current assets	21,555	166,930	38	-	188,523

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

External sales by product

(TCHF)	2014	2013
Service production	149,571	137,565
Film	209,552	196,063
Sports- and Event-Marketing	49,920	48,851
Other Business Activities	3,535	3,718
Total external sales	**412,578**	**386,197**

Sales by customers

In total, the Highlight Group generated more than 10 % of its total sales with three customers (previous year's period: two customers). These sales relate to the Film segment and the Sports- and Event-Marketing segment.

	2014		2013	
(TCHF)	nominal	in %	nominal	in %
Customer A (Sports- and Event-Marketing segment)	49,920	12	48,851	13
Customer B (Film segment)	52,824	13	53,309	14
Customer C (Film segment)	40,776	10	33,270	9
Sales with other customers	269,058	65	250,767	64
Total external sales	**412,578**	**100**	**386,197**	**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 commitments for licenses	Other financial obligations	Rental obligations (operating lease contracts)	Total
As of December 31, 2014					
Due within one year	10,826	11,043	4,355	5,294	31,518
Due between one and five years	–	19,487	9,102	8,611	37,200
Due after five years	–	–	23	–	23
Total	10,826	30,530	13,480	13,905	68,741
As of 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

10.2 Contingent liabilities

As of December 31, 2014, there were guarantees to various TV stations for the completion of service productions totaling TCHF 10,826 (previous year: TCHF 11,033). 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 30,530 (previous year: TCHF 51,005).

10.4 Other financial obligations

Other financial obligations comprise obligations from the development of in-house productions in the amount of TCHF 13,480 (previous year: TCHF 9,067).

10.5 Rental and lease obligations

The Group rents and leases offices, warehouses, vehicles and facilities. The total rental expenses for fiscal year 2014 amounted to TCHF 6,194 (previous year's period: TCHF 5,748).

The Group had the following minimum lease obligations as of December 31, 2014:

(TCHF)	Building and room rental	Vehicle lease	Other rental and lease obligations	Rental and lease obligations (operating lease contracts)
As of December 31, 2014				
Due within one year	5,002	199	93	5,294
Due between one and five years	8,354	91	166	8,611
Total	**13,356**	**290**	**259**	**13,905**
As of 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**

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 (see note 7.7).

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

Joint ventures

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Receivables	3,371	2,283
Liabilities	700	–

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Sales and other income	10,588	12,098
Cost of materials and licenses and other expenses	9,977	12,490

Associated companies

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Receivables	2,971	3,079
Liabilities	–	26

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Sales and other income	142	8
Cost of materials and licenses and other expenses	84	171

Other related parties

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Receivables	–	–
Liabilities	36	106

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Sales and other income	–	–
Cost of materials and licenses and other expenses	313	424

Parent company and its direct subsidiaries

(TCHF)	Dec. 31, 2014	Dec. 31, 2013
Receivables	6	77
Liabilities	101	176

(TCHF)	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Sales and other income	261	3,769
Cost of materials and licenses and other expenses	534	433

Other related party transactions essentially include the following:

There was 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 cancelled as of September 30, 2014. Expenses of TCHF 313 (previous year's period: TCHF 369) were incurred under this agreement in the reporting period.

As of December 31, 2014, there were further liabilities to various members of the Board of Directors and Managing Directors of TCHF 36 (previous year: TCHF 49).

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

Highlight Communications AG did not perform services for companies controlled by related parties in fiscal year 2014 or the previous period.

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

Please see the remuneration report for information on the remuneration of the Board of Directors and members of the Group's management, and note 8 to the financial statements of Highlight Communications AG for details of their shareholdings.

12. Disclosures on events after the balance sheet date

On January 23 and January 30, 2015, Highlight Communications AG gradually increased its shares in Highlight Event & Entertainment AG, Lucerne, which was already fully consolidated from 68.986% to 71.929%. The purchase price for the new shares was TCHF 816.

90% of the shares previously held in the joint venture accounted for using the equity method as of December 31, 2014, Mister Smith Entertainment Ltd., London, were sold on February 13, 2015. The buyer has also assumed the pro rata assets and liabilities of this company. Constantin Film AG still holds an interest of 5% in the company.

On January 15, 2015, the Swiss National Bank announced that it was lifting the cap of CHF 1.20 per EUR. The amounts reported in the 2014 consolidated financial statements do not include any adjustments for exchange rates after December 31, 2014. As the Group uses the Swiss franc as its reporting currency, the appreciation of the Swiss franc against foreign currencies will have a negative currency translation effect on future sales, consolidated earnings and consolidated equity shown in francs. Financial risk management is described in note 8 to the consolidated financial statements, and the foreign currency sensitivity of consolidated earnings to changes in exchange rates can be found in note 8.9 to the consolidated financial statements.

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 96 to 177), for the year ended 31 December 2014.

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 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Matthias von Moos	Josef Stadelmann
Audit expert	*Audit expert*
Auditor in charge	

Lucerne, 18 March 2015

Financial statements

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

BALANCE SHEET AS OF DECEMBER 31, 2014

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2014	Dec. 31, 2013
Current assets		
Cash and cash equivalents	2,472	899
Securities	22,851	28,547
Trade accounts receivable		
due from Group entities	7,966	8,563
Other receivables		
due from third parties	10	10
due from Group entities	–	29
Prepaid expenses/accrued income	17	17
	33,316	38,065
Non-current assets		
Financial assets		
Investments	226,178	239,067
	226,178	239,067
Total assets	259,494	277,132

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2014	Dec. 31, 2013
Liabilities		
Trade accounts payable		
due to third parties	8	120
Current bank liabilities	50,000	55,000
Other current liabilities		
due to third parties	33	115
due to related parties	–	135
due to Group entities	16,952	17,659
Deferred income/accrued expenses	606	505
Provisions	250	250
	67,849	73,784
Equity		
Subscribed capital	47,250	47,250
Legal reserves		
Legal reserves from capital contributions	17,902	25,865
Reserves for treasury stock from capital contributions	13,053	16,863
Reserves for treasury stock	4,201	–
Other general legal reserves	331	331
Free reserves	67,798	67,798
Profit carried forward	45,241	30,971
Net loss/profit for the year	–4,131	14,270
	191,645	203,348
Total equity and liabilities	259,494	277,132

INCOME STATEMENT 2014

Highlight Communications AG, Pratteln

(TCHF)	2014	2013
License income	138	208
Other revenues	258	449
Financial income		
Interest income	183	157
Income from securities	–	2,092
Income from investments	25,779	33,156
Currency exchange rate gains	4	127
Total income	**26,362**	**36,189**
License expense	–125	–125
Personnel expense	–4,903	–4,915
Office and administrative expense	–2,865	–2,978
Write-off of receivables due from Group entities	–2,000	–
Depreciation of investments	–12,984	–12,126
Financial expense		
Interest expense	–1,443	–1,179
Expense on securities	–6,113	–556
Currency exchange rate losses	–60	–40
Total expense	**–30,493**	**–21,919**
Loss/profit before taxes	**–4,131**	**14,270**
Income taxes	–	–
Net loss/profit for the year	**–4,131**	**14,270**

NOTES TO THE FINANCIAL STATEMENTS 2014

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 book-keeping and accounting that applied until December 31, 2012.

2. Pledged assets as collateral for own obligations

	Dec. 31, 2014	Dec. 31, 2013
Shares in Constantin Medien AG		
Number	6,012,749	6,012,749
Carrying amount in TCHF	9,366	12,442
Shares in Constantin Film AG		
Number	12,742,600	12,742,600
Carrying amount in TCHF	132,151	137,994
Shares in Highlight Communications AG		
Number	2,680,793	2,580,793
Carrying amount in TCHF	10,748	12,560
Credit facility used		
TCHF	50,000	55,000

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	Share capital
TEAM Holding AG, Lucerne	100.00%	TCHF 250
Investments in sports marketing companies		
Rainbow Home Entertainment AG, Pratteln	100.00%	TCHF 200
Distribution		
Highlight Communications (Deutschland) GmbH, Munich	100.00%	TEUR 256
Marketing		
Constantin Film AG, Munich	100.00%	TEUR 12,743
Production and distribution of films and holding company		
Rainbow Home Entertainment GmbH, Vienna	100.00%	TEUR 363
Distribution		
Highlight Event & Entertainment AG, Lucerne	68.99%	TCHF 15,593
Event marketing	(previous year: 68.63%)	

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 in the year under review.

6. Shareholder structure

Shareholders with holdings of over 5 %	Dec. 31, 2014	Dec. 31, 2013
Constantin Medien AG	52.39 %	52.39 %
Highlight Communications AG (treasury stock)	5.96 %	5.75 %

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, 2014	2,715,650			16,863
Sales	–	–	–	–
Acquisitions	100,000	3.91	391	391
Balance on December 31, 2014	2,815,650			17,254

In the year under review, reserves for treasury shares held for the maximum taxable holding period are reported separately.

8. Information on the shareholdings of the Board of Directors and the Group management

As of December 31, 2014, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2014	2013
Bernhard Burgener, Chairman and Delegate, executive member	2,000,000	2,000,000
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	200,000	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 July 3, 2014, and it was approved by the Board of Directors on August 12, 2014.

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS AND THE LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS

Highlight Communications AG, Pratteln

Distribution of a dividend from legal reserves from capital contributions

The Board of Directors recommends the payment of a dividend of CHF 0.17 per share	8,033
Withdrawal from the legal reserves from capital contributions	**8,033**

Appropriation of available retained earnings

(TCHF)	2014
Profit carried forward	45,241
Net loss for the year	–4,131
Available retained earnings	**41,110**

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

Balance to be carried forward	41,110

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 182 to 187), for the year ended 31 December 2014.

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 2014 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Matthias von Moos	Josef Stadelmann
Audit expert	*Audit expert*
Auditor in charge	

Lucerne, 18 March 2015

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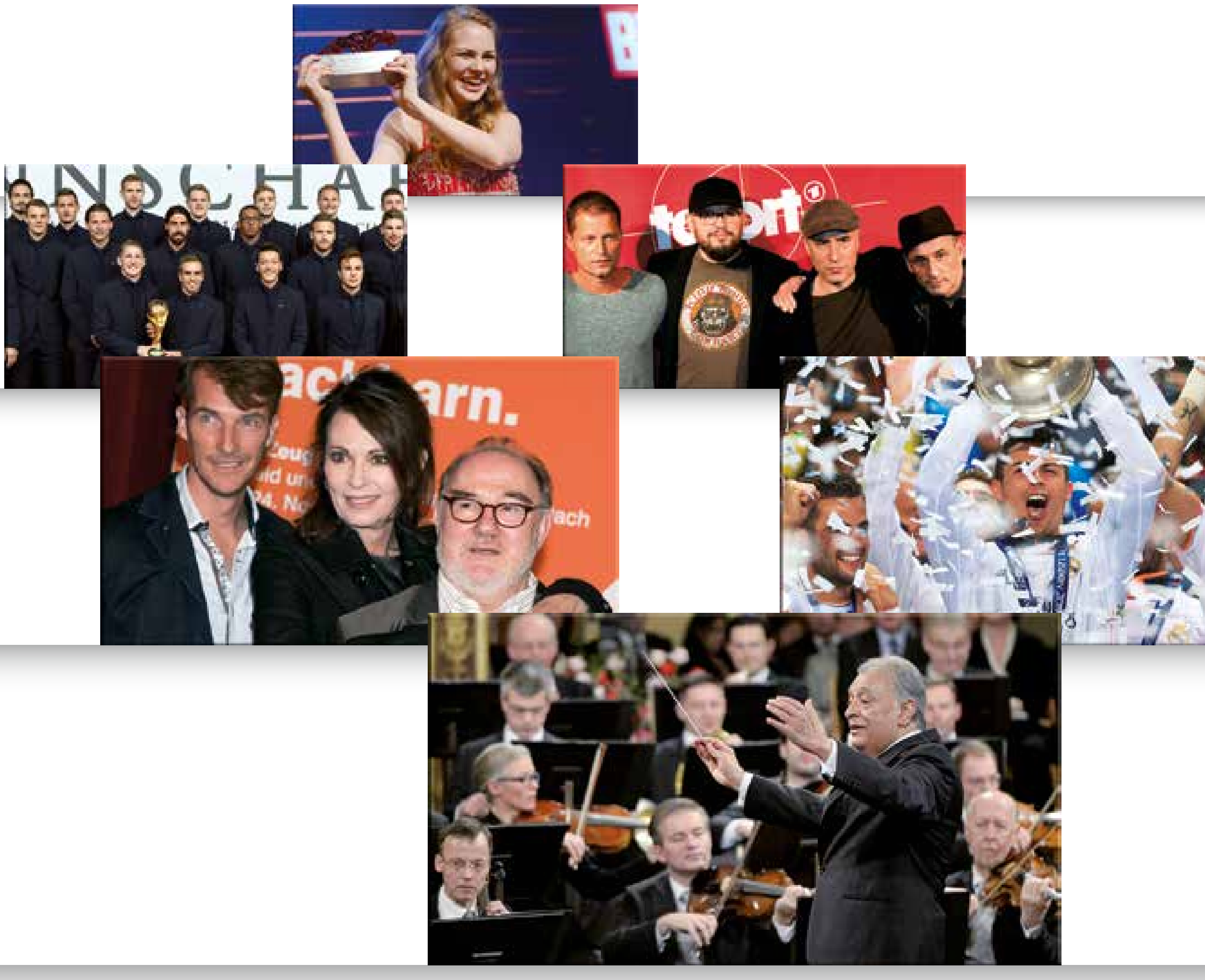
TEAM Group, Lucerne
(cover and pages 58, 59)
Highlight Event & Entertainment Group, Lucerne
(cover and pages 62, 63)
EBU/Elena Volotova (cover and page 63)

Highlight

Highlight Communications AG

Events2015

Cinema	Cannes Film Festival	May 13 – 24
	Locarno Film Festival	August 5 – 15
	Venice Film Festival	September 2 – 12
	Toronto Film Festival	September 10 – 20
Football	UEFA Europa League final	May 27
	UEFA Champions League final	June 6
Events	Vienna Philharmonic's Summer Night Concert	May 14
	Eurovision Song Contest, semifinals	May 19 and 21
	Eurovision Song Contest, final	May 23
	WTA Finals	October 26 – November 1
Investor Relations	Interim reports	May/August/November
	Annual General Meeting	June 12
	German Equity Forum	November 23 – 25



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