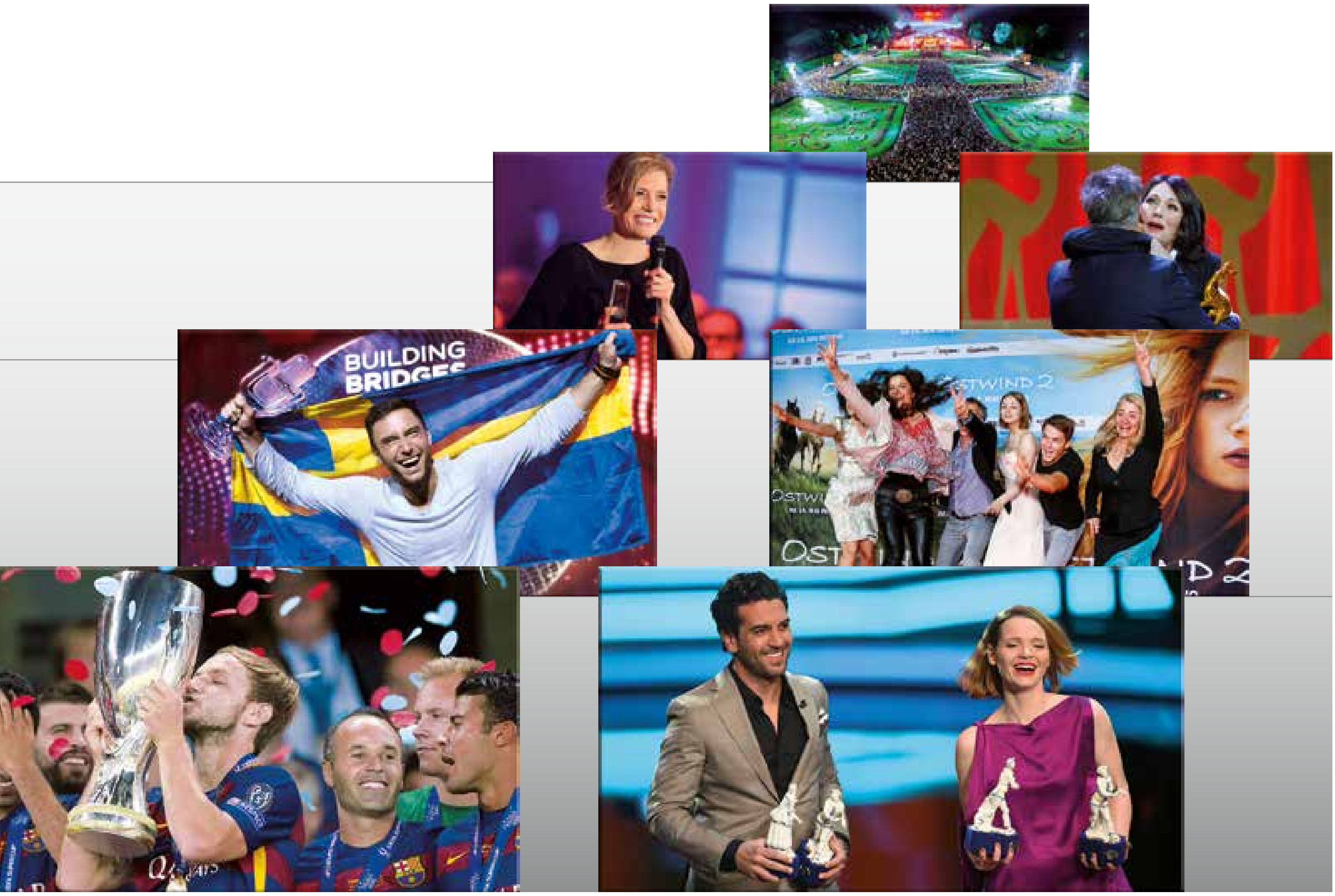
Highlight

Highlight Communications AG

Annual Report 2015



KEY FIGURES

	in TCHF	2015	2014
Consolidated balance sheet	Balance sheet total	457,988	361,558
	Film assets	201,072	160,385
	Cash and cash equivalents	106,407	44,773
	Financial liabilities	104,290	81,279
	Equity	103,827	106,880
	Equity ratio	22.7 %	29.6 %
Consolidated income statement	Sales	346,060	412,578
	Film	290,892	359,123
	Sports- and Event-Marketing	51,730	49,920
	Other Business Activities	3,438	3,535
	Profit from operations (EBIT)	31,131	29,013
	Film	17,198	13,648
	Sports- and Event-Marketing	21,029	22,405
	Other Business Activities	–1,407	–1,898
	Net profit (Highlight shareholders)	17,515	16,651
	Earnings per share (CHF)	0.39	0.37
	Earnings per share (EUR)	0.37	0.31
Consolidated statement of cash flows	Cash flow from operating activities	174,120	156,369
	Cash flow for investing activities	–124,760	–76,527
	thereof payments for film assets	–119,298	–70,584
	Cash flow from/for financing activities	14,577	–78,914
	thereof dividend payments	–10,301	–8,897
	Cash flow from the reporting period	63,937	928
Personnel	Headcount as of December 31	932	825

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EVENTS 2016 — back inside cover

EVENTS IN 2015

Q1

JANUARY

At the Bavarian Film Awards, held on January 16, the Constantin Film co-production "Frau Müller muss weg!" wins the prize for best screenplay. The comedy directed by Sönke Wortmann is also a big hit at the box office, drawing in more than a million moviegoers.

"Frau Müller muss weg!"

FEBRUARY

On the film market at the Berlinale, the Constantin Film Group secures the German-language exploitation rights to "That's What I'm Talking About", the new project by the winner of last year's Berlinale prize for best director, Richard Linklater. The film, for which Linklater also wrote the screenplay, is scheduled to hit German theaters in 2016.

MARCH

At the end of March, the TEAM Group achieves the performance targets agreed with UEFA in the marketing process for the commercial rights of the UEFA Champions League and the UEFA Europa League. As a result of this, a new agency agreement is concluded between UEFA and TEAM for the global marketing of UEFA's club competitions for the 2015/16 to 2020/21 seasons. Subject to appropriate performance, it will also cover the period from 2021/22 to 2023/24.

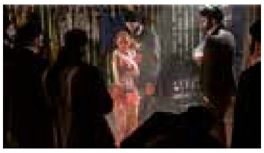
Europa League trophy

Q2

APRIL

On April 15, Highlight Communications AG announces the streamlining of its management body. In the context of this reorganization, the Board of Directors members Antonio Arrigoni, Dr. Erwin V. Conradi, Dr. Ingo Mantzke, and Martin Wagner no longer stand for re-election at the company's next Annual General Meeting.

At the "Romy" award ceremony – the top awards for film and TV productions in Austria – the Constantin Film comedy "Frau Müller muss weg!" wins the prize in the "Best Feature Film" category at the end of April.



"Volksfest"

"The Witness House"

MAY

On May 22, Ferdinand von Schirach (novel) and André Georgi (screenplay) are awarded the Bavarian TV Award for the episode "Volksfest" of the series "Schuld", made by Moovie GmbH on behalf of ZDF. In addition, Mario Barth wins an award for the comedy show "Mario Barth deckt auf!", produced by Constantin Entertainment GmbH for RTL.

JUNE

At the Banff World Media Festival, "The Witness House" – a TV service production by Moovie GmbH for ZDF – wins the "Rockie Award" in the "Best TV Movie" category.

On June 12, the Highlight shareholders approve all motions of the Board of Directors at the Annual General Meeting for fiscal year 2014. These include the payment of a dividend of CHF 0.20 per bearer share and the election of Peter von Büren (CFO of Highlight Communications AG) and Hanns Beese (CFO of Constantin Medien AG and Constantin Film AG) as new members of the Board of Directors.

Q3

JULY

Filming on the comedy thriller "Schweinskopf al dente" wraps at the end of July. This third movie based on the bestselling books by Rita Falk about the country policeman Franz Eberhofer is expected to be released in mid-August 2016. The first two installments – "Dampfnudelblues" and "Winterkartoffelknödel" – were each seen by more than half a million moviegoers in (predominantly) Bavarian theaters.

AUGUST

On August 12, Highlight Communications AG announces the continuation of its long-standing and successful collaboration with Paramount Home Media Distribution. The two companies sign a five-year contract for the joint distribution of DVDs and Blu-ray discs in German-speaking territories, to begin in 2016.

"Schweinskopf al dente"

SEPTEMBER

The sequel to the Constantin Film blockbuster "Fack Ju Göhte" hits German theaters on September 10 and is seen by more than two million people in its opening weekend alone. The related box office of more than EUR 17.7 million marks the most successful launch ever for a German movie production. At the end of the year, "Fack Ju Göhte 2" has drawn an audience of significantly more than seven million.

"Fack Ju Göhte 2"

Q4

OCTOBER

In mid-October, the bestseller film adaptation "Look Who's Back" breaks the magic barrier of one million moviegoers in Germany, becoming the fifth Constantin Film Group's release to achieve this feat in 2015 after "Frau Müller muss weg!", "The Famous Five 4", "Ostwind 2" and "Fack Ju Göhte 2".

"Look Who's Back"

NOVEMBER

Filming begins on "No Manches Frida", the Spanish-language remake of "Fack Ju Göhte", in Mexico City in mid-November. The international release of this Constantin Film co-production with Alcon Entertainment and Pantelion Films – the first Latin American major studio in Hollywood – is scheduled for the beginning of September 2016.

DECEMBER

Shooting of the Constantin Film co-production "Timm Thaler" is completed at the beginning of December. The movie adaptation of the classic TV series, which had millions of viewers glued to their sets in the late 1970s, is likely to hit German theaters in the run-up to Christmas 2016.

"Timm Thaler"

Foreword by the Chairman

Dear shareholders and other interested parties,

Despite the turbulence on the currency markets, the Highlight Group had a successful fiscal year 2015, in which we have been able to both achieve monetary goals and lay important strategic groundwork for the future.

One particular highlight was that the Constantin Film Group created a major TV production for a US network for the first time. The 13-part series “Shadowhunters” was aired in the US to great success from January of this year, and the SVoD (subscription video-on-demand) rights outside the US were sold to the streaming platform Netflix on good terms.

By the end of the first quarter of 2015, our sports rights marketer TEAM concluded a new long-term agency agreement with UEFA. This agreement comprises the marketing of the commercial rights to the top events – UEFA Champions League, UEFA Europa League, and UEFA Super Cup – for the 2015/16 to 2021/22 seasons. It will be automatically extended by a further three-year period if the TEAM Group achieves contractually agreed performance targets.

The agreements concluded are of major strategic importance for the further development of our Group. On the one hand, the continuation of the long-standing cooperation with UEFA gives us planning security in the Sports- and Event-Marketing segment. On the other, increased internationalization in the Film segment – particularly with regard to the rapidly growing importance of streaming providers such as Netflix or Amazon – is a key element of our strategy in the Film segment. As we have already successfully done this in the movie sector with the establishment of the “Resident Evil” series, for example, we will now also make further progress in international TV productions. “Shadowhunters” is an important step on this path.

The Highlight Group also enjoyed a positive financial performance in 2015, even though the appreciation of the Swiss franc against the euro by more than 12 % has left its mark on our figures. Consolidated sales were significantly higher than planned at CHF 346.1 million (between CHF 310 and CHF 330 million). The consolidated net profit attributable to shareholders improved to CHF 17.5 million and earnings per share increased to CHF 0.39. Both values were thus at the upper end of forecasts, which were most recently raised at the end of October 2015.

The Film segment achieved very encouraging results in the past year. The Constantin Film Group’s distribution slate featured ten titles in 2015, and half of them each drew an audience of more than a million viewers in German theaters. This excellent performance was crowned by the comedy “Fack Ju Göhte 2”, which sold 7.65 million tickets and became the most seen film of the year. The Constantin Film Group thus improved to fourth place in the rankings of distributors on the German movie market – still ahead of the major studios Sony, Fox, and Paramount.

External sales in the Film segment were down year-on-year at CHF 290.9 million (CHF 359.1 million). The anticipated decline is due essentially to the fact that no international in-house production was released in theaters in 2015 and therefore there was no income from minimum guarantees. As a result of the success in theaters, segment earnings improved significantly by 26.5 % to CHF 17.2 million (previous year: CHF 13.6 million).

The Sports- and Event-Marketing segment generated external sales of CHF 51.7 million, a slight upturn as against the previous year (CHF 49.9 million). Driven by additional project expenses and higher segment charges, segment expenses rose by CHF 3.6 million to CHF 33.1 million, which meant that segment earnings decreased from CHF 22.4 million to CHF 21.0 million.

External sales in the Other Business Activities segment were virtually unchanged year-on-year at CHF 3.4 million (CHF 3.5 million), while the segment loss was reduced from CHF 1.9 million to CHF 1.4 million.

In 2016, we are planning a distribution slate of 13 films including seven licensed titles. We already had our first movie seen by a million people in the first quarter with the Robert de Niro comedy “Dirty Grandpa”. We also have high expectations of the latest Steven Spielberg movie “The BFG – Big Friendly Giant”, the bestseller adaptation “Girl on a Train” and the screen adaption of the TV classic “Timm Thaler”. In the home entertainment business area, the Constantin Film production “Fack Ju Göhte 2”, which was released at the end of February, had a very good sales start. We expect similar things from the bestseller adaptation “Look Who’s Back”, which will be out on Blu-ray and DVD in early April.

In Sports- and Event-Marketing, preparations are underway for the marketing of the TV and sponsorship rights for the two UEFA club competitions for the 2018/19 to 2020/21 seasons. Furthermore, the TEAM Group is also still focused on actively supporting UEFA and the commercial partners in the current season.

Furthermore, the Board of Directors resolved a fundamental reorganization and refocusing of the Group in February 2016. In the future, the Highlight Group will concentrate on the two segments Film and Sports- and Event-Marketing, and it will dispose of the “Other Business Activities” segment, which has not contributed significantly to the results of the Group as a whole in the past. In this context, the investment in Highlight Event & Entertainment AG was sold in the first quarter.

Finally, I would like to thank all the employees of our Group for their contributions, commitment and successful work in 2015. And you, dear shareholders, I thank you for your continued confidence in the Highlight Group, which we intend to justify in the new fiscal year as well.

Yours,

B. Burgener

Bernhard Burgener
Chairman and Delegate of the Board of Directors

Members of the Board of Directors

Bernhard Burgener (born 1957) Chairman and Delegate of the Board of Directors
Businessman. Mr. Burgener has worked in the film business since 1982. His professional career began in 1983 with the founding of Rainbow Video AG (today: Rainbow Home Entertainment AG), Pratteln. Mr. Burgener has been a shareholder of Highlight Communications AG since 1994 and was its Delegate of the Board of Directors until 1999. In May 1999, he took the company public and from 1999 to 2008, he was responsible for the activities of the Highlight Group as the Chairman of its Board of Directors.

Since 2008, Mr. Burgener has again acted as Delegate of the Board. Since being elected as the new Chairman of the Board of Directors by the Annual General Meeting of Highlight Communications AG in 2011, he has been performing both functions simultaneously. Mr. Burgener was also the CEO of Constantin Medien AG from 2008 until 2015. 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.

Hanns Beese (born 1962) Non-executive member of the Board of Directors
MBA. Mr. Beese worked as a controller for Metallgesellschaft AG in Frankfurt from 1990 to 1994. After a spell as a commercial project manager at Deutsche Post AG in Bonn, he returned to Metallgesellschaft at the end of 1996, taking on the role of commercial director of the trading companies in Frankfurt, London, and New York. When Metallgesellschaft abandoned its metal-trading activities in 1999, Hanns Beese became a director of the spin-off company MG plc in London, and then managing director of Emetra Ltd. in London. Mr. Beese has been a member of the Management Board of Constantin Film AG since 2004. Since 2015, he has also been CFO of Constantin Medien AG and a member of the Board of Directors of Highlight Communications AG.

René Camenzind (born 1951) Non-executive 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 Mythencenter Holding AG. Since 2004, Mr. Camenzind has been a member of Highlight Communications AG's Board of Directors.

Dr. Dieter Hahn (born 1961) Non-executive member of the Board of Directors
Businessman. Dr. Hahn was appointed to the management of the Kirch Group in 1997. He was responsible for communication and sports rights before becoming the Vice Chairman of this executive body in 1998. As the Vice Chairman of Kirch Holding, Dr. Hahn then took over the departments of Corporate Planning, Communication 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) Non-executive 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 Cine-Star 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.

Peter von Büren (born 1955) Executive member of the Board of Directors
Businessman. Mr. von Büren exercised various management activities at Highlight Communications AG since 1994. In 1999, he became a member of the Highlight Group's management where he has been Head of IT, Human Resources and Investor Relations as well as CFO. Since 2015, Mr. von Büren has been a member of the Board of Directors of Highlight Communications AG.

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 Annual General Meeting of Highlight Communications AG approved the proposal by the Board of Directors to amend 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, 2015, the market capitalization of the company was around EUR 252.12 million at a closing stock price for the year of EUR 5.59.

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, 2015, the market capitalization of the company was around CHF 27.89 million at a closing stock price for the year of CHF 16.10.

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, 2015, Highlight Communications AG was aware of the following shareholder with a share of more than 5% of its subscribed capital:

Constantin Medien AG	60.53%

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

Highlight Communications AG maintains an active stock buy-back program. Depending on market conditions, shares of up to a maximum amount of 10 % of the company's subscribed capital as stipulated by Swiss law may be bought back.

In the year under review, 1,943,519 treasury shares were bought back and 2,627,418 shares were sold. As of December 31, 2015, treasury stock comprised 2,131,751 shares, equivalent to 4.51 % 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 60.53 % 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 12, 2015, the Annual General Meeting established authorized share capital of CHF 23,625,000 and empowered the Board of Directors to execute a capital increase by issuing 23,625,000 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 six members. The list below provides an overview of the composition of the Board of Directors on December 31, 2015, 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
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
Chairman of the Board of Trustees of T.E.A.M. Vorsorgestiftung, 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 Comosa AG, Zurich, Switzerland
Delegate of the Board of Directors of Paperflakes AG, Pratteln, Switzerland
President of the Board of Directors of PLAZAMEDIA Swiss AG, Pratteln, Switzerland
President of the Board of Directors of Holotrack AG, Pratteln, Switzerland
Member of the Board of Directors of Pulse Evolution Corporation, Port St. Lucie, USA

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

Other (corporate) activities and interests:
President of the Board of Directors of Mythen Center AG, Schwyz, Switzerland
President of the Board of Directors of Mythencenter 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. 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
Member of the Board of Directors of Team Holding AG, Lucerne, Switzerland
Member of the Board of Directors of Team Football Marketing AG, Lucerne, Switzerland
Member of the Board of Directors of T.E.A.M. Television Event And Marketing AG, Lucerne, Switzerland

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

Other (corporate) activities and interests:
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

Peter von Büren
Member of the Board of Directors since 2015
Swiss national, businessman, CFO, executive member.

Other (corporate) activities and interests:
Member of the Board of Directors of Constantin Entertainment AG, Pratteln, Switzerland
President of the Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland
Member of the Board of Directors of Comosa AG, Zurich, Switzerland

Hanns Beese
Member of the Board of Directors since 2015
German national, MBA, 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
CFO of Constantin Film AG, Munich, Germany
Managing Director of Constantin Sport Holding GmbH, Ismaning, Germany
Member of the Advisory Board of Constantin Entertainment GmbH, Ismaning, Germany

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 the Annual General Meeting on June 12, 2015, the members of the Board of Directors René Camenzind, Martin Hellstern and Dr. Dieter Hahn were elected to the compensation committee 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, 2015.

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.

Peter von Büren, Member of the Board of Directors, CFO, Head of IT, Human Resources and Investor Relations
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, 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, 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 *Media 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, 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.

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

Franz Woodtli, Board member 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, Board member 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 team as well as loans to these parties can be found in the “Remuneration report” section of this annual report.

On June 12, 2015, the Annual General Meeting approved the 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 188 was paid for auditing services of PricewaterhouseCoopers AG in fiscal year 2015. Additional fees of TCHF 17 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 2015 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 15, 2016 of Highlight Communications AG for the fiscal year ending December 31, 2015 has been audited by the statutory auditor. The audit was limited to the disclosures in accordance with Art. 14–16 VegüV. The proposal by the Board of Directors to amend the articles of incorporation to reflect the new requirements and duties of the Annual General Meeting in the areas of corporate governance and remuneration was approved by the Annual General Meeting of Highlight Communications AG on June 12, 2015.

As part of implementation of VegüV, the compensation committee devised 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 were submitted by the compensation committee to the full Board of Directors for a resolution. In accordance with the articles of incorporation, the General Meeting once a year, usually at the ordinary Annual General Meeting, separately approves the maximum total amounts of fixed remuneration for the members of the Board of Directors and of the management team for the fiscal year following the Annual General Meeting and the maximum total amounts of variable remuneration of the members of the Board of Directors and of the management team for the past fiscal year. The company's articles of incorporation 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 longer-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 committee's 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 committee, comprising the Directors Dr. Dieter Hahn, René Camenzind and Martin Hellstern, and in the audit committee, 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 2015

In 2015, the executive and non-executive members of the Board of Directors received overall remuneration of TCHF 193 (2014: TCHF 256). 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 was down by around 25% compared to the previous year. This decrease is due chiefly to the departure of Martin Wagner, Dr. Ingo Mantzke, Antonio Arrigoni and Dr. Erwin V. Conradi. The remuneration of the individual members of the Board of Directors remained virtually unchanged from the previous year.

audited

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
Peter von Büren, executive member	10	1	11
Martin Wagner, Vice Chairman, executive member until June 12, 2015[2]	–	–	–
Dr. Ingo Mantzke, executive member until June 12, 2015[2]	–	–	–
Hanns Beese, non-executive member[1]	10	1	11
René Camenzind, non-executive member	50	4	54
Dr. Dieter Hahn, non-executive member	50	4	54
Martin Hellstern, non-executive member	50	2	52
Antonio Arrigoni, non-executive member until June 12, 2015[2]	–	–	–
Dr. Erwin V. Conradi, non-executive member until June 12, 2015[2]	–	–	–
Total	**180**	**13**	**193**

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

[2] *Dr. Erwin V. Conradi, Antonio Arrigoni, Martin Wagner and Dr. Ingo Mantzke no longer stood for re-election and left the Board of Directors as of the date of the 2015 Annual General Meeting. Martin Wagner still works for subsidiaries of the company in an operational capacity even after leaving the company's Board of Directors.*

audited

Fiscal year 2014

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 received 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 2014, 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, taking account of the maximum amount approved by the Annual General Meeting, 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 for each period from January 1 to October 31, 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 reporting year.

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 activities on the Board of Directors or Supervisory Board 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.

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 2015

In 2015, the five members of the management team (including executive members of the Board of Directors, BoD) received overall remuneration of TCHF 5,988 (2014: TCHF 5,737). The overall compensation of the members of the management team was therefore slightly higher than in the previous year. This is due chiefly to a one-off payment to a departing member of the management team.

audited

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)	833	371	200	224	1,627	11	1,638
Peter von Büren, executive member of the BoD	390	226	10	109	735	11	746
Martin Wagner, Vice Chairman, executive member of the BoD until June 12, 2015[3]	803	294	81	218	1,396	–	1,396
Dr. Ingo Mantzke, executive member of the BoD until April 30, 2015 or rather June 12, 2015[4]	849	598	–	133	1,579	–	1,579
Other member of the management team	329	191	12	97	629	–	629
Total	**3,202**	**1,680**	**303**	**782**	**5,966**	**22**	**5,988**

[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.*

[3] *Martin Wagner, member and Vice Chairman of the Board of Directors, left as an executive member of the Board of Directors and a member of the management team of Highlight Communications AG on June 12, 2015 as part of the streamlining of the Group management. Martin Wagner is still responsible for the TEAM Group as Delegate of the Board of Directors of the TEAM Group and therefore still works for subsidiaries of the company in an operational capacity even after leaving the company's Board of Directors. The amounts reported include both remuneration for his role as member and Vice Chairman of the Board of Directors and member of the management team of Highlight Communications AG, and also for his operational work as Delegate of the Board of Directors of the TEAM Group during the reporting year.*

[4] *The employment relationship with Dr. Ingo Mantzke was terminated by mutual agreement on April 28, 2015. In this context, Dr. Ingo Mantzke stepped down from his executive roles as of the date of the company's last Annual General Meeting. On the basis of a termination agreement, the company made a one-off remuneration payment under the transitional provisions of the VegüV, thereby settling all contractually agreed remuneration that was owed up to the end of the employment relationship, which had been concluded for a fixed contractual term.*

audited

Fiscal year 2014

Name/role	Basic remu-neration, gross[1]	Variable remu-neration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as member of the manage-ment team	Total remu-neration as member of the Board of Directors[2]	Total remu-neration
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.*

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 2014, 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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, the company had not paid any non-market-compliant remuneration to related parties.

8. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

All remuneration paid to the former Board members Martin Wagner, Dr. Ingo Mantzke, Antonio Arrigoni and Dr. Erwin V. Conradi in 2015 is described in sections 2.2 and 3.2. In the reporting year, no further compensation was paid to former members of executive bodies, nor is 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, 2015, the members of the Board of Directors and the management team (including related parties) held a total of 6.52 % of the outstanding bearer shares in Highlight Communications AG (previous year: 6.65 %).

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

	2015		2014	
	Number of shares	Share of capital	Number of shares	Share of capital
Bernhard Burgener	2,200,000	4.66 %	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 %
Hanns Beese	2,500	0.00 %	–	–
Dr. Dieter Hahn	–	–	21,000	0.04 %
Peter von Büren	–	–	–	–
Dr. Erwin V. Conradi (BoD until June 12, 2015)	–	–	200,000	0.42 %
Dr. Ingo Mantzke (BoD until June 12, 2015)	–	–	100,000	0.21 %
Martin Wagner (BoD until June 12, 2015)	–	–	–	–
Antonio Arrigoni (BoD until June 12, 2015)	–	–	–	–
Dr. Paul Graf	50,000	0.11 %	–	–

Report of the statutory auditor

to the General Meeting of Highlight Communications AG, Pratteln

We have audited the remuneration report of Highlight Communications AG for the year ended 31 December 2015. The audit was limited to the information according to articles 14 –16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 18 to 22 of the remuneration report.

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 2015 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	

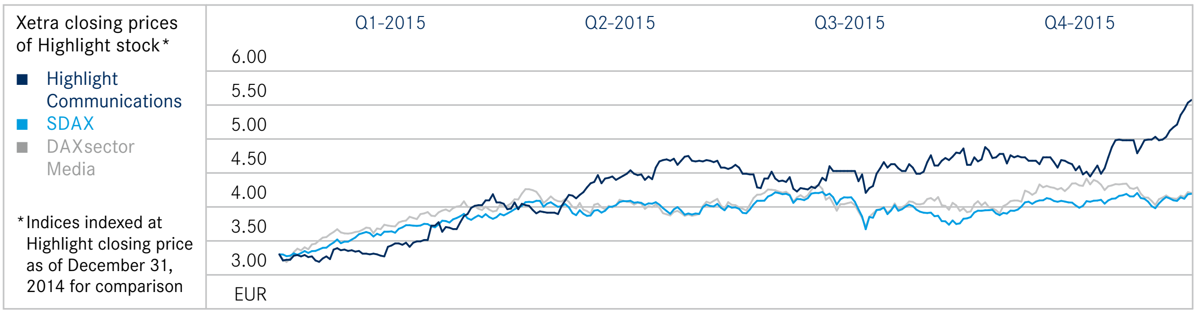
Lucerne, 15 March 2016

Well-deserved reward: Actress Ina Weisse won the German Television Award for her leading role in the Constantin Television production "Ich will Dich".

Highlight stock

Despite the turbulence on the stock markets, the market price of Highlight stock developed very positively in 2015.

- The closing price for the year was EUR 5.59, up 67.9 % compared to December 31, 2014.
- Based on shares in circulation, this resulted in market capitalization of EUR 252.1 million.
- The average turnover per trading day also rose significantly from 15,700 shares to a little over 23,500.



Stock markets characterized by high volatility

The 2015 trading year treated investors on the global stock markets to a roller-coaster of emotions. Positive and negative factors altered sentiment at relatively short intervals, which led to strong price fluctuations. In the first quarter of the year, there had still been signs of a steep rise of stock prices after the European Central Bank announced that it would buy up euro bonds worth EUR 60 billion per month from March 2015 to September 2016. As a result of this announcement many – especially European – benchmark indices hit new record levels.

However, this good market climate became considerably less buoyant as the year progressed. This was triggered initially by the increasingly severe debt crisis in Greece, combined with the much-discussed possibility of the country withdrawing from the euro zone. This was followed by growing conflicts in the Middle East and a dramatic worldwide slump in bonds.

In the second half of the year, several events in China in particular caused irritation among market participants, including the decision of its central bank to devalue the national currency, the yuan. On top of this was a real price drop on mainland Chinese stock markets and a slowdown in Chinese economic growth that proved much more considerable than generally expected. Specifically this development gave rise to fears on the global stock markets that the world economy could even slide into recession.

Against this backdrop, for example, the Dow Jones Industrial Average Index, which had dazzled last year with significant growth, lost slightly more than 2.2 % of its value in the period from January to December 2015 and ended the year at 17,425 points. By contrast, there was a strong performance of the Japanese Nikkei 225 index, which benefited for extended periods from the ultra-loose monetary policy of the Bank of Japan and increased by 9.1 % to 19,034 points. The Nikkei 225 had last reached this level 19 years ago.

The performance of the Swiss Market Index (SMI) was rather modest compared to the rest of the world. Its development over the year was like a roller-coaster ride, with a difference between the low for the year (mid-January) and the high for the year (in early August) of 1,700 points – the largest span in the past four years. At the end of the year, the SMI closed at 8,818 points, down 1.8 % compared to December 31, 2014.

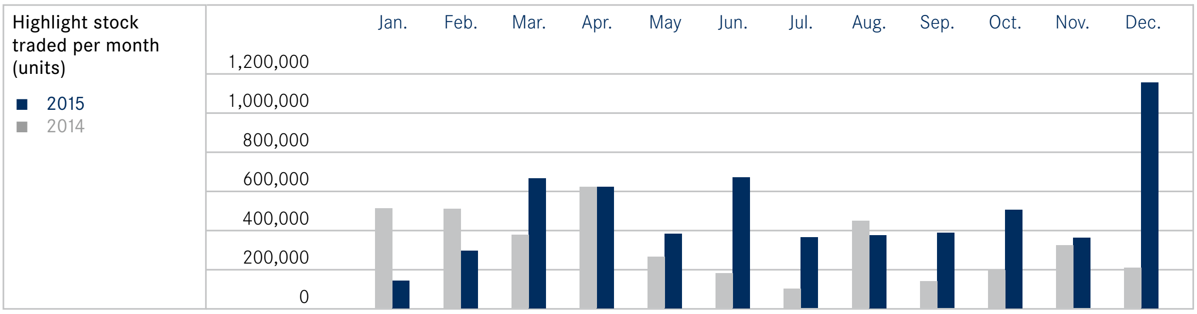
While the DAX reached a new record high of around 12,400 points in early April, at times it lost more than 3,000 points again in the subsequent months. It nevertheless closed at 10,743 points, up by 9.6 % over the year. The small-cap index SDAX closed at 9,099 points and thereby gained 26.6 % in value. The index for German media stocks (DAXsector Media) did even slightly better, rising by 27.0 % from 350 to 444 points.

Highlight stock on the upswing

Despite the turbulence on the stock markets, the market price of Highlight stock developed very positively in 2015. With an increase of 67.9 % to EUR 5.59, it performed significantly better than the SDAX and DAXsector Media benchmark indices.

Having started the new trading year at a closing price of EUR 3.33, our shares reached their low for the year early on in mid-January at EUR 3.20. After tracking sideways for four weeks, in the middle of February they began to rise sharply before reaching a level of EUR 4.21. The price of Highlight stock on March 31 was EUR 4.07, a significant increase of 22.2 %.

The share price remained largely constant in the first three trading weeks of the second quarter. The subsequent strong upward phase brought the price to EUR 4.77 in mid-June, before the general



market weakness led to a continuous downward movement in the second half of June. Closing the quarter at EUR 4.60, the shares therefore gained 38.1 % over the first half of 2015.

The entire third quarter was marked by high volatility, with the price of Highlight stock fluctuating in a broad corridor of between EUR 4.23 and EUR 4.88. After a weak phase that lasted until mid-November and brought the price back down to EUR 4.47, a sharp upward trend began that continued until the end of the year. On December 30, 2015, Highlight's stock ended trading on Xetra at a 52-week high of EUR 5.59. Its 52-week low at this time was EUR 3.20.

Trading volume rises significantly

Around 5.93 million Highlight shares were traded on the Xetra trading system of Deutsche Börse AG in the period under review. This marks an increase of 50.9 % as against the previous year (around 3.93 million). The average turnover per trading day therefore increased from 15,700 to slightly more than 23,500 shares. According to Deutsche Börse AG's ranking for the segments below the DAX, Highlight shares were therefore ranked 126th in terms of trading volume as of the end of the year (December 31, 2014: 126th). It placed 115th (December 31, 2014: 117th) in terms of free float market capitalization.

Dividend payment of CHF 0.20 planned

As has been the practice for several years, we would like our shareholders to again participate in the economic profitability of our company. After generating earnings per share of CHF 0.39 in the year under review, the Board of Directors will therefore propose to the Annual General Meeting, which will take place on June 3, 2016, to approve a distribution of CHF 0.20 per entitled share for fiscal year 2015.

Slight reduction in treasury stock

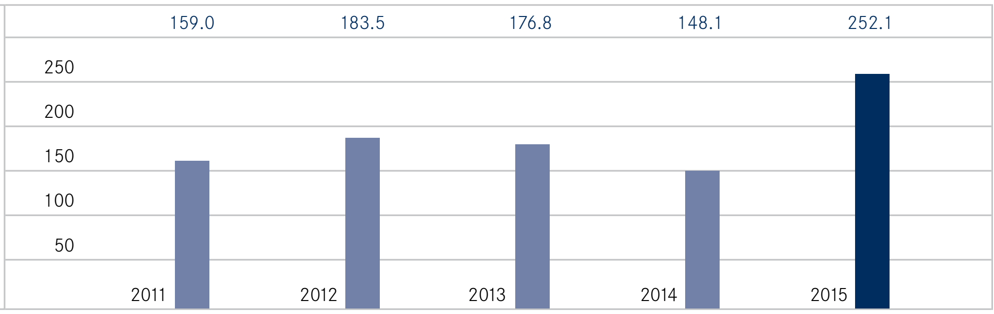
As of December 31, 2015, the subscribed capital of Highlight Communications AG was unchanged at CHF 47.25 million, divided into 47.25 million bearer shares with a nominal value of CHF 1.00 per share. Over the fourth quarter of 2015, the company acquired a total of 1,943,519 million treasury shares without voting rights and sold 2,627,418 shares. As a result, the treasury stock decreased to around 2.13 million as of the end of the reporting year. These account for 4.51 % of the subscribed capital. After deducting these shares, there were 45.12 million shares in circulation as of the reporting date.

The majority shareholder of our company is Constantin Medien AG, which acquired a further 3,847,220 Highlight shares in December 2015 and thus increased its holding to 60.53 %. Further significant share packages are held by members of the Board of Directors as well as private and institutional investors. As of December 31, 2015, the free float amounted to 34.96 % as per Deutsche Börse AG's index weighting.

In April, the Chairman and Delegate of the Board of Directors Bernhard Burgener purchased 200,000 Highlight shares and thus increased his holding to 2.2 million shares. Also in April 2015, the Managing Director Dr. Paul Graf acquired 50,000 shares. In March 2015, the member of the Board of Directors Dr. Dieter Hahn acquired a total of 1,478,802 shares and thus increased his holding to 1,499,802 Highlight shares. This share package was completely sold by Dr. Hahn in December 2015. We did not receive any notifications from the other members of the Board of Directors or the Group management regarding acquisition or sales transactions subject to reporting in the entire reporting year.

In addition to Mr. Burgener, only the member of the Board of Directors René Camenzind held direct or indirect shareholdings accounting to more than 1 % of the subscribed capital at the end of 2015.

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



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, 2015:

Board of Directors	Shareholdings	Share interest from options
Bernhard Burgener, Chairman and Delegate, executive member	2,200,000	–
Hanns Beese, non-executive member	2,500	–
René Camenzind, non-executive member	628,715	–
Dr. Dieter Hahn, non-executive member	–	–
Martin Hellstern, non-executive member	200,000	–
Peter von Büren, executive member	–	–
Group mamagement		
Dr. Paul Graf, Managing Director	50,000	–

Investor relations activities characterized by active communication

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

However, the core element of our investor relations work is and will remain personal communication by means of active and open dialogs. This is why we performed presentations and roadshows at international financial centers such as Frankfurt, Munich, Zurich, London and Los Angeles in 2015. We were also available to field questions from market players at the German Equity Forum – the most important investors' fair for small and medium-sized enterprises in Europe. Our stated aim is to use this type of public relations work to achieve a fair valuation of Highlight's shares and to convince potential shareholders of the intrinsic value of an investment in our company.

In addition to direct communication, our website (www.highlight-communications.ch) is the main information tool for all interested parties. It offers all relevant facts on the history and the current development of the Highlight Group in a clearly laid-out format. In order to ensure equal treatment of all market players, new documents and information are always published on this medium in a timely manner. In addition to annual reports, interim reports, press releases, and ad-hoc disclosures, this relates mainly to transactions with treasury shares and acquisition/sale of shares by Highlight's management. 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, 2015

Subscribed capital	CHF 47.25 million
Number of shares	47,250,000
Stock class	Ordinary bearer shares
Shares in circulation	45.12 million
Market capitalization (based on shares in circulation)	EUR 252.1 million
Year-end price	EUR 5.59
52-week high (December 30)	EUR 5.59
52-week low (January 19)	EUR 3.20
Earnings per share	EUR 0.37

Key data of 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

Oddo Seydler	November 2015	Buy (target price: EUR 5.50)
DZ BANK	August 2015	Buy (target price: EUR 5.80)

Report on the Highlight Group's situation

The business performance in 2015 was very positive – despite the sharp appreciation of the Swiss franc against the euro.

- Consolidated sales amounted to CHF 346.1 million, thereby significantly exceeding the sales forecast (between CHF 310 million and CHF 330 million).
- The consolidated net profit for the period attributable to shareholders increased to CHF 17.5 million and was thus at the upper end of the forecast range (between CHF 16 million and CHF 18 million).
- Earnings per share improved by 5.4 % to CHF 0.39; on a euro basis, the increase in earnings was as high as 19.4 %.
- Net debt was fully eliminated thanks to high cash flow from operating activities.

Outstanding teamwork: The Bavarian Film Award in the "Best New Actor" category went to the ensemble of school student characters in the Constantin Film blockbuster "Fack Ju Göhte 2".

Most-watched theatrical movie of 2015: "Fack Ju Göhte 2"

BASIC INFORMATION ON THE GROUP

GROUP STRUCTURE AND OPERATING ACTIVITIES

Highlight Communications AG, listed on the Frankfurt stock exchange since May 1999, is an internationally oriented strategic and financial holding company based in Pratteln near Basel. It acts through its operational subsidiaries in the Film and the Sports- and Event-Marketing segments as well as – until December 31, 2015 – the Other Business Activities segment.

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 producer and exploiter of productions in the entire fictional and non-fictional audiovisual sector. Its activities comprise development, production and exploitation of the rights to the films it produces and acquires. Self-produced theatrical movies 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 of these rights 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 income in the Film segment result from exploitation of the rights to the films it produces and acquires across all stages of the exploitation chain, as well as from production contracts of TV broadcasters and other exploiters in the audiovisual sector. Other sources of financing are grants from film funding or cost-reducing incentive systems. The main expense items consist of exploitation and license rights for screenplays, source material and audiovisual productions, production costs as well as release and promotion expenses for the individual films (marketing and copies).

Excellent bestseller film adaptation: "Look Who's Back"

Sports- and Event-Marketing segment

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

The main sources of income 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 Pokermania GmbH, Cologne, as well as of Highlight Event & Entertainment AG, Lucerne, which is listed on the Swiss stock exchange (SIX Swiss Exchange) and in which Highlight Communications AG held a 75.374 % stake up to December 31, 2015. 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. In addition, the activities include development and opening up of projects or business models in the digital sector.

The main sources of income in the Other Business Activities segment are the agency commissions associated with the marketing of TV and sponsorship rights. 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 projects or business models.

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.

Successful sequel to the youth adventure movie: “Ostwind 2”

Financial performance indicators

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

Non-financial performance indicators

The economic performance of the Group is also influenced by non-financial performance indicators, which result from the specific requirements of the respective business model in the individual segments:

- In theatrical distribution, 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.
- In the home entertainment business 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.
- In license trading/TV exploitation and TV service production, range and market share are important parameters for the success of a broadcast format with the public. These values are often the basis for decisions on commissioning productions in the future.
- 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 theatrical movies and TV formats at home and abroad, and attempts to secure them with appropriate contracts.
- Technical and content-related expertise are crucial factors, not only in view of the increasingly digital and convergent media use of cross-platform offerings. Accordingly, the recruitment, fostering and retention of well-trained, skilled, committed and creative employees are of great importance.
- 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 sports events, entertainment events and shows.

Biting comedy about everyday school life: "Frau Müller muss weg!"

LEGAL INFLUENCING FACTORS

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

Film segment

In the Film segment, the Highlight Group is also subject to statutory regulations. This applies in particular to the copyright framework, national and international competition regulations, and regulations of the EU single market. Furthermore, it is necessary to adhere to the German Youth Protection Act, which, among other things, commits movies and video films to the FSF – a German organization for the voluntary self-regulation of television – for age classification.

German theatrical movie production – such as that of the Constantin Film Group – depends on funding. In Germany, around EUR 160 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 50 million a year according to the most recent figures. Like similar bodies in other countries, it funds production activities in the respective location. The overstretching of the DFFF's resources in 2015 has no impact on the current year, in which the funding volume remains unchanged at EUR 50 million.

In addition, the Budget Committee has increased the allocation for cultural film grants in the 2016 federal budget by EUR 15 million. Furthermore, at the end of 2015, the Federal Ministry for Economic Affairs and Energy (BMWi) created the German Motion Picture Fund, a new funding program for theatrical movies and TV series. The Bavarian film-funding body FFF Bayern has also pledged EUR 450,000 in extra subsidies for international co-productions.

The plan at European level to restrict the allocation of territorial licenses and ban geoblocking for specific rights, for example, has not been implemented so far.

More than a million viewers in Germany: "The Famous Five 4"

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 by the companies of the Highlight Group to provide customers, business partners and the advertising industry with authoritative and sound information for assessing their investment decisions.

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 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

The calculations published in January 2016 by the International Monetary Fund (IMF) show that the global economy grew by just 3.1% in 2015 (2014: 3.4%). The global economy was mainly affected by the economic turmoil in China, where the focus is set to shift from industrial production to services. In addition, oil and commodity prices fell sharply, hitting the exporting emerging and developing nations particularly hard. Both factors meant that the economic output of these economies rose by only 4.0% last year (2014: 4.6%) – the fifth consecutive decline in growth.

For the industrialized nations, the IMF calculated growth of 1.9% (2014: 1.8%). The US and the UK performed relatively well here, growing by 2.5% (2014: 2.4%) and 2.2% (2014: 2.9%) respectively, while the Japanese economy only grew by 0.6% (2014: 0.0%). The economy in the long-suffering euro zone posted growth of 1.5%, well up on the previous year (0.9%). The former problem countries France (1.1%), Italy (0.8%) and Spain (3.2%) also contributed to this positive performance, and appear to be gradually getting back on their feet.

Turbulent teen comedy: "Abschussfahrt"

In mid-December 2015, the Swiss State Secretariat for Economic Affairs (SECO) forecast moderate growth in gross domestic product (GDP) of 0.8 % for Switzerland, down significantly on the previous year (1.9 %). Growth was mainly restricted by the sharp appreciation of the Swiss franc, which – combined with the downturn in global trade – had a negative impact on overall foreign trade. By contrast, private consumption (1.2 %) and investment in plant and machinery (2.6 %) delivered positive impetus.

In 2015, the German economy posted its strongest growth since 2011. On the basis of the provisional calculations of the German Federal Office of Statistics (Destatis) published in mid-January 2016, inflation-adjusted GDP rose by 1.7 % (2014: 1.6 %), driven mainly by consumption. As a result of low interest rates, private consumption rose by 1.9 % (2014: 0.9 %), and government consumption by as much as 2.8 % (2014: 1.7 %).

The state of the Austrian economy is somewhat different. In mid-December 2015, the Austrian Institute of Economic Research (WIFO) forecast a 0.8 % increase in real economic output (2014: 0.4 %). Growth was therefore below 1 % for the fourth consecutive year. This was due to the weak global economic environment which dampened foreign trade, as well as virtually stagnant private consumption as a result of high unemployment and modest development of incomes.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

The performance of the media and entertainment industry in Germany is essentially consistent with that of the economy as a whole. However, spending on advertising is generally more directly in tune with and alert to economic changes than spending patterns of consumers.

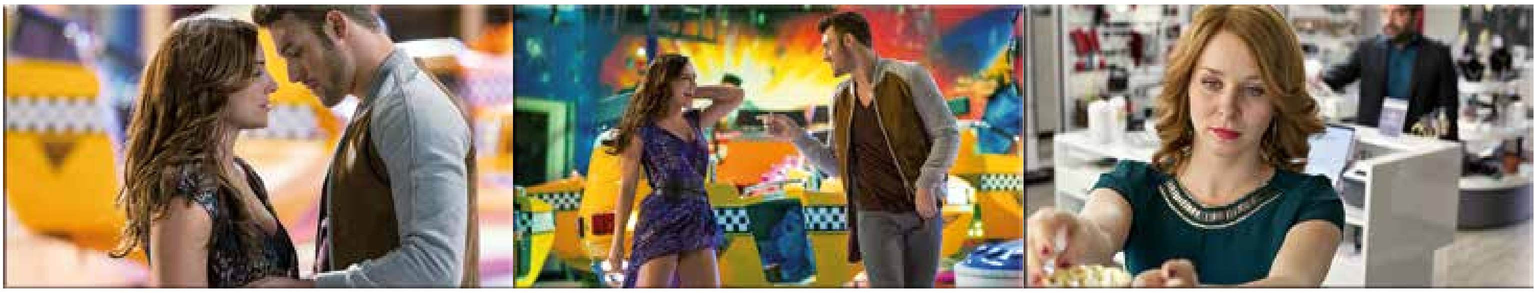
For 2015, the auditing company PricewaterhouseCoopers (PwC) forecast revenues growth of 2.0 % to around EUR 69.4 billion for the entire media and entertainment industry in Germany. The growth rate was therefore lower than in the previous year (+2.7 %). As in the previous years, the growth drivers were digitized services, which are fundamentally changing patterns of people's media use and the distribution of media content. Despite the surge in popularity of digital content, traditional television – the largest sub-market – was expected to post revenues growth of 2.2 % in 2015, while radio failed to continue the slight growth trend seen in previous years, with revenues down 2.0 % on the previous year. For online advertising, PwC expected revenues to rise by 7.5 % in 2015, compared with 8.4 % in the previous year.

Regarding spending on media consumption in Germany, PwC expected a roughly consistent growth rate of 2.0 % for the year under review (2014: +2.1 %). The main growth drivers were the increasingly widespread use of digital devices such as smartphones and tablets, and the accelerated expansion of broadband technologies and infrastructure.

Coveted award: Actor Tobias Moretti won the BAMBI media prize for his performance in the Moovie TV production "Das Zeugenhaus".

Management report: Film segment

Report on business performance and the situation



Bestsellers in home entertainment exploitation: “Step Up: All In”, “Männerhort” and “The Hundred-Foot Journey”

SECTOR-SPECIFIC SITUATION

Theatrical distribution

Revenues on the German movie market rose by 23.5 % in 2015 to a new record level of EUR 1.14 billion (2014: EUR 0.92 billion). Audience figures saw a similarly positive progression, growing by 18.0 % to 133.1 million (2014: 112.8 million). German own and co-productions achieved a market share of 22.4 % in terms of revenues and 25.4% in terms of moviegoers.

Of all films released in Germany in 2015, 30 attracted more than a million people (including previews) to theaters. The most successful of these was the Constantin Film own production “Fack Ju Göhte 2” with 7.65 million moviegoers, closely followed by the science-fiction spectacular “Star Wars: The Force Awakens” (7.63 million), the James Bond sequel “Spectre” (6.95 million) and the CGI film “Minions” (6.93 million).

Home entertainment

The overall German home entertainment market declined by 1.8 % to EUR 1.61 billion (2014: EUR 1.64 billion) in 2015. These figures do not include the fast-growing SVoD business (subscription video-on-demand). This decrease resulted from the 5.4 % fall in revenues from the sale and rental of physical media (DVD and Blu-ray) to EUR 1.41 billion (2014: EUR 1.49 billion).

By contrast, digital formats (electronic sell-through and transactional video-on-demand), continued to perform very well, rising by a total of 33.3 % to EUR 0.20 billion (2014: EUR 0.15 billion). However, this did not offset the decline in revenues from physical media.

License trading/TV service production

At the film markets, the availability of attractive and promising license products is currently limited. As well as a significant reduction in releases by US studios in the US, this is also due to the fact that many prominent actors are constantly busy working on TV series, and are therefore available for fewer movies.

The TV sector continues to be heavily influenced by ongoing digitization, although television remains the most important opinion-former and purchaser in Germany. Competition for conventional linear television mainly comes from streaming platforms such as Netflix and Amazon.



OPERATIONAL DEVELOPMENT

In the year under review, the business areas theatrical production/acquisition of rights and theatrical distribution achieved notable successes by combining national and international own and co-productions with a handful of high-quality third-party titles. There were also effective and cost-efficient press and marketing campaigns that contributed to the major theatrical success of “Fack Ju Göhte 2” and “Look Who’s Back” in particular.

Shooting starts on 11 films

Of the 13 film projects that the Constantin Film Group had planned for 2015, a total of 11 productions came to fruition, including “Timm Thaler”, “Bruder vor Luder”, “Schweinskopf al dente”, “Resident Evil 6 – The Final Chapter” and “Grüsse aus Fukushima”. By the shooting of “Resident Evil 6” – starring Milla Jovovich in the leading role – the success of this strong brand is set to continue in 2016.

In the field of comedy, the Constantin Film Group positioned itself superbly in the year under review – particularly as a result of its collaboration with Bora Dagktekin – and released by far the most successful German original franchise of all time with “Fack Ju Göhte 2”.

In addition, the movie portfolio was diversified with the output deal between Constantin Film AG and the US studio DreamWorks. The results of this diversification will soon become apparent, for instance in summer 2016 when the DreamWorks film “The BFG – Big Friendly Giant” (directed by Steven Spielberg) hits German theaters.

Outstanding theatrical performance

The Constantin Film Group released ten of the 13 originally planned movies in German theaters in 2015. This film slate consisted of eight own/co-productions and two licensed titles. Released in mid-September, the own production “Fack Ju Göhte 2” was a real hit with the public, becoming the most-watched film of 2015 by the end of the year. Another big success was “Look Who’s Back”.

Successful new home entertainment releases

In home entertainment, the market position of 2014, which resulted largely from extraordinarily high sales figures for the home-cinema version of “Fack Ju Göhte”, was not maintained, as expected. Even so, several new releases on the Constantin Film label performed very strongly in the year under review, including “Ostwind 2”, “Step Up: All In”, “Männerhort” and “Frau Müller muss weg!” In addition, catalog business was consistently strong in 2015.

High viewing figures: “Schuld” and “A Dangerous Fortune”

Major license launches in license trading/TV exploitation

Various license sales of in-house and third-party productions were again concluded in 2015. As in the previous year, the conventional exploitation stages free-TV and pay-TV accounted for almost all significant transactions in terms of sales in this sector.

In the free-TV sector, the starts of the initial licenses for “Step Up Revolution” (ProSiebenSat.1), “Resident Evil: Retribution” (ProSiebenSat.1), “Agent Ranjid rettet die Welt” (ZDF), “Ostwind” (ZDF) and “The Famous Five 2” (ProSiebenSat.1) had a particularly positive impact on sales. In the pay-TV sector, there were also the initial licenses for movies such as “Fack Ju Göhte”, “Pompeii”, “Männerhort”, “Need for Speed” and “The Famous Five 3”. All these movies were licensed for the pay-TV stations Sky, Disney and/or Teleclub.

First international TV service production completed

Both national and international fictional TV production was stepped up in 2015. At international level, “Shadowhunters” was the first major production with the US broadcaster Freeform (previously ABC Family). In addition, the SVoD rights to this production (outside the US) have been sold to Netflix, resulting in a major worldwide deal for Constantin Film. The series saw a successful start on Freeform in the US and on Netflix in the rest of the world. The successful expansion of fictional series productions is also demonstrated by a sharp rise in production activity across all production companies and areas.

Constantin Entertainment GmbH again produced an increased number of daily shows. Apart from the three well-known daily shows for SAT.1 such as “Schicksale”, 40 episodes of “Verdachtsfälle Spezial – Verbrechen aus Leidenschaft” (season 3) were produced for RTL.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Ensuring high quality by securing expertise on a long-term basis

On the German movie market, a record level was achieved in 2015, mainly as a result of the outstanding commercial quality of the new releases. This also applies to the productions that the Constantin Film Group released in theaters in the past fiscal year. These were worked on by a total of 25 producers, 20 executive producers and, of course, a large number of filmmakers, authors and directors, some of whom have had a long association with Constantin.

Five films seen by more than a million moviegoers in theatrical distribution

In German theaters, five Constantin Film Group movies posted audiences in excess of one million in 2015. The prediction made for the reporting year of at least two films with more than a million viewers was thus clearly exceeded. By far the most popular was the comedy “Fack Ju Göhte 2”, which had drawn in 7.65 million moviegoers by the end of the year. This means that “Fack Ju Göhte 2” is the third-most successful German production of all time in terms of audience figures.

First major international TV production: "Shadowhunters"

The bestseller movie adaptation "Look Who's Back" also ranked among the most successful movies of 2015 with a total audience of 2.41 million people. The other films to break the million mark were "Ostwind 2" (1.19 million moviegoers), "Frau Müller muss weg!" (1.09 million) and "The Famous Five 4" (1.02 million).

On the back of these successes, the Constantin Film Group secured fourth place in the distributor rankings in Germany in terms of revenues and moviegoers. It therefore came ahead of the US studios Sony, Fox and Paramount as well as all other independent exploiters.

Market share down in home entertainment

In the period from January to December 2015, the Highlight Group achieved a share of 7 % on the video sell-through market with its sales partner Paramount Home Entertainment (same period in 2014: 8 %) and a share of 9 % on the video rental market (same period in 2014: 11 %). The market shares were therefore down slightly year-on-year, mainly as a result of the excellent performance of "Fack Ju Göhte" on the German market in 2014.

TV exploitation at a good level

Good ratings were achieved once again in TV exploitation/license trading in the year under review. For instance, ProSieben broadcast the Constantin Film productions "Resident Evil: Retribution" (7.3 % share of the overall market) and "Step Up Revolution" (4.5 % share of the overall market) and other movies for the first time. With a 6.6 % share of the overall market, the initial broadcast of "The Famous Five" on SAT.1 also reached a wide audience. The market shares for initial broadcasts did not match the ratings for initial broadcasts in the previous year.

Ongoing ratings hits in TV service production

In addition to the ninth and tenth seasons of "Dahoam is Dahoam", some episodes of which achieved double-digit market share figures, the broadcast of the miniseries "Schuld" on ZDF was highly successful, with market share figures of between 13 % and 16 % (overall market). Furthermore, the two TV movies "Ich will Dich" (ARD) and "Mein gebrauchter Mann" (ZDF) attained impressive figures of over 12 % of the overall market. The daily shows "Schicksale" and "In Gefahr – Ein verhängnisvoller Moment", both produced for SAT.1, maintained their double-digit market share figures in the target demographic of 14-to-59-year-olds.

Europe's best football club: FC Barcelona emerged victorious in both the UEFA Champions League and the UEFA Super Cup in 2015.

Management report: Sports- and Event-Marketing segment

Report on business performance and the situation

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

SECTOR-SPECIFIC SITUATION

An estimated USD 41.1 billion was invested in sports sponsorship worldwide in 2015. This equates to a 1.7 % increase on the previous year, and a 71 % share of all global sponsorship spending. Many established brands used social media to make their sponsorship cost-effective. For instance, the online trading company Plus500 cited the “extensive social-media activities” of Atlético Madrid as a key factor in its decision to become the club’s main partner and shirt sponsor.

In 2015, the sale and acquisition of broadcasting rights to premium sports events was characterized by growing interest from telecommunications companies as well as the ongoing trend towards significant rises in license prices. Back in February 2015, the national live broadcasting rights to the English Premier League for the 2016/17 to 2018/19 seasons were sold for a total of GBP 5.14 billion, an increase of around 70 % on the previous cycle. The telecommunications company Altice paid 66 % more than before for the Premier League broadcasting rights in France (2016/17 to 2018/19 seasons). The rights for Australia were acquired by the Australian telecommunications provider Optus, which was willing to accept a price hike of 213 %.

OPERATIONAL DEVELOPMENT

TEAM concludes new agency agreement with UEFA

In the year under review, the TEAM Group continued to focus on optimum marketing of the commercial rights of the UEFA Champions League and the UEFA Europa League for the 2015/16 to 2017/18 seasons. As the performance targets agreed with UEFA were achieved, the agency agreement between UEFA and TEAM was renewed. The new agreement covers global marketing of the media, sponsorship and licensing rights for the 2015/16 to 2020/21 seasons. If the agreed performance targets are achieved in this period, the agreement will be automatically extended to the 2021/22 to 2023/24 seasons.

For the 2015/16 to 2017/18 sales cycle, numerous TV-rights agreements were successfully concluded for both competitions. In the area of sponsorship rights, TEAM gained the beverage manufacturer Pepsi-Cola as a new sponsor for the UEFA Champions League, while FedEx, Enterprise Rent-A-Car, Heineken/Amstel and UniCredit have been sponsors of the UEFA Europa League since the current 2015/16 season.

In addition, TEAM advised UEFA on how the commercial concepts of the UEFA Champions League and the UEFA Europa League for the 2018/19 to 2020/21 can be enhanced.

Focus on finals

In terms of operations, the TEAM Group supported both UEFA and its commercial partners in the successful handling of the three highlights of the European club football season. The final of the UEFA Europa League between FC Dnipro Dnipropetrovsk and Sevilla FC was held in Warsaw on May 27. On June 6 at Berlin's Olympic Stadium, Juventus Turin faced FC Barcelona in the UEFA Champions League final. The game for the UEFA Super Cup between Sevilla FC and FC Barcelona was held on August 11 in Tbilisi.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

New record viewing figures for the UEFA Champions League final and the UEFA Super Cup

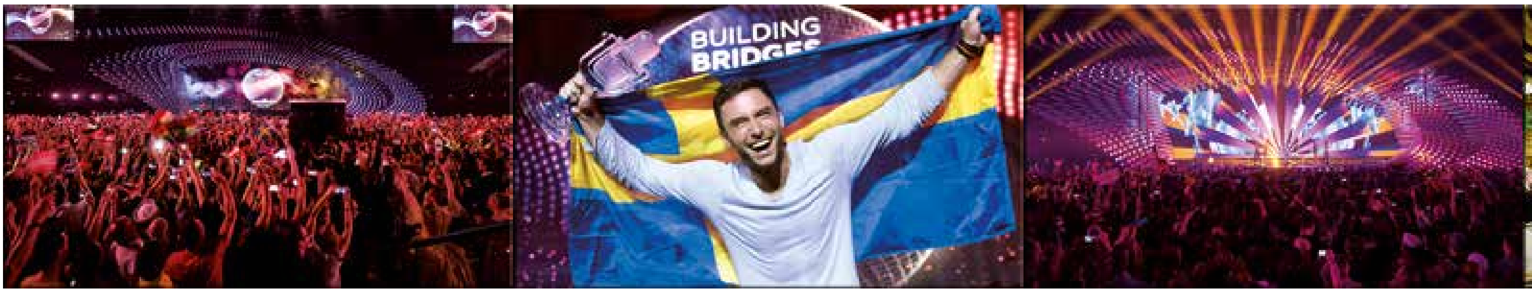
The final of the UEFA Champions League was broadcast in more than 200 countries and watched by an average of approx. 180 million viewers. This marks an increase of around 9% compared with the previous year (approx. 165 million). In the same vein, the measured peak viewing figure rose from around 380 million to around 400 million.

In addition, the UEFA Super Cup, which was broadcast in more than 90 countries, attracted a total audience of more than 45 million people – a new record.

Victory in Vienna: Måns Zelmerlöw, who was tipped as the front-runner, came first in the 2015 Eurovision Song Contest and brought Sweden its sixth win.

Management report: Other Business Activities segment

Report on business performance and the situation



Major events with a TV tradition going back decades: the Eurovision Song Contest and the Vienna Philharmonic Orchestra's concerts

SECTOR-SPECIFIC SITUATION

Companies invested around EUR 2.9 billion in music sponsorship worldwide in 2015. North America accounted for almost half of this volume, while Europe's share was just 27 %. Beverage manufacturers were by far the biggest spenders on music sponsorship (42 %), followed by companies in the banking and finance sector (8 %) and the fashion industry (6 %).

OPERATIONAL DEVELOPMENT

A wide range of activities for the Vienna Philharmonic Orchestra

In 2015, the activities of Highlight Event AG were geared mainly towards the Vienna Philharmonic Orchestra, as some of the TV and sponsorship contracts for this project are up for renewal for the period from 2018 to 2022. One development here was the extension of the framework agreement with the European Broadcasting Union (EBU).

The 2015 New Year's Day Concert was a big success. The same applies to the 2015 Summer Night Concert, under the musical direction of Zubin Mehta, which was held at the Schönbrunn palace gardens as usual.

Successful handling of the Eurovision Song Contest

At the Eurovision Song Contest, held in Vienna in 2015, Highlight Event AG supported the EBU to handle the event, with all partners working together to make it a big success.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

High levels of global interest in music events

The Vienna Philharmonic Orchestra's New Year's Day Concert was again broadcast live or delayed in more than 90 countries, while the Summer Night Concert was broadcast on TV or radio in more than 80 countries. In addition, the event was watched by a live audience of more than 100,000 people in the palace gardens.

The events of the 2015 Eurovision Song Contest also proved a big crowd-puller, with around 65,000 fans attending. The final, watched on TV by more than 100 million viewers, was broadcast in 45 countries, including Australia, New Zealand and – via streaming – China.



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

OVERALL ASSESSMENT OF THE REPORTING PERIOD

The Highlight Group's sales situation and results of operations in fiscal year 2015 were dominated by the change in the Swiss franc/euro exchange rate. The decision by the Swiss National Bank in mid-January 2015 to lift the cap of 1.20 EUR/CHF led to a sharp appreciation in the Swiss franc of more than 12 %. While the average exchange rate in 2014 was around 1.215 EUR/CHF, this declined to around 1.068 EUR/CHF in the year under review. This fact was reflected in our company's revenue development in particular, as our sales are generated almost exclusively in euro whereas our expenses are partly denominated in Swiss francs.

Despite this, the business performance of the Highlight Group in 2015 was very positive on the whole. Consolidated sales amounted to CHF 346.1 million, thereby significantly exceeding the guidance range of between CHF 310 million and CHF 330 million. EBIT improved by 7.2 % to CHF 31.1 million, while the consolidated net profit for the period attributable to shareholders rose by 4.8 % to CHF 17.5 million. This figure was at the upper end of the earnings forecast, which had been raised to between CHF 16 million and CHF 18 million in an ad-hoc disclosure published on October 30, 2015 (previously: between CHF 14 million and CHF 16 million). The same applies to earnings per share, which increased by CHF 0.02 year-on-year to CHF 0.39 (forecast: between CHF 0.36 and CHF 0.40).

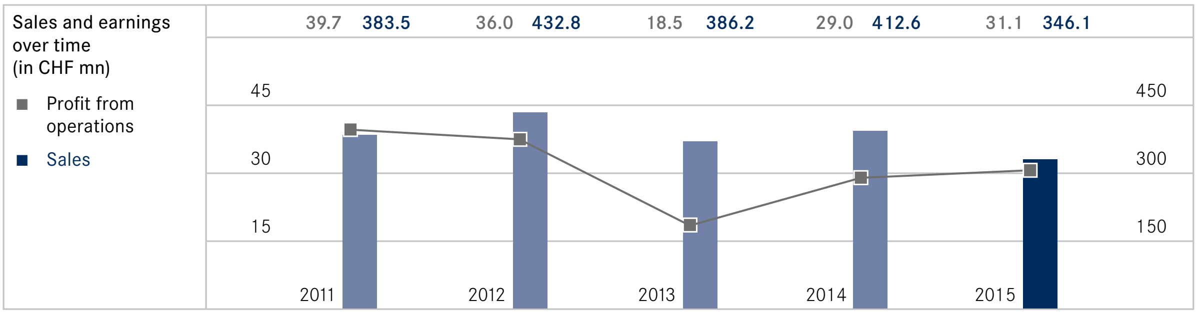
At CHF 174.1 million, the Highlight Group also generated its highest net cash flow from operating activities since 2010; among other things, this was used to fully eliminate net debt as of December 31, 2015. The notional equity ratio at year-end was a solid 22.7 %.

RESULTS OF GROUP OPERATIONS

Strong growth in production volume

In the period from January to December 2015, the Highlight Group generated consolidated sales of CHF 346.1 million; as expected, this was CHF 66.5 million or 16.1 % lower than the figure recorded in 2014 (CHF 412.6 million). In addition to exchange rate effects, this decrease was primarily attributable to the decline in external sales in the Film segment, as no international Constantin Film production was released in contrast to the previous year.

Capitalized film production costs and other own work capitalized increased by CHF 34.8 million to CHF 72.6 million due to the significantly higher production volume (previous year's period: CHF 37.8 million). However, this was not enough to offset the reduction in sales, meaning that the Highlight Group's total output was CHF 31.7 million or 7.0 % lower than in the previous year (CHF 450.4 million) at CHF 418.7 million. Other operating income declined slightly by CHF 1.3 million to CHF 20.3 million (previous year's period: CHF 21.6 million).



Further improvement in EBIT

Consolidated operating expenses amounted to CHF 407.8 million in the year under review, a decrease of CHF 35.2 million or 7.9 % as against the previous year (CHF 443.0 million). This development was mainly due to amortization, depreciation and impairment – particularly of film assets – which fell by CHF 44.8 million to CHF 73.8 million (previous year's period: CHF 118.6 million). As the amortization of films being exploited 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 decrease was primarily due to the lower sales in the Film segment in 2015.

The cost of materials and licenses remained essentially unchanged year-on-year at CHF 162.1 million (previous year's period: CHF 162.4 million), while personnel expenses climbed by CHF 15.1 million to CHF 112.3 million (previous year's period: CHF 97.2 million). By contrast, other operating expenses fell by CHF 5.3 million to CHF 59.6 million (previous year's period: CHF 64.9 million).

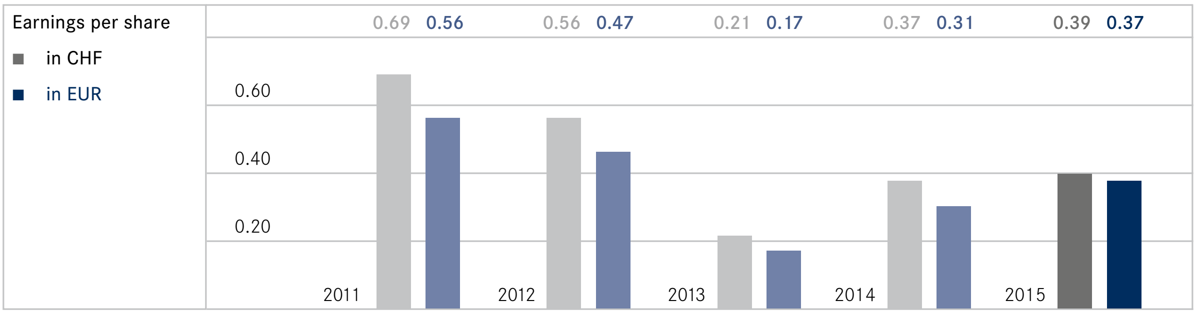
As the decrease in consolidated operating expenses was more substantial than the decline in total output, EBIT improved by CHF 2.1 million to CHF 31.1 million (previous year's period: CHF 29.0 million). As a result, the EBIT margin also increased by two percentage points to 9.0 % (previous year's period: 7.0 %).

Earnings per share increase to CHF 0.39 or EUR 0.37

Earnings from investments in associated companies and joint ventures increased by CHF 0.6 million year-on-year to CHF 0.9 million in the year under review (previous year's period: CHF 0.3 million). By contrast, the financial result declined by the same amount to total CHF –6.5 million (previous year's period: CHF –5.9 million), largely as a result of currency effects. Financial income fell by CHF 8.4 million to CHF 4.3 million (previous year's period: CHF 12.7 million), while financial expenses declined by CHF 7.8 million to CHF 10.8 million (previous year's period: CHF 18.6 million).

With tax expenses (income taxes and deferred taxes) rising by CHF 2.6 million to CHF 7.9 million (previous year's period: CHF 5.3 million), the Highlight Group reported a consolidated net profit of CHF 17.6 million for fiscal year 2015, down slightly on the previous year (CHF 18.1 million). CHF 0.1 million (previous year's period: CHF 1.4 million) of this figure is attributable to non-controlling interests.

Accordingly, the profit share attributable to the shareholders of Highlight Communications AG is CHF 17.5 million, an increase of CHF 0.8 million or 4.8 % as against the previous year (CHF 16.7 million). Based on the average number of shares in circulation of 44.5 million in the year under review (previous year's period: 44.5 million), this corresponds to earnings per share of CHF 0.39 (previous year's period: CHF 0.37). By contrast, earnings per share on a euro basis increased substantially by 19.4 % to EUR 0.37 (previous year's period: EUR 0.31).



RESULTS OF SEGMENT OPERATIONS

Film: Significant earnings growth despite lower sales

The Constantin Film Group largely achieved its targets for fiscal year 2015. In the theatrical production business area, eleven of the 13 planned film projects were realized while, in theatrical distribution, ten of the 13 planned titles were released in theaters. Five films from this distribution slate – three more than previously forecast – were seen by more than a million people in Germany. The film with the highest audience figures in the whole of 2015, "Fack Ju Göhte 2", led the way.

Sales in the home entertainment business area were down on the previous year as expected, with the figures for 2014 having been boosted by the extraordinary sales of the comedy hit "Fack Ju Göhte". By contrast, the TV service production business area was expanded further at a national and international level. The series "Shadowhunters" was the first major production to be realized for a US broadcaster. In addition, the global SVoD rights for this production (outside the US) were sold to the streaming platform Netflix.

As a result of these developments, the Film segment generated external sales of CHF 290.9 million in the year under review (previous year's period: CHF 359.1 million). The decline of CHF 68.2 million or 19.0 % is primarily attributable to the fact that high income from minimum guarantees was achieved in the previous year owing to the global release of the Constantin Film own production "Pompeii". By contrast, no international production was released in 2015. In addition, external sales were influenced by currency effects.

Other segment income, which is mainly influenced by capitalized film production costs, increased by CHF 33.4 million or 57.7 % to CHF 91.3 million (previous year's period: CHF 57.9 million). At the same time, segment expenses fell by CHF 38.4 million or 9.5 % to CHF 365.0 million (previous year's period: CHF 403.4 million), largely as a result of the significantly lower level of scheduled amortization of film assets. Accordingly, segment earnings improved by 26.5 % to CHF 17.2 million (previous year's period: CHF 13.6 million).

Sports- and Event-Marketing: Segment sales dominated by appreciation of Swiss franc

The TEAM Group successfully handled the marketing process for the commercial rights to the 2015/16 to 2017/18 seasons of the UEFA Champions League and the UEFA Europa League in the past year. The TEAM Group met the performance criteria required under its previous club competition agency agreement with UEFA, and has concluded a new agency agreement with it. In accordance with this, the TEAM Group will again serve as the exclusive agency for the worldwide marketing of the media, sponsorship and licensing rights for the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup for an extended term. The term of the new agency agreement covers the UEFA club competitions beginning from the 2015/16 season to the end of the 2020/21 season and, subject to TEAM's ongoing performance, will also include the 2021/22 to 2023/24 seasons.

The development of sales and earnings in the Sports- and Event-Marketing segment in fiscal year 2015 reflects the change in the Swiss franc/euro exchange rate in particular. The segment's external sales of CHF 51.7 million were slightly higher than in the previous year (CHF 49.9 million). Driven by additional project expenses and higher segment charges, segment expenses rose from CHF 29.5 million to CHF 33.1 million, which meant that segment earnings decreased from CHF 22.4 million to CHF 21.0 million.

Other Business Activities: Further improvement in earnings

As planned, the activities of Highlight Event AG in 2015 mainly focused on the Vienna Philharmonic Orchestra, as some of the TV and sponsorship contracts for this project are up for renewal. In this context, Highlight Event AG succeeded in extending the important framework agreement with the European Broadcasting Union, among other things.

At CHF 3.4 million, external sales of the Other Business Activities segment were essentially unchanged as against the previous year (CHF 3.5 million). Other income decreased by CHF 0.4 million to CHF 0.2 million (previous year's period: CHF 0.6 million), while segment expenses – particularly in the area of scheduled amortization – fell by CHF 0.8 million to CHF 5.2 million (previous year's period: CHF 6.0 million). As a result, the segment loss declined from CHF 1.9 million to CHF 1.4 million.

Holding costs increase to CHF 5.7 million

The costs of holding activities rose by CHF 0.6 million to CHF 5.7 million in the year under review (previous year's period: CHF 5.1 million).

NET ASSETS SITUATION

Balance sheet total up 26.7 % year-on-year

Compared with the end of 2014 (CHF 361.6 million), the Highlight Group's balance sheet total increased by CHF 96.4 million to CHF 458.0 million as of December 31, 2015.

On the assets side of the balance sheet, this increase was due to both non-current and current assets. The increase in non-current assets of CHF 40.8 million to CHF 240.1 million (December 31, 2014: CHF 199.3 million) was largely the result of changes in film assets in the amount of CHF 40.7 million. Despite this development, the share of total assets attributable to non-current assets declined from 55.1 % in the previous year to 52.4 %.

Current assets increased by CHF 55.7 million to CHF 217.9 million (December 31, 2014: CHF 162.2 million). This was influenced in particular by a substantial rise in cash and cash equivalents to CHF 106.4 million (December 31, 2014: CHF 44.8 million), which primarily resulted from advance payments received in the Sports- and Event-Marketing segment. By contrast, trade accounts receivable and other receivables due from third parties fell by CHF 6.0 million to CHF 89.4 million (December 31, 2014: CHF 95.4 million).

Significant growth in film assets

At the end of the year under review, the value of film assets totaled CHF 201.1 million, an increase of CHF 40.7 million compared with December 31, 2014 (CHF 160.4 million). This figure was composed of in-house productions in the amount of CHF 163.7 million (December 31, 2014: CHF 119.3 million) and third-party productions in the amount of CHF 37.4 million (December 31, 2014: CHF 41.1 million). The increase in in-house productions is primarily attributable to the significantly higher production volume compared with the previous year.

Additions to film assets totaled CHF 125.3 million in the year under review (previous year's period: CHF 67.9 million). This was offset by amortization of CHF 59.1 million (previous year's period: CHF 107.9 million) and impairment of CHF 10.2 million (previous year's period: CHF 7.1 million).

Increase in current and non-current liabilities

On the equity and liabilities side of the balance sheet, non-current liabilities increased by CHF 51.4 million to CHF 67.6 million (December 31, 2014: CHF 16.2 million). This was mainly due to the aforementioned advance payments received in the Sports- and Event-Marketing segment in the amount of CHF 47.1 million. In addition, non-current deferred tax liabilities rose by CHF 3.8 million to CHF 9.3 million (December 31, 2014: CHF 5.5 million).

At CHF 286.5 million, current liabilities were up CHF 48.0 million on the prior-year figure (CHF 238.5 million). This was primarily due to an increase in financial liabilities of CHF 23.0 million to CHF 104.3 million (December 31, 2014: CHF 81.3 million). In addition, advance payments received rose by CHF 19.7 million to CHF 73.8 million (December 31, 2014: CHF 54.1 million), while trade accounts payable and other liabilities due to third parties increased by CHF 8.4 million to CHF 97.7 million (December 31, 2014: CHF 89.3 million).

Equity down slightly on previous year's level

Consolidated equity (including non-controlling interests) declined by CHF 3.1 million to CHF 103.8 million (December 31, 2014: CHF 106.9 million). This development was primarily due to dividend payments (CHF 10.3 million), the acquisition of non-controlling interests (CHF 4.7 million) and currency translation differences (CHF 10.6 million) resulting from the translation of the equity of those subsidiaries whose functional currency is not the Swiss franc. Equity was increased by the net disposal of treasury shares (CHF 3.9 million) and the consolidated net profit of CHF 17.6 million in particular.

Based on the now significantly higher balance sheet total, the notional equity ratio as of December 31, 2015 was solid at 22.7 % (December 31, 2014: 29.6 %). The adjusted equity ratio (after netting advance payments received against film assets and cash and cash equivalents against financial liabilities) was 44.6 % (December 31, 2014: 40.7 %). For detailed information on the development of consolidated equity, please see the consolidated financial statements (pages 82 and 83).

FINANCIAL SITUATION

Net debt fully eliminated

As of December 31, 2015, the Highlight Group had cash and cash equivalents of CHF 106.4 million – CHF 61.6 million more than at year-end 2014 (CHF 44.8 million). At the same time, financial liabilities increased by CHF 23.0 million to CHF 104.3 million (December 31, 2014: CHF 81.3 million), resulting in net liquidity of CHF 2.1 million at the end of fiscal year 2015 (December 31, 2014: net debt of CHF 36.5 million).

Operating activities generated a net cash inflow of CHF 174.1 million in the year under review. This represents an increase of CHF 17.7 million compared with fiscal year 2014 (CHF 156.4 million), primarily as a result of the increase in advance payments received and other changes in net working capital.

Net cash used in investing activities increased by CHF 48.3 million as against the previous year (CHF 76.5 million) to CHF 124.8 million. This development was mainly attributable to payments for film assets, which were up CHF 48.7 million year-on-year at CHF 119.3 million (previous year's period: CHF 70.6 million). By contrast, payments for property, plant and equipment and financial assets remained unchanged at CHF 6.0 million.

The cash inflow from the Highlight Group's financing activities amounted to CHF 14.6 million in fiscal year 2015 (previous year's period: cash outflow of CHF 78.9 million). This significant change was primarily due to the net assumption of current financial liabilities in the amount of CHF 25.6 million, whereas there was a net repayment of debt of CHF 69.5 million in the previous year. This was partially offset in particular by the acquisition of non-controlling interests in the amount of CHF 4.7 million (previous year's period: CHF 0.1 million).

Solvency ensured at all times

The Highlight Group has access to credit facilities with floating interest rates as external sources of financing, which have been partially utilized. These facilities are loans that usually have a remaining term of one month. The corresponding interest rates in the euro zone were between 1.4 % and 5.0 % in the year under review. For other foreign currencies, especially USD and CAD, interest rates were between 1.7 % and 3.3 %.

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, 2015, the Highlight Group employed an average number of 1,082 people (December 31, 2014: 864), including freelance staff. Of this number, 130 employees (previous year: 123) worked in Switzerland, 939 (previous year: 728) worked in Germany and 13 (previous year: 13) worked in Austria.

EVENTS AFTER THE BALANCE SHEET DATE

At an extraordinary meeting on February 2, 2016, the Board of Directors of Highlight Communications AG decided to discontinue the activities of the Other Business Activities segment and sell the 75.37 % stake in Highlight Event & Entertainment AG to Bernhard Burgener. The sale price of CHF 18,282,040 consists of cash remuneration of CHF 4,631,480 and 2,200,000 bearer shares in Highlight Communications AG held by the buyer with a countervalue of CHF 13,650,560. The sale is likely to be completed in the first quarter of 2016 (see notes to the consolidated financial statements, note 12).

REPORT ON RISKS AND OPPORTUNITIES

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 opportunity and risk management system (RMS) has been implemented.

RISK MANAGEMENT SYSTEM

The RMS is defined in a directive. 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 risks and opportunities in equal measure. In line with the decentralized Group structure, operational responsibility for dealing with risks lies with the respective risk officers. These are mainly the directors and committee members, or the management members and department managers of the individual subsidiaries. The factors underlying the risks and opportunities are identified in a central tool and assessed on a quarterly basis and approved by the risk officers. At Group level, the reported factors are standardized and consolidated where appropriate. Potential risks to the company as a going concern are required to be reported immediately. Please also refer to the report on risks and opportunities of Constantin Film AG.

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 reasonably possible, the possible loss is described verbally and classified in one of the categories “immaterial”, “limited”, “high” or “serious”. 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 must be agreed.
- Medium risks
  Medium risks exist in the case of a limited level of loss and a medium probability of occurrence. There is no need for immediate action. Efficient and effective measures are sufficient to reduce medium risks or to overcome them quickly if they occur.
- Significant risks
  In comparison to medium risks, significant risks have a higher level of loss and/or a higher probability of occurrence. They should be reduced by means of suitable controls or process optimization. If possible, suitable measures should be used to reduce the significant gross risk to the medium or low risk level.

- Large risks
  Large risks may in some circumstances threaten the existence of an organizational unit or of the entire Highlight Group as a going concern. Measures to reduce the gross risk are imperative and must be initiated immediately. The implementation of the measures is monitored by the management. Large risks must be reported to the management immediately, independently from the periodic reporting.

In particular, external risks beyond the control of the Group and risks arising from legal regulation 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

The Highlight Group's business models are highly dependent on legislation, legal practice, and regulatory interventions by public authorities

Regulatory interventions, changes in legislation or legal proceedings may have a negative impact on the cost or revenue structure. For example, they could lead to restraint on the part of customers when purchasing licenses. A drastic change in licensing practice in the Film segment could have a negative impact on the business model. The following factors have a notable effect on this risk:

- The European Commission is setting out initial plans for a digital single market. Geoblocking is to be prohibited only for very specific content for the time being. The new directive is intended to prevent Internet users from being unable to use digital services that they pay for when traveling or on vacation. However, if the EU sets requirements and regards territorial licensing as essentially incompatible with EU law, this would have drastic implications for the licensing practice of the Constantin Film Group and its business model.
- The current planning is based on various national and international film funding programs, the design of which could change in a negative way.

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

In light of the possible effects, this risk 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. The following factors have a notable effect on this risk:

- 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 licensors are important factors for the production of TV and theatrical movies. Constantin Film AG therefore has decades of experience working closely with renowned and experienced screenwriters, directors and producers with extensive expertise in producing theatrical movies and TV formats at home and abroad.
- Third-party productions are generally acquired on individual film markets. Various prices are paid here depending on the particular project and the specific market. 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, 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.

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. In the Film segment, the "Constantin Film" brand plays an important role as the leading independent German film producer and distributor. Third-party productions are sold in advance for financing purposes before the film is completed. It often takes several years from acquisition to actual delivery of the film. As such, the companies have an inventory of material that reduces uncertainty in the planning period.

Overall, this risk continues to be classified as significant.

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

The Group's sales planning assumes certain market shares, audience figures and proceeds from the different stages of exploitation. If these assumptions are not matched, the planned sales may not be achieved. There is also a risk that it may not be possible to adapt the cost structure in a timely manner. The following factors are notable in this context:

- 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 licensed products. The expiry of framework agreements or a deterioration in the economic situation of licensees can lead to falling sale prices for licenses and thus threaten the intrinsic value of the film stock.
- A strong competitive environment could result in decreasing margins in theatrical distribution business.

The Group's diversification in unrelated products and markets reduces the risk of competition in an individual area/segment. Because market shares and audience figures in particular are key factors for the amount of revenue that can be generated, the Highlight Group endeavors to gain possession of attractive program content for TV stations and other platforms and for its 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 involves specific requirements. If contracts with key customers or business partners expire, are not extended and/or are terminated during their term, this could have a significant negative impact on sales and earnings in subsequent periods. The following factors are significant in this context:

- In Sports- and Event-Marketing, the TEAM Group is dependent on the major client UEFA.
- There is a dependence on the major German TV stations and on the number/size of the stations overall. In the Film segment, a considerable part of production costs is covered by sublicensing TV transmission rights to theatrical movies. The attainable margins could be lower than planned due to a strong position held by the TV stations.

Early termination of individual agreements could lead to higher costs in searching for new partners and establishing new structures. 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.

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

The changes in patterns of use and the technical possibilities for handling media may have the effect that consumers use Highlight Group's product portfolio less than planned, causing it to lose appeal, range or relevance and meaning that the planned sales consequently are not achieved. The following factors are particularly relevant:

- 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.
- Market changes in the home entertainment area are characterized in particular by advancing digitization combined with an increase in additional offers and distribution areas, and this entails constantly changing patterns of media use.

The Highlight Group is attempting to anticipate future trends through targeted market research and analyses of use. The appeal of the products is enhanced by developing consumer-friendly programming and source 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 as a medium risk.

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, among others, court rulings or decisions by public authorities may result in expenses that are not covered, or not fully covered, by insurance policy benefits and could have a negative impact.

As part of the legal support for operating activities, legal risks are identified and assessed qualitatively and quantitatively in terms of their probability of occurrence and potential 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. The following factors have a notable effect on this risk:

- In 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 coverage 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 cancelation of a 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.
- In contrast to theatrical movies, international TV series cannot be financed largely by way of advance sales based on the script. Sales cannot generally be made until at least one completed pilot episode has been presented. As a result, production costs have already reached an advanced stage by the time any sales take place.

If there are budget overruns in the production of a movie, this could negatively affect a movie's planned contribution margin and therefore its earnings. 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.

Constantin Film AG is applying for formats at 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 on 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, the Group has taken measures to keep the existing IT service landscape in line with the current technological standard and to counteract the obsolescence process in device and program technology. Broadcasting-related technology is often available in duplicate form and its functionality is monitored in a timely manner.

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 suffer losses or that no claims will be raised 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 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 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.

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, goodwill and preference shares 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 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, interest rate risks and price risks). The risks associated with financing are described in detail in note 8, management of financial risks, of the notes to the consolidated financial statements. The Group uses corresponding hedges for currency and interest rate risks where appropriate.

The Highlight Group is exposed to currency risks

These currency risks mainly relate to the euro, the US dollar and the Canadian dollar.

In significant transactions, the 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 Group are sufficient, and 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 8.5, currency risk, of the notes to the consolidated financial statements.

In view of the discontinuation of the exchange-rate cap of EUR/CHF 1.20 by the Swiss National Bank (SNB) on January 15, 2015, the current assessment of individual risk factors now results in a change in the classification from a medium risk to a significant risk.

The Highlight Group is subject to liquidity risks

Liquidity risks arise when the Group's payment obligations cannot be covered by its available liquidity or 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 cancelled 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.

Therefore, there is 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 has 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 and fixed-rate non-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.

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. The corresponding guidelines and procedures also apply.

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: “minor”, “medium”, “significant” and “high”.

INFORMATION ON INDIVIDUAL OPPORTUNITIES

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, for example by way of licensing agreements with digital distribution providers, new forms of digital marketing or productions for international and national providers such as Netflix. The broad operational positioning that covers the categories of Sports- and Event-Marketing and Film and Entertainment, the excellent and in several cases leading market positions of the Group’s business, and its strong, well-known brands represent clear advantages in a media world that is undergoing massive upheaval.

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 continues to be classified as medium.

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 rights for sports and entertainment events that are important for its operating activities in the different segments, as well as film rights and source material. 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. In particular, there is the option of international relaunches of existing established intellectual property/brands belonging to Constantin Film.

This opportunity continues to be classified as medium.

The Highlight Group sees opportunities in the cooperation with UEFA

Based on the renewed extension of TEAM’s mandate to market the commercial rights to the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup (for the 2015/16 to 2020/21 seasons respectively), the prospects for continuation of the close cooperation with the Union of European Football Associations are very strong.

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. Because the Highlight Group is made up of companies that operate relatively independently of each other, the Group management sees potential for synergies and savings in the further optimization of collaboration between individual Group companies, in particular from applying the Group's internal best practices, from agglomeration effects at the sites in and around Munich, and from the simplification, standardization and automation of processes.

A committee decision was taken in July 2015 to retain the current rental and site situation of the individual companies in the greater Munich area. This means the loss of a source of significant agglomeration effects that had originally been included in the assessment as a "significant opportunity." Irrespective of the site situation, the management sees further synergy potential and now assesses this as a minor opportunity as of the end of the reporting period.

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

The opportunity reported in the previous year with regard to growth in new business areas in the Highlight Group's Other Business Activities segment no longer exists. The earnings contribution from the specified FunPoker software and Eurovision Young Musicians projects is too low for these projects to be regarded as opportunities any longer.

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.

In summary, three risk clusters can be identified: The first category comprises risks originating externally, which arise in particular from regulatory interventions and legal requirements and are difficult to influence. These topics are monitored closely in order to identify unfavorable developments at an early stage. In general, the effect of these topics is inherently not short-term, meaning that it is possible to respond to them with adjustments in the planning process. The second category covers topics that the Group management knowingly accepts for reasons relating to the implementation of the business strategy. These include in particular risks arising from film and TV production, access to license rights and source material, and sales-, taste- and consumer-related risks. The Group management believes that the effects of these risks are manageable in relation to the income opportunities arising from the business areas concerned. By monitoring key indicators, it is possible to identify whether this relationship between risk and opportunity is worsening on a long-term basis in individual areas. If so, this can be addressed by adapting the strategy. The last group comprises operational risks and includes in particular business risks, safety and security plans, and contractual/financial obligations. These are controlled by the Group management by way of guidelines and process checks, thereby ensuring that the residual risk remains at an economically acceptable level. The Group management continues to see the biggest opportunities in the rigorous expansion of the digital strategy and the potential afforded by a transformation of the media world.

All the Group companies are established in their respective sectors, 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.

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).

Accounting within 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 as well as 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.

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.

Based on current knowledge, there are no special or relevant opportunities for Highlight Communications AG.

FORECAST

GENERAL ECONOMIC ENVIRONMENT

The development of the global economy in 2016 is expected to be positive overall. However, the International Monetary Fund (IMF) reduced its forecasts in January, expecting lower economic growth than in October 2015. The main reasons for this are slower economic performance in the emerging economies and only a slight recovery in the industrialized nations. Overall, the IMF expects the global economy to grow by 3.4 % this year instead of 3.6 % as initially forecast.

For the euro zone, it envisages growth of 1.7 %, a slight improvement on the previous year. Positive influencing factors include low oil prices and the weakness of the euro compared with the US dollar, which is beneficial to exports.

In Germany, the moderate growth of the previous year is set to continue in 2016. The IMF expects economic output to grow by 1.7 % compared with 1.5 % in 2015. German economic research institutes are more optimistic: the ifo Institute forecasts growth in gross domestic product (GDP) of 1.9 %, while the Institute for the World Economy (IfW) actually predicts a rise of 2.2 %. According to the IfW, the growth drivers are the continued growth in private consumption as a result of fast-rising incomes and increased investment activity by businesses. In addition, government investment in looking after and integrating refugees may constitute a kind of “economic stimulus program”.

For the Swiss economy, the Swiss State Secretariat for Economic Affairs (SECO) forecasts a gradual recovery that is likely to be reflected by an increase in GDP from 0.8 % in 2015 to 1.5 % this year. In addition to an upturn in exports, the group of experts expects further rises in purchasing power, which are likely to at least partly translate into higher private consumption.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

PricewaterhouseCoopers (PwC) expects the media and entertainment industry in Germany to achieve robust growth of 2.1 % per year on average between 2015 and 2019. In 2019, this would equate to a market volume of EUR 75.6 billion, which is likely to be boosted by the positive development of advertising income as well as rising consumer spending. Accordingly, digital media's share of the industry's total revenues is likely to rise further from 35 % in 2014 to 43 % at the end of the forecast period.

The advertising volume in Germany is likely to grow by an average of 2.6 % to EUR 19.3 billion by 2019. With an estimated growth rate of 6.6 % per year, the online advertising sub-market remains the key influencing factor here.

FOCAL POINTS IN FISCAL YEAR 2016

Film segment

Sector-specific situation

For the German movie market, revenues are expected to rise to approx. EUR 1.44 billion by 2020.

In the home entertainment market, the sale and rental of conventional DVDs is set to decline further in the next few years, while a positive trend is forecast for the Blu-ray sell-through market. The growth in digital formats is also set to continue in the next few years. The main growth driver in this sector is the use of subscription services (subscription video-on-demand/SVoD).

The order situation in TV service production is expected to improve in the next few years, as the viewing habits of German TV viewers – as in other countries – will move towards non time-dependent consumption. This will impact on the volume of conventional TV service production, while also bringing in new subscribers. The subscriber market will continue to fragment. Overall, smaller-scale business at a higher level is expected.

Focal points

In the theatrical production/acquisition of rights business area, the Constantin Film Group remains focused 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 are heavily geared towards the audience's emotional requirements and are ideally based on well-known 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. Each production is centered on an analysis of which audience segment is to be addressed.

There is a discernible trend on the movie market: Overall, audiences are focusing on fewer films than in the past, but consuming them to a greater extent. For smaller-scale titles, production of which cannot be completely given up for portfolio reasons, this means increasing pressure on production costs.

In terms of movie exploitation, the Constantin Film Group continues to apply its proven strategy of combining national and international own and co-productions with high-quality third-party productions, which are released in theaters with a suitable press and marketing strategy at the most favorable time. Theatrical exploitation and the associated brand launch remain the foundation of the subsequent exploitation stages. That is why the Constantin Film Group's strategy is product-specific. This means that quantities depend on the extent to which promising titles can be produced or acquired.

As things stand, 13 new releases are on the theatrical slate for 2016. It contains six own/co-productions – including “Gut zu Vögeln”, “Schweinskopf al dente”, “Fixi” and “Timm Thaler” – as well as seven licensed titles such as “Dirty Grandpa”, “The BFG – Big Friendly Giant”, “Girl on the Train”, “Florence Foster Jenkins” and “The Light Between Oceans”.

In home entertainment, the market share is expected to rise in 2016. In the main, this is likely to stem from marketing of the big box-office hits “Fack Ju Göhte 2” and “Look Who’s Back”. In addition, the major production “The BFG – Big Friendly Giant” directed by Steven Spielberg, is to be released in the home entertainment sector just before the end of 2016. The consistently high sales figures for catalog products and the digital sales generated solely by the Constantin Film Group are other factors in the positive expectations for 2016.

In the license trading/TV exploitation area, productions such as “Schoßgebete”, “Da geht noch was” and “Winterkartoffelknödel” are likely to have a positive impact on sales in the free-TV sector in the first half of 2016. In pay-TV exploitation, productions including “Männerhort”, “Frau Müller muss weg!” and “Love, Rosie” are relevant to sales.

In the TV service production business area, the subsidiaries of Constantin Film AG are constantly working to develop innovative TV formats. In addition to conventional service production for German TV stations, other focal points are the generation of rights through own productions and concept developments and the expansion of international TV production.

For the next few months, Constantin Film AG expects the order situation to improve further in this business area, partly as a result of the increasingly aggressive buying policy of the major SVoD providers. For this reason, the Constantin Film subsidiaries are preparing a host of projects for 2016, including “Die Grießnockerlaffäre” and “Die Familie”.

With its TV service productions as well as TV exploitation of its theatrical productions, the Constantin Film Group is expecting to achieve viewing figures that are above-average for the respective station this year.

Sports- and Event-Marketing segment

Sector-specific situation

The sponsorship measurement consultancy firm IEG predicts that global sponsorship spending will rise by 4.7 % in 2016 (previous year: 4.1 %) to USD 60.2 billion. The company expects to see the biggest percentage increase in the Asia/Pacific region (5.8 % compared with 5.2 % in the previous year), although the Central and South America area is also likely to post significant growth as a result of the Olympic Games in Brazil (4.8 % as in the previous year). For North America, the world’s largest sponsorship market, IEG forecasts a rise of 4.5 % (previous year: 4.1 %), while growth in Europe is estimated at 3.9 % (previous year: 3.3 %).

Focal points

In the current fiscal year, the TEAM Group is starting the marketing process for the TV and sponsorship rights for the UEFA Champions League and the UEFA Europa League for the 2018/19 to 2020/21 seasons. The aim is to conclude as many contracts as possible on the best possible terms.

Operating activities in 2016 will be focused on successful handling of the finals of both competitions, to be held in Milan and Basel. Further down the line, another highlight will be the UEFA Super Cup, which is being played in Trondheim this year.

Financial targets of the Highlight Group

In the Film segment, there is uncertainty regarding the performance of new releases in 2016. Nonetheless, it is assumed that the Constantin Film Group will have at least two releases seen by more than a million moviegoers in Germany in the current fiscal year as well. As in previous years, this assumption is supported by the risk-diversifying portfolio effect of an extensive slate. As international own productions will be delivered to global partners in 2016, there will be notable financing proceeds from global distribution, which are allocated to theatrical exploitation. By contrast, sales from theatrical exploitation in Germany will be down significantly on account of the outstanding performance by the record slate in 2015. Overall, movie sales will therefore be down significantly on 2015.

In home entertainment, the strong 2016 exploitation slate, which features the theatrical hits “Fack Ju Göhte 2” and “Look Who’s Back”, will lead to a rise in sales on the German market. Furthermore, sales in this area will benefit greatly from the allocation of international distribution income, mainly from subscription video-on-demand. Overall, sales will grow considerably in this area. In the license trading/TV exploitation business area, sales will also be significantly higher than in the previous year. This is determined by the commencement of license periods and the contract volumes of past theatrical slates. As financing proceeds from global distribution of international own productions will also be incurred in this area, sales will be significantly higher than in the previous year. In TV service production, it is too early to assess the commissioning situation. Overall, in the Film segment we are currently forecasting significantly higher sales for fiscal year 2016 year-on-year with earnings unchanged.

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 still too early to assess how the exchange rate of the Swiss franc and the euro will affect sales and earnings.

In light of this, we are forecasting consolidated sales of between CHF 440 and CHF 460 million with a consolidated net profit attributable to shareholders of between CHF 18 and CHF 20 million for fiscal year 2016.

Pratteln, March 2016

The Board of Directors

Forward-looking statements

This report contains forward-looking statements that are based on estimates and expectations of the Group management. Words such as "anticipate", "intend", "expect", "can/could", "plan", "intended", "further improvement", "target is" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not historical facts. These are subject to risks, uncertainties and factors, of which most are difficult to assess and which in general are beyond the control of the Group management. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove to be incorrect, the actual results, performance or achievements of the Highlight Group may differ significantly from those described explicitly or implicitly in the forward-looking statements. Highlight Communications AG does not intend to continuously update the forward-looking statements contained in this report.

Although every effort has been made to ensure that the provided information and facts are correct, and that the opinions and expectations are reasonable, no liability or warranty as to the completeness, correctness, adequacy and/or accuracy of any forward-looking statements in this report is assumed.

Classical music in a unique atmosphere: The open-air Summer Night Concert of the Vienna Philharmonic Orchestra draws in around 100,000 visitors each year.

Consolidated financial statements

as of December 31, 2015 of Highlight Communications AG, Pratteln

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

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2015

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2015	Dec. 31, 2014
Non-current assets			
In-house productions		163,690	119,298
Third-party productions		37,382	41,087
Film assets	6.1	201,072	160,385
Other intangible assets	6.2	812	1,145
Goodwill	6.2	17,553	17,492
Property, plant and equipment	6.3	4,504	5,112
Investment property	6.4	3,300	3,900
Investments in associated companies and joint ventures	6.6	209	489
Non-current receivables due from third parties	6.9	564	1,666
Receivables due from associated companies and joint ventures	11	5,185	2,971
Other financial assets	6.8	3,181	1,802
Deferred tax assets	6.14	3,735	4,364
		240,115	199,326
Current assets			
Inventories	6.7	3,969	5,152
Trade accounts receivable and other receivables due from third parties	6.10/6.11	89,395	95,428
Receivables due from related parties	11	191	6
Receivables due from associated companies and joint ventures	11	–	3,371
Other financial assets	6.8	14,653	13,186
Income tax receivables	6.13	3,258	316
Cash and cash equivalents	6.12	106,407	44,773
		217,873	162,232
Total assets		457,988	361,558

The notes on page 86 – 144 are an integral part of the consolidated financial statements.

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2015	Dec. 31, 2014
Equity	6.15		
Subscribed capital		47,250	47,250
Treasury stock		–2,132	–2,816
Capital reserve		–107,913	–104,560
Other reserves		–40,651	–27,836
Retained earnings		199,806	184,494
Equity attributable to shareholders		96,360	96,532
Non-controlling interests		7,467	10,348
		103,827	106,880
Non-current liabilities			
Advance payments received	6.19	47,089	–
Other liabilities		243	–
Pension liabilities	6.21	10,979	10,674
Deferred tax liabilities	6.24	9,333	5,495
		67,644	16,169
Current liabilities			
Financial liabilities	6.18	104,290	81,279
Advance payments received	6.19	73,757	54,148
Trade accounts payable and other liabilities due to third parties	6.17	97,696	89,278
Liabilities due to related parties	11	333	137
Liabilities due to associated companies and joint ventures	11	–	700
Provisions	6.22	5,100	4,624
Income tax liabilities	6.23	5,341	8,343
		286,517	238,509
Total equity and liabilities		457,988	361,558

The notes on page 86 – 144 are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT 2015

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Sales	7.1	**346,060**	**412,578**
Capitalized film production costs and other own work capitalized	7.2	**72,590**	**37,840**
Total output		**418,650**	**450,418**
Other operating income	7.3	**20,320**	**21,643**
Costs for licenses, commissions and materials		–23,557	–29,716
Costs for purchased services		–138,590	–132,635
Cost of materials and licenses	7.4	**–162,147**	**–162,351**
Salaries		–98,347	–85,111
Social security, pension costs		–13,930	–12,061
Personnel expenses		**–112,277**	**–97,172**
Amortization and impairment on film assets	6.1	–69,356	–115,059
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	6.2/6.3	–3,361	–3,567
Goodwill impairment	6.2	–1,094	–
Amortization, depreciation and impairment		**–73,811**	**–118,626**
Other operating expenses	7.5	**–59,604**	**–64,899**
Profit from operations		**31,131**	**29,013**
Earnings from investments in associated companies and joint ventures	6.6	**857**	**273**
Financial income	7.6	4,255	12,681
Financial expenses	7.7	–10,789	–18,617
Financial result		**–6,534**	**–5,936**
Profit before taxes		**25,454**	**23,350**
Current taxes		–3,144	–11,769
Deferred taxes		–4,738	6,485
Taxes	7.8	**–7,882**	**–5,284**
Net profit		**17,572**	**18,066**
thereof shareholders' interests		17,515	16,651
thereof non-controlling interests		57	1,415

Earnings per share (CHF)		
Earnings per share attributable to shareholders (basic)	0.39	0.37
Earnings per share attributable to shareholders (diluted)	0.39	0.37
Weighted average number of shares (basic)	44,469,500	44,518,186
Weighted average number of shares (diluted)	44,469,500	44,518,186

The notes on page 86 – 144 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS 2015

Highlight Communications AG, Pratteln

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Net profit	**17,572**	**18,066**
Currency translation differences	–10,606	–1,720
Gains/losses from cash flow hedges	–2,519	–
Items that may be reclassified to the income statement in future	**–13,125**	**–1,720**
Actuarial gains and losses of defined benefit obligation plans	745	–3,534
Gains/losses from financial assets at fair value through other comprehensive income/loss	2,766	–3,797
Items that will not be reclassified to the income statement in future	**3,511**	**–7,331**
Other comprehensive income/loss, net of tax	**–9,614**	**–9,051**
Total comprehensive income/loss	**7,958**	**9,015**
thereof shareholders' interests	8,175	7,845
thereof non-controlling interests	–217	1,170

The notes on page 86 – 144 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2015

Highlight Communications AG, Pratteln

(TCHF)	Note	Equity Subscribed capital	 Treasury stock
Balance as of January 1, 2015		47,250	–2,816
Currency translation differences		–	–
Gains/losses from cash flow hedges		–	–
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		–	–1,944
Sale of treasury stock		–	2,628
Dividend payments		–	–
Change in non-controlling interests		–	–
Other changes		–	–
Balance as of December 31, 2015	6.15	47,250	–2,132
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

The notes on page 86 – 144 are an integral part of the consolidated financial statements.

	attributable to shareholders					
	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	-104,560	-27,836	184,494	96,532	10,348	106,880
	–	-10,296	–	-10,296	-310	-10,606
	–	-2,519	–	-2,519	–	-2,519
	–	-12,815	–	-12,815	-310	-13,125
	–	–	709	709	36	745
	–	–	2,766	2,766	–	2,766
	–	–	3,475	3,475	36	3,511
	–	-12,815	3,475	-9,340	-274	-9,614
	–	–	17,515	17,515	57	17,572
	–	-12,815	20,990	8,175	-217	7,958
	–	–	-8,492	-10,436	–	-10,436
	–	–	11,701	14,329	–	14,329
	–	–	-8,887	-8,887	-1,414	-10,301
	-3,353	–	–	-3,353	-1,250	-4,603
	–	–	–	–	–	–
	-107,913	-40,651	199,806	96,360	7,467	103,827
	-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

CONSOLIDATED STATEMENT OF CASH FLOWS 2015

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Net profit		17,572	18,066
Deferred taxes		4,738	–6,485
Current taxes		3,144	11,769
Financial result (without currency result)		3,150	4,656
Earnings from investments in associated companies and joint ventures	6.6	–857	–273
Amortization, depreciation and impairment on non-current assets		73,811	118,626
Gain (–)/loss (+) from disposal of non-current assets	7.3/7.5	–19	–43
Other non-cash items		635	67
Increase (–)/decrease (+) in inventories, trade accounts receivable and other assets not classified to investing or financing activities		2,084	29,179
Decrease (–)/increase (+) in trade accounts payable and other liabilities not classified to investing or financing activities		79,317	–13,676
Dividends received from associated companies and joint ventures		211	302
Interest paid		–1,591	–3,214
Interest received		123	453
Income taxes paid		–8,607	–5,589
Income taxes received		409	2,531
Cash flow from operating activities		**174,120**	**156,369**

The notes on page 86 – 144 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Change in cash and cash equivalents due to acquisitions of companies/shares in companies (net)		–488	–
Payments for intangible assets	6.2	–57	–288
Payments for film assets		–119,298	–70,584
Payments for property, plant and equipment	6.3	–1,892	–2,368
Payments for financial assets		–4,135	–3,582
Proceeds from sale of companies/shares in companies (net)		725	–
Proceeds from disposal of intangible assets and film assets		201	74
Proceeds from disposal of property, plant and equipment		184	151
Proceeds from disposal of financial assets		–	70
Cash flow for investing activities		**–124,760**	**–76,527**
Payments for purchase of treasury stock	6.15	–10,436	–391
Proceeds from sale of treasury stock	6.15	14,329	–
Payments for purchase of non-controlling interests	6.15	–4,668	–95
Repayment of current financial liabilities		–34,477	–94,956
Proceeds from other shareholders	6.15	65	–
Proceeds from receipt of current financial liabilities		60,065	25,425
Dividend payments		–10,301	–8,897
Cash flow from/for financing activities		**14,577**	**–78,914**
Cash flow from the period		**63,937**	**928**
Cash and cash equivalents at the beginning of the reporting period		44,773	44,259
Effects of currency differences		–2,303	–414
Cash and cash equivalents at the end of the reporting period		106,407	44,773
Change in cash and cash equivalents		**63,937**	**928**

The notes on page 86 – 144 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2015

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 15, 2016, and require the approval of the Annual General Meeting of June 3, 2016.

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, 2015, 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. For calculation-related reasons, rounding differences of +/– one unit (TCHF) may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

2. ACCOUNTING

2.1 Standards and interpretations applied for the first time

The mandatory application of the following accounting standards and interpretations did not result in any material changes in the consolidated financial statements:

Standards/amendments/interpretations		Mandatory application for fiscal years starting on or after
Annual IFRS improvement process (2010–2012)*		July 1, 2014
Annual IFRS improvement process (2011–2013)**		July 1, 2014
IAS 19	Employee Benefits – Accounting for Employee Contributions (amendment)	July 1, 2014

* *This specifically relates to the following standards and interpretations: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38.*
** *This specifically relates to the following standards and interpretations: IFRS 1, IFRS 3, IFRS 13, IAS 40.*

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 yet required for Highlight Communications AG:

Standards/amendments/interpretations		Mandatory application for fiscal years starting on or after
IFRS 9	Financial Instruments	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 16	Leases	January 1, 2019
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)	uncertain
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 7	Statement of Cash Flows – disclosure initiative (amendment)	January 1, 2017
IAS 12	Income Taxes – recognition of deferred tax assets for unrealized losses (amendment)	January 1, 2017
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 27	Separate Financial Statements – equity method in separate financial statements	January 1, 2016
Annual IFRS improvement process (2012–2014)*		January 1, 2016

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

The following new standards or amendments are significant for 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 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 38.98A 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); or
- 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. In accordance with the Group's analysis, a strong correlation between sales and the utilization of the economic benefit of film assets can be demonstrated. Accordingly, the sales-based amortization method for capitalized film rights in the Film segment can be retained. Other than this there is no sales-based amortization of intangible assets or sales-based depreciation of property, plant and equipment in the Group.

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 existing provisions for financial liabilities have largely been adopted. The only significant change relates to financial liabilities in the fair value option, for which fair value fluctuations owing to changes in the company's own default risk are recognized in other comprehensive income.

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 inform 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

IFRS 15 is effective for annual financial statements prepared by an entity for reporting periods beginning on or after January 1, 2018. Early adoption is permitted. The Highlight Group is analyzing the developments and implications in connection with IFRS 15. Comments on the quantitative impact of the adoption of IFRS 15 on the consolidated financial statements are not possible at this time.

IFRS 16, Leases

The standard provides for a single accounting model for lessees. For lessees, this model means that all assets and liabilities under leases are recognized in the balance sheet, provided that their term is more than 12 months or that they are not low-value assets. For accounting purposes the lessor still distinguishes between finance and operating leases.

The new standard is effective for annual periods beginning on or after January 1, 2019. Voluntary early adoption is possible if IFRS 15 has also already been adopted at this time. 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 2015:

Acquisitions, new companies and first-time consolidation

Between January 23, 2015 and December 30, 2015, Highlight Communications AG gradually increased its shareholding in Highlight Event & Entertainment AG, Lucerne, which was already fully consolidated, from 68.986% to 75.374%. These were transactions between equity providers. As a result of the transactions, the capital reserve decreased by TCHF 799 and non-controlling interests by TCHF 1,232 compared to December 31, 2014.

Comosa AG, Zurich, was established on March 31, 2015. 56.665% of the shares are held by Rainbow Home Entertainment AG. The company is fully consolidated and allocated to the Sports- and Event-Marketing segment.

Rainbow Home Entertainment AG acquired an investment of 33.64% or TCHF 67 in the newly founded Holotrack AG, Pratteln, on June 22, 2015. 0.34% of the shares were sold in December 2015. The Highlight Group's interest as of December 31, 2015 is 33.30%. The company is managed as an associate and included in the consolidated financial statements using the equity method.

On July 2, 2015, Constantin Entertainment GmbH acquired the remaining 25% stake in Constantin Entertainment Polska Sp z.o.o., Warsaw, which was already fully consolidated, and through this transaction increased its interest to 100%. This was a transaction between equity providers. As a result of the transaction, the capital reserve decreased by TCHF 2,554 and non-controlling interests by TCHF 83 compared to December 31, 2014.

Constantin Entertainment CZ s.r.o., Prague, a wholly owned subsidiary of Constantin Entertainment GmbH, was founded on July 29, 2015. Constantin Entertainment Slovakia s.r o., Bratislava, was founded by Constantin Entertainment GmbH (97%) and Constantin Film Produktion GmbH (3%) on September 15, 2015. On December 14, 2015, Constantin Film Licensing, Unipessoal Lda, Funchal, was founded by Constantin Film Verleih GmbH as a wholly owned subsidiary. All companies are consolidated and assigned to the Film segment. The effects of these transactions on these consolidated financial statements are insignificant.

By way of agreement dated and effective October 22, 2015, Constantin Film AG, Munich, increased its interest in PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH, Munich, by 50% to 100%. As a result of control being obtained, the investment previously accounted for using the equity method was consolidated from the acquisition date and allocated to the Film segment.

The company essentially produces service productions for German TV stations. The Group is further expanding its production activities with this acquisition. The purchase price in accordance with IFRS 3 consists of the cash purchase price of TCHF 534, a contingent purchase price component (earn-out agreement) and the fair value of the equity investment accounted for using the equity method as of the acquisition date. The earn-out clause relates to the commissioning and production of service productions.

The assets assumed at fair value as of the acquisition date comprise property, plant and equipment and intangible assets of TCHF 917 and current assets consisting of receivables (TCHF 959) and cash and cash equivalents (TCHF 46). These were offset by liabilities assumed at fair value (TCHF 729) and deferred tax liabilities (TCHF 272).

Provisional purchase price allocation gave rise to goodwill not deductible for tax purposes of TCHF 1,693. This is the positive difference between the value of the corresponding consideration and the fair values of the assets acquired and liabilities assumed, taking into account deferred taxes, and primarily represents strategic synergy and development potential in service productions.

The inclusion of the company in the consolidated financial statements from the beginning of the fiscal year until its first-time inclusion in consolidation on October 22, 2015 would have had the following impact on the result of operations, financial position and net assets of the Highlight Group: sales of TCHF 6,879 and earnings after taxes of TCHF 86.

Other changes

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. The buyer has also assumed the pro-rata assets and liabilities of this company. A 5 % stake in the company has been retained. This has since been accounted for under other non-current financial assets.

The fully consolidated company Constantin Entertainment Turkey TV Prodüksiyon Limited Sirketi, Istanbul, was liquidated on May 21, 2015. The fully consolidated company Constantin Entertainment U.K. Ltd., Reading, was liquidated on August 11, 2015.

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

Overview of fully consolidated companies

Königskinder Music GmbH, in which Constantin Film AG holds a 50 % interest, is included in consolidation on the basis of de facto control. As the two managing directors of this company are related parties of Constantin Film AG, Constantin Film AG currently has the ability to steer 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 fully consolidated companies:

	Activity	Country		Subscribed capital	Share in capital*	Voting rights of the respective parent company
Team Holding AG	Holding company	CH	CHF	250,000	100 %	100 %
Team Football Marketing AG	Exploitation of sports rights	CH	CHF	6,340,000	95.27 %	100 %
T.E.A.M. Television Event And Media Marketing AG	Marketing of sports events	CH	CHF	200,000	100 %	100 %
Rainbow Home Entertainment AG	Distribution	CH	CHF	200,000	100 %	100 %
Constantin Film Schweiz AG	Acquisition and 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 %
Comosa AG	Planning and realization of sports and entertainment events	CH	CHF	150,000	56.665 %	56.665 %
Highlight Event & Entertainment AG	Holding company	CH	CHF	15,592,500	75.374 %	75.374 %
Escor Automaten AG	Development and distribution of gaming machines	CH	CHF	3,000,000	75.374 %	100 %
Highlight Event AG	Event marketing	CH	CHF	500,000	75.374 %	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	58,000	100 %	100 %
Constantin Entertainment Croatia d.o.o.	TV entertainment production	HR	HRK	20,000	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 %
Constantin Entertainment CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	100 %	100 %
Constantin Entertainment Slovakia s.r.o.****	TV entertainment production	SK	EUR	25,000	100 %	100 %
Olga Film GmbH	Film and TV production	DE	EUR	603,000	95.52 %	95.52 %
Moovie GmbH	Film and TV production	DE	EUR	104,000	75.50 %	75.50 %
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Constantin Film Verleih GmbH	License trading and theatrical distribution	DE	EUR	250,000	100 %	100 %
Constantin International B.V.	License trading	NL	EUR	18,151	100 %	100 %
Constantin Film Licensing, Unipessoal Lda	License trading	PT	EUR	5,000	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 %
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	TV entertainment production	DE	EUR	100,000	100 %	100 %
Rainbow Home Entertainment Ges.m.b.H.	Distribution	AT	EUR	363,364	100 %	100 %

* *Direct and/or indirect share held by the Group.*
** *0.2 % are held by Constantin Film Produktion GmbH.*
*** *0.1 % are held by Constantin Film Produktion GmbH.*
**** *3 % 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 (previous year: 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*	USA	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

There were no joint ventures in the Group as of December 31, 2015. Until joint control was lost, the previous joint ventures were included in the consolidated financial statements using the equity method.

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, 2015 – Dec. 31, 2015	EUR	25,565
Kuuluu Interactive Entertainment AG	41.5%	Jan. 1, 2015 – Dec. 31, 2015	CHF	100,000
Paperflakes AG	24.5%	Jan. 1, 2015 – Dec. 31, 2015	CHF	500,000
Holotrack AG	33.3%	June 22, 2015 – Dec. 31, 2015	CHF	200,000

The annual financial statements of BECO Musikverlag GmbH as of December 31, 2014 were used for reporting as the annual financial statements as of December 31, 2015 have not yet been prepared.

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, and
- 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, and
- 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. Joint control is the contractually agreed common control of an 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 joint ventures and associated companies are absorbed into the Group pro rata and allocated to the carrying amount of the investment. Profit distributions by these 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 joint ventures and associated companies are recognized by the Group in the amount of its interest and shown in the statement of changes in consolidated equity. 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, the consolidated statement of comprehensive income/loss 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.

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 or losses from the settlement of these transactions and gains or losses from the translation of monetary assets and liabilities are recognized in profit or loss. Gains or 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 or losses are shown in other comprehensive income (OCI). Translation differences on non-monetary financial instruments classified as held for sale and financial investments in equity instruments not held for trading are also recognized in other comprehensive income (OCI). 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 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	
		Dec. 31, 2015	Dec. 31, 2014	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Euro	(EUR)	1.08260	1.20290	1.06810	1.21482
US dollar	(USD)	0.99270	0.98960	0.96240	0.91537
British pound	(GBP)	1.46940	1.53720	1.47080	1.50710
Canadian dollar	(CAD)	0.71570	0.85110	0.75340	0.82900

4.3 Fair value measurement

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

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

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

Counterparty non-performance risk is measured using the Standard & Poor’s model (AAA – CCC). The risk of default is calculated using a percentage for each rating category. An entity’s own rating is determined using a peer group model approach. Third-party credit risk is 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.

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.

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 for which the fair value is disclosed in the notes are assigned to the following levels of the fair value hierarchy based on the lowest input significant 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 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 each 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 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 but 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 at the end of 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.

4.5 Other intangible assets

This category essentially includes computer programs and intangible assets identified in the process of purchase price allocation. They are measured at cost less straight-line amortization and impairment. Please also see the comments in the section “Impairment of non-financial assets” (see note 4.8). Amortization on computer programs is calculated on the basis of the term or the standard useful life of three 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. Development costs not eligible for capitalization are reported in the income statement as they arise.

Customer relationships identified during purchase price allocations are also reported under intangible assets. Their carrying amount is their fair value as of the time of acquisition less necessary amortization.

4.6 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 as of December 31 or more frequently if there are indications of impairment. Goodwill is not amortized.

4.7 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.

Leasehold improvements are measured at cost less depreciation and impairment. Scheduled depreciation is usually carried out over the term of the respective rental agreement lease (of 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 mentioned 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 and equipment is material, these components are recognized and depreciated individually.

4.8 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.

4.9 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.

4.10 Inventories

Inventories, particularly 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.

Inventories also include service productions in development that have not yet been ordered by the broadcaster (see note 4.18). In addition, inventories include trade receivables not yet invoiced.

4.11 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.

Write-downs on receivables are generally 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 irrevocable 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. Amounts recognized in other comprehensive income cannot be reclassified to profit or loss in the future.

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.

The effects of the currency translation of monetary items are recognized in the income statement, while the currency translation effects of non-monetary items are recognized in other comprehensive income with the change in fair value.

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 accounts payable and other liabilities. Non-current liabilities are discounted using the effective interest method.

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

Financial liabilities at fair value

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). Derivative financial instruments with a negative fair value at the end of the reporting period are reported under other liabilities.

Hedging instruments

As an international enterprise, the Group is exposed to currency fluctuations. Both derivative and primary financial instruments are used to hedge foreign currency fluctuations. Hedge accounting means 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 assets and liabilities are designated as hedging instruments, either in full or in part. Non-derivative financial assets and liabilities are used to hedge unrecognized contracts for sale and license agreements in foreign currency. Furthermore, the Group uses cash flow hedges to hedge against the currency risk on future cash flows.

In a fair value hedge, the changes in the fair value of the hedged item 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.

In a cash flow hedge, the effective portion of the change in the fair value of the derivative is recognized in other comprehensive income and in equity under other reserves. The ineffective portion of changes in fair value is immediately recognized in the income statement. At the end of the hedge, the amounts recognized in other comprehensive income are reclassified to the income statement.

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. The hedges are without exception in this range.

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.

4.12 Pension liabilities

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

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

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

Actuarial gains and losses arise from changes in the assumptions made, deviations between the actual and forecast return on plan assets and differences between benefits acquired and those calculated using actuarial assumptions. These are recognized in other comprehensive income (OCI) under "Items that will not be reclassified to the income statement in future". The current service cost and net interest are recognized in profit and loss under personnel expenses. 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 savings facility were charged to the income statement.

4.13 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. Non-current provisions with a material interest effect are carried at the present value of the expected outflow calculated using current interest rates.

Provisions for onerous contracts (pending losses) 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.

4.14 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.

4.15 Current taxes

Tax expenses comprise current and deferred 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 reported only to the extent that it can be assumed with sufficient probability that the respective company will have sufficient taxable income against which temporary differences and unutilized loss carryforwards can be used.

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 tax items.

Deferred taxes on items recognized directly in other comprehensive income (OCI) are also recognized in other comprehensive income (OCI) and not in the income statement.

No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries provided that it is likely that these temporary differences will not reverse in the foreseeable future and Highlight Communications AG is not able to determine the time at which these temporary differences will reverse.

4.16 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.

4.17 Sales recognition

Trade accounts receivable are recognized as soon as 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.

Revenue from the exchange of services is recognized in profit or loss only when services of different types and values have been exchanged and the amount of the revenue can be reliably determined.

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 4.18).

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 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 and 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 the Sports- and Event-Marketing segment are recognized as per the contracts for the respective projects. Most project contracts, including all key projects, provide for the 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. In the event 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.

4.18 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 from 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 from a service production 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 a service production 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 progress are reported as a net figure in the balance sheet under either trade accounts receivable or payable 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.

4.19 Operating leases

In the Group, there are operating leases in which the Group is the lessee and the economic owner of the leased asset is the lessor. 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.

4.20 Government grants

Project promotion

For these loans, a distinction is made between project promotion 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 promotion 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 balance sheet, 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 balance sheet when filming on the subsequent film commences.

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

Project film promotion in accordance with BKM (DFFF) regulations

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

These are government grants for assets. Project film promotions granted are deducted from the carrying amount of the film in the balance sheet 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 sales subsidies as non-repayable subsidies.

Distribution loan as a contingently repayable loan

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

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

The amount which is sufficiently certain not to have to be repaid can usually be determined at the time of release. If it is determined at a later date that a further part of the loan is repayable, this is posted as an expense and the corresponding amount recognized as a liability.

Sales subsidies

Sales subsidies are non-repayable subsidies which a distributor is entitled to depending on the number of people who go to see the (subsidized) film in the theatrical exploitation for financing the release costs for a subsequent film. These are government grants for expenses already incurred. The sales subsidies granted are recognized in profit or loss as a reduction of release costs at the time of the subsequent film's release.

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

5. JUDGMENT/ESTIMATION UNCERTAINTY

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

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the 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 are tested for impairment as of the end of each reporting period and if there are indications of impairment (see note 4.4). 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 financial 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 and the costs of legal disputes could increase. 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 BALANCE SHEET

6.1 Film assets

The following table provides a breakdown of film assets:

(TCHF)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2015			
Balance on January 1, 2015	497,649	972,923	1,470,572
Currency translation differences	–28,550	–95,401	–123,951
Additions	13,665	111,654	125,319
Disposals	14,192	–	14,192
Balance on December 31, 2015	**468,572**	**989,176**	**1,457,748**
Accumulated amortization 2015			
Balance on January 1, 2015	456,562	853,625	1,310,187
Currency translation differences	–24,518	–84,358	–108,876
Amortization for the year	12,122	47,014	59,136
Impairment	1,015	9,205	10,220
Disposals	13,991	–	13,991
Balance on December 31, 2015	**431,190**	**825,486**	**1,256,676**
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**
Net carrying amounts on December 31, 2015	**37,382**	**163,690**	**201,072**
Net carrying amounts on December 31, 2014	**41,087**	**119,298**	**160,385**

Impairment losses of TCHF 10,220 (previous year's period: TCHF 7,124) were recognized in fiscal year 2015 as the value in use no longer covers the acquisition costs or the carrying amount of certain films due to a lack of market acceptance. The pre-tax discount rates used for determination of impairment are between 0.95 % and 2.80 % (previous year: between 0.77 % and 5.36 %). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review.

In fiscal year 2015, the Highlight Group received project subsidies and project promotion loans of TCHF 12,563 (previous year's period: TCHF 8,278), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to TCHF 588 as of December 31, 2015 (previous year: TCHF 2,279). Project promotions of TCHF 899 were repaid in fiscal year 2015 (previous year's period: TCHF 567).

In addition, sales subsidies and distribution loans of TCHF 4,323 (previous year's period: TCHF 4,276) were recognized in the consolidated income statement in fiscal year 2015 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, 2015. Distribution loans of TCHF 2,494 (previous year's period: TCHF 1,374) were repaid over fiscal year 2015. As of December 31, 2015, there were receivables for subsidies and grants of TCHF 9,837 (previous year: TCHF 13,086).

Directly attributable financing costs of TCHF 601 (previous year's period: TCHF 1,229) were capitalized in fiscal year 2015. 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 1.31 % to 5.00 % (previous year: 1.34 % to 5.00 %).

6.2 Other intangible assets and goodwill

Other intangible assets broke down as follows as of December 31, 2015:

(TCHF)	Purchased intangible assets	Internally developed intangible assets	Total intangible assets	Goodwill
Acquisition and production costs 2015				
Balance on January 1, 2015	6,551	3,239	9,790	23,161
Changes in scope of consolidation	911	–	911	1,693
Currency translation differences	–303	–257	–560	–851
Additions	57	–	57	–
Disposals	7	–	7	–
Balance on December 31, 2015	**7,209**	**2,982**	**10,191**	**24,003**
Accumulated amortization/ value adjustments 2015				
Balance on January 1, 2015	5,799	2,846	8,645	5,669
Currency translation differences	–297	–213	–510	–313
Amortization for the year	917	334	1,251	–
Impairment	–	–	–	1,094
Disposals	7	–	7	–
Balance on December 31, 2015	**6,412**	**2,967**	**9,379**	**6,450**
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/ value adjustments 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, 2015	**797**	**15**	**812**	**17,553**
Net carrying amounts on December 31, 2014	**752**	**393**	**1,145**	**17,492**

The change in purchased intangible assets is due essentially to the first-time full consolidation of PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH. 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 17,553 (previous year: TCHF 17,492) was recognized in the balance sheet as of December 31, 2015. The table below shows the allocation of goodwill:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Constantin Film Verleih GmbH	12,025	12,025
Olga Film GmbH	–	1,232
Constantin Entertainment GmbH	3,763	4,181
PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH	1,716	–
Other	49	54
Total	**17,553**	**17,492**

Goodwill was tested for impairment at the level of the cash-generating units in the respective segment. The recoverable amounts are equal to 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. For the impairment test of Constantin Film Verleih GmbH, the growth rate beyond the detailed planning period was set at 1 % (previous year: 1 %), for other items this was set at between 0 % and 2.0 % (previous year: 0 % to 2.0 %). The capital asset pricing model (CAPM) was used to calculate the costs of capital and a peer group was referred to. As of December 31, 2015, the CAPM-based discount factor before taxes for the impairment test of Constantin Film Verleih GmbH was set at 8.96 % (previous year: 7.50 %), for other items this was set at between 6.93 % and 7.04 % (previous year: 7.50 % to 7.52 %).

Goodwill underwent the annual impairment test as of December 31, 2015. This identified goodwill impairment of TCHF 1,094 (previous year's period: TCHF 0) at Olga Film GmbH, 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, 2015:

(TCHF)	Leasehold improve-ments	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 2015					
Balance on January 1, 2015	5,264	2,501	12,814	63	20,642
Changes in scope of consolidation	–	–	6	–	6
Currency translation differences	–72	–250	–657	–7	–986
Additions	–	120	1,772	–	1,892
Disposals	–	144	968	–	1,112
Reclassifications	–	56	–	–56	–
Balance on December 31, 2015	**5,192**	**2,283**	**12,967**	**–**	**20,442**
Accumulated depreciation 2015					
Balance on January 1, 2015	3,648	2,111	9,771	–	15,530
Currency translation differences	–46	–210	–499	–	–755
Depreciation for the year	488	231	1,391	–	2,110
Disposals	–	142	805	–	947
Balance on December 31, 2015	**4,090**	**1,990**	**9,858**	**–**	**15,938**
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**
Net carrying amounts on Dec. 31, 2015	**1,102**	**293**	**3,109**	**–**	**4,504**
Net carrying amounts on Dec. 31, 2014	**1,616**	**390**	**3,043**	**63**	**5,112**

6.4 Investment property

The property is owned by Highlight Event & Entertainment AG in Düdingen, which is held predominantly to generate rental income. The property is measured using the fair value model (see note 8.8).

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Balance on January 1	3,900	–
Reclassification from assets held for sale	–	3,900
Net gains/losses from fair value adjustment	–600	–
Balance on December 31	**3,300**	**3,900**

Rental income for the investment property amounts to TCHF 147 (previous year's period: TCHF 153) and the associated direct operating expenses amount to TCHF 76 (previous year's period: TCHF 84). The following future rental income was outstanding as of December 31, 2015:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Future rental income < 1 year	139	147
Future rental income 1–5 years	–	–
Future rental income > 5 years	–	–
Total rental income	**139**	**147**

6.5 Financial information for subsidiaries with significant non-controlling interests

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

Subsidiary	Dec. 31, 2015	Dec. 31, 2014
Highlight Event & Entertainment AG, Lucerne, Switzerland	24.63 %	31.01 %

Disclosures on financial information (after elimination of internal relations)

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Equity attributable to non-controlling interests	4,671	6,058

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Earnings attributable to non-controlling interests	–190	67

Disclosures on financial information (before elimination of internal relations)

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Currents assets	16,876	16,998
Non-current assets	3,356	3,966
Total assets	**20,232**	**20,964**
Current liabilities	172	246
Non-current liabilities	1,091	1,184
Total liabilities	**1,263**	**1,430**
Net assets	**18,969**	**19,534**

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Sales	3,253	3,193
Earnings from continuing operations after taxes	–709	213
Other earnings after taxes	144	–554
Total earnings	**–565**	**–341**
Cash flow from/for operating activities	55	–13
Cash flow from investing activities	–	10
Cash flow from financing activities	–	–
Cash flow from/for the period	**55**	**–3**

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 four (previous year: three) associated companies that are individually immaterial. In the previous year, the Group also had interests in two joint ventures (see note 3). All associated companies and joint ventures are included in the consolidated financial statements using the equity method.

The following tables 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, 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**
Additions	–	67	67
Disposals	–2,026	–1	–2,027
Dividends/repayments of capital	–200	–11	–211
Share of earnings	172	–34	138
Profit from disposal	719	–	719
Fair value adjustments (see note 7.6)	1,080	–	1,080
Currency translation	–38	–8	–46
Balance on December 31, 2015	**–**	**209**	**209**

Financial information

	Joint ventures		Associated companies	
(TCHF)	Jan 1. to Dec. 31, 2015	Jan 1. to Dec. 31, 2014	Jan 1. to Dec. 31, 2015	Jan 1. to Dec. 31, 2014
Earnings after taxes	–	–614	–944	–1,475
Other earnings (OCI)	–	–	–	–
Total earnings	**–**	**–614**	**–944**	**–1,475**

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Contingent liabilities (proportional)	–	198	–	–

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2014 were used for reporting on associated companies as the annual financial statements as of December 31, 2015 have not yet been prepared. No circumstances arose in the current fiscal year that would have necessitated an adjustment to the annual financial statements used as a basis.

The unrecognized pro rata loss of companies accounted for using the equity method was TCHF 334 in the year under review (previous year's period: TCHF 1,159). The cumulative unrecognized pro rata loss was TCHF 2,160 (previous year: TCHF 3,253). 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, 2015:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Net balance		
Unfinished goods and services	2,188	2,585
Blu-rays/DVDs	1,756	2,522
Other merchandise	25	45
Total	**3,969**	**5,152**

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

Impairment losses of TCHF 266 (previous year's period: TCHF 171) were recognized in fiscal year 2015 and impairment losses of TCHF 57 (previous year's period: TCHF 5) were reversed.

6.8 Other financial assets

	Current assets		Non-current assets	
(TCHF)	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Financial assets at fair value through profit or loss				
Preference shares	350	1,624	–	–
Shares	–	–	1,717	1,712
Real estate funds	–	–	99	90
Financial assets at fair value through other comprehensive income/loss				
Shares	14,303	11,562	1,365	–
Total	**14,653**	**13,186**	**3,181**	**1,802**

Other current financial assets include an interest of 7.93% in listed Constantin Medien AG (previous year: 7.93%) with a carrying amount and market value of TCHF 14,303 (previous year: TCHF 11,562). The reported preference shares in the amount of TCHF 350 in total (previous year: TCHF 1,624) 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 109 (previous year's period: TCHF 675) were sold at carrying amount. The gradual repurchase of the preference shares by the issuer is planned in the coming fiscal years as well. Impairment amounted to TCHF 903 in fiscal year 2015 (previous year's period: TCHF 0). There is no active market for these preference shares. The cost of the remaining preference shares is still 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 include interests in Pulse Evolution Corporation, Port St. Lucie, of TCHF 1,717 (previous year: TCHF 1,712), interests in Geenee Inc., Delaware, of TCHF 1,365 (previous year: TCHF 0) and investment securities of TCHF 99 (previous year: TCHF 90) as of December 31, 2015.

Rainbow Home Entertainment AG holds 3.97 % (previous year: 4.03 %) in Pulse Evolution Corporation, which is listed on the OTCQB exchange in the US. 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 8.8). Furthermore, Holotrack AG, an associated company of Rainbow Home Entertainment AG, holds 4.11 % (previous year: 0 %) of shares in Pulse Evolution Corporation (see note 6.6). The Pulse equity investment is carried at cost, taking foreign currency adjustments into account. This equity investment will be sold at carrying amount in the first quarter of 2016 (see note 12). The carrying amount is therefore equal to the fair value.

The Highlight Group acquired an interest of 5 % in Geenee Inc. in the third quarter of 2015. 4.54 % of this is held by Rainbow Home Entertainment AG while Constantin Entertainment GmbH holds 0.46 %. The purchase price of TCHF 1,341 was paid in cash and by brokering customer relationships. The equity investment is measured at fair value via the statement of comprehensive income and assigned to level 3 of the fair value hierarchy. This unlisted equity instrument is measured at least once per year using the discounted cash flow method (see note 8.8).

The remaining 5 % interest in Mister Smith Entertainment Ltd., London, is reported under this item in the category "at fair value through other comprehensive income" at the carrying amount of TCHF 0. As there is no active market for these shares and a fair value cannot be reliably determined, this equity investment is carried at cost, which is equal to the carrying amount as of the reclassification date, and assigned to level 3 of the fair value hierarchy (see note 8.8).

The investment securities were acquired in previous fiscal years with the aim of profitably investing the retained earnings of a subsidiary and to use them if liquidity is needed. This led to ongoing monitoring of its fair value by the management of Olga Film GmbH in order to be able to react quickly in the event of value fluctuations. These assets will be utilized if necessary. In line with this, these securities were allocated to the fair value through profit or loss category.

6.9 Non-current receivables

Non-current receivables of TCHF 564 in total (previous year: TCHF 1,666) essentially relate to the value added tax for sales not yet recognized under IFRS. The receivables are discounted in line with their maturity.

6.10 Trade accounts receivable

Trade accounts receivable broke down as follows as of December 31, 2015:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Trade accounts receivable		
Current receivables	33,742	34,273
PoC receivables	15,619	9,424
Gross amount	**49,361**	**43,697**
Individual write-downs	–4,723	–4,801
Portfolio write-downs	–206	–216
Net amount	**44,432**	**38,680**

The carrying amount of receivables not yet due and receivables that are overdue by up to 90 days is approximately their fair value.

The trade accounts receivable are in the following currencies:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
CHF	1,632	2,694
EUR	37,271	35,913
USD	5,529	73
Total	**44,432**	**38,680**

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 2015 and 2014:

(TCHF)	2015	2014
Balance write-downs on January 1	**5,017**	**4,841**
Currency translation differences	–470	–88
Additions	783	589
Consumption	–58	–124
Reversal	–343	–201
Balance write-downs on December 31	**4,929**	**5,017**

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, 2015							
Trade accounts receivable	44,432	42,689	1,248	133	70	4	288
December 31, 2014							
Trade accounts receivable	38,680	36,179	1,500	349	446	21	185

6.11 Other receivables

Other receivables broke down as follows as of December 31, 2015:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Prepaid expenses	10,907	7,422
Input tax	1,341	952
Other taxes	47	75
Advance payments	657	7,180
Suppliers with debit balances	499	746
Receivables due from personnel	1,170	725
Receivables from loans	9,804	19,968
Subsidies receivables	9,837	13,086
Positive fair value of underlying transactions in hedging relationships	989	185
Positive fair value of derivative financial instruments in hedging relationships	4,186	3,624
Positive fair value of derivative financial instruments without hedging relationships	205	–
Other assets	5,321	2,785
Total	**44,963**	**56,748**

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

The receivables from loans include, amongst others, current loans in connection with the productions "Shadowhunters" and "Resident Evil 6" to the co-producers Davis Film/Impact Pictures and Unique Features.

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

The other receivables mature as follows:

(TCHF)	Other receivables	thereof not relevant under IFRS 7*	Total relevant under IFRS 7	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
December 31, 2015									
Prepaid expenses	10,907	10,907	–	–	–	–	–	–	–
Input tax	1,341	1,341	–	–	–	–	–	–	–
Other taxes	47	47	–	–	–	–	–	–	–
Advance payments	657	657	–	–	–	–	–	–	–
Suppliers with debit balances	499	–	499	499	–	–	–	–	–
Receivables due from personnel	1,170	–	1,170	1,170	–	–	–	–	–
Receivables from loans	9,804	–	9,804	9,804	–	–	–	–	–
Subsidies receivables	9,837	–	9,837	9,837	–	–	–	–	–
Positive fair value of underlying transactions in hedging relationships	989	989	–	–	–	–	–	–	–
Positive fair value of derivative financial instruments in hedging relationships	4,186	–	4,186	4,186	–	–	–	–	–
Positive fair value of derivative financial instruments without hedging relationships	205	–	205	205	–	–	–	–	–
Other assets	5,321	–	5,321	5,321	–	–	–	–	–
Total	**44,963**	**13,941**	**31,022**	**31,022**	**–**	**–**	**–**	**–**	**–**
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	–	746	746	–	–	–	–	–
Receivables due from personnel	725	–	725	725	–	–	–	–	–
Receivables from loans	19,968	–	19,968	19,968	–	–	–	–	–
Subsidies receivables	13,086	–	13,086	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	–	3,624	3,624	–	–	–	–	–
Positive fair value of derivative financial instruments without hedging relationships	–	–	–	–	–	–	–	–	–
Other assets	2,785	28	2,757	2,757	–	–	–	–	–
Total	**56,748**	**15,842**	**40,906**	**40,906**	**–**	**–**	**–**	**–**	**–**

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

Other receivables are in the following currencies:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
CHF	4,496	5,476
EUR	33,696	30,596
USD	947	2,191
CAD	5,822	18,483
Other	2	2
Total	**44,963**	**56,748**

6.12 Cash and cash equivalents

Interest is paid on call money and short-term sight deposits. The interest rate varies between 0% and 0.25% (previous year: 0% to 0.3%).

6.13 Income tax receivables

Income tax receivables break down as follows:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Income taxes Switzerland	97	8
Income taxes Germany	3,019	-
Income taxes rest of the world	142	308
Total income taxes	**3,258**	**316**

6.14 Deferred tax assets

Deferred tax assets are comprised as follows:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Tax loss carryforwards	6,294	3,613
Property, plant and equipment	3	6
Trade accounts receivable	117	189
Inventories	8,525	7,944
Trade accounts payable	2,328	1,715
Other liabilities	275	406
Advance payments received	17,219	24,797
Pension liabilities	1,632	1,499
Total	**36,393**	**40,169**
Netting with deferred tax liabilities	–32,658	–35,805
Deferred tax assets (netted)	**3,735**	**4,364**

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

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Current deferred tax assets	275	6
Non-current deferred tax assets	3,460	4,358

The Group has total loss carryforwards of TCHF 27,671 (previous year: TCHF 26,403) for which no deferred tax assets were recognized.

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

2015 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	8,137	19,534	11,414

2014 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	527	8,622	17,254	11,035

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

The changes in deferred tax assets and liabilities in fiscal year 2015 and 2014 were as follows:

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Changes in deferred taxes (assets and liabilities)	–4,467	7,183
thereof:		
Change in income statement	–4,738	6,485
Change in other comprehensive income/loss	320	585
Change in scope of consolidation	–272	–
Change in currency translation	223	113

6.15 Equity

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

Share capital

As of December 31, 2015, 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 0.20 per share was distributed for fiscal year 2014 in the reporting period.

Treasury stock

As of December 31, 2015, the separately reported item "Treasury stock" amounted to TCHF –2,132 (previous year: TCHF –2,816). The amount reflects the nominal capital of treasury shares. As of December 31, 2015, the number of directly held non-voting treasury shares was 2,131,751 shares in Highlight Communications AG (previous year: 2,815,650). 1,943,519 treasury shares were acquired at a purchase price of TCHF 10,436 and 2,627,418 treasury shares were sold at a selling price of TCHF 14,329 in the year under review.

Capital reserve

As of December 31, 2015, the Group's capital reserve amounted to a total of TCHF –107,913 (previous year: TCHF –104,560).

The reduction in the capital reserve results from the gradual increase shown in equity in the equity investment in Highlight Event & Entertainment AG, Lucerne, from 68.986 % to 75.374 % and the increase in shares in Constantin Entertainment Polska Sp z.o.o., Warsaw, from 75 % to 100 %, in fiscal year 2015. The capital reserve decreased by TCHF 3,353 in total as a result of these transactions.

The change in capital reserves (TCHF –26) in the previous year was due to the gradual increase in the number of shares held in Highlight Event & Entertainment AG, Lucerne, from 68.634 % to 68.986 %.

Non-controlling interests

The change in non-controlling interests is due essentially to the gradual increase in the equity investment in Highlight Event & Entertainment AG (disposal of TCHF 1,232; previous year's period: disposal of TCHF 69) and Constantin Entertainment Polska Sp z.o.o. (disposal of TCHF 83; previous year's period: TCHF 0) and the founding of Comosa AG (addition of TCHF 65; previous year: TCHF 0) in fiscal year 2015. Dividend payments amounted to TCHF 1,414 (previous year's period: TCHF 1,326). Furthermore, the net profit for the period attributable to non-controlling interests of TCHF 57 (previous year's period: TCHF 1,415) resulted in an increase in this item. Differences from currency translation amounted to TCHF –310 (previous year: TCHF –71).

Other reserves

As of the end of the reporting period, other reserves totaled TCHF –40,651 (previous year: TCHF –27,836). As of December 31, 2015 these relate to the translation of the equity of companies that do not use Swiss francs as their functional currency (TCHF –38,132; previous year: TCHF –27,836) and from other cash flow hedge reserves of TCHF –2,519 (previous year: TCHF 0).

The changes in other components of equity in fiscal years 2015 and 2014 were as follows:

2015 (TCHF)	before taxes 2015	Tax effect	after taxes 2015
Net profit	**17,572**	**–**	**17,572**
Currency translation differences	–10,606	–	–10,606
Gains/losses from cash flow hedges	–2,849	330	–2,519
Items that may be reclassified to the income statement in future	**–13,455**	**330**	**–13,125**
Actuarial gains and losses of defined benefit obligation plans	755	–10	745
Gains/losses from financial assets at faie value through profit or loss	2,766	–	2,766
Items that will not be reclassified to the income statement in future	**3,521**	**–10**	**3,511**
Other comprehensive income/loss	**–9,934**	**320**	**–9,614**

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 obligation plans	–4,119	585	–3,534
Gains/losses from financial assets at faie value through profit or 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**

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 their operating activities. The Highlight Group can also distribute a dividend, pay back capital to the shareholders or issue new shares. The aim of management in this is to use equity and borrowed capital efficiently in order to ensure financial flexibility on the basis of a solid capital structure and thereby guarantee sufficient liquidity resources. Liquidity consists of the inflows from operating activities, cash on hand and the borrowings available.

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 Communications 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 balance sheet. 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, gearing, the economic equity ratio and reported equity including non-controlling interests as well as the ratio of net financial liabilities to profit from operations. 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, 2015.

6.16 Overview of provisions and liabilities

The maturity structure of provisions and liabilities as of December 31, 2015 was as follows:

(TCHF)	less than 1 year	1 to 5 years	over 5 years	Total
Non-current liabilities				
Advance payments received	–	47,089	–	47,089
Other liabilities	–	243	–	243
Pension liabilities	–	–	10,979	10,979
Deferred tax liabilities	–	9,333	–	9,333
Total	**–**	**56,665**	**10,979**	**67,644**
Current liabilities				
Financial liabilities	104,290			104,290
Advance payments received	73,757			73,757
Trade accounts payable	25,731			25,731
Liabilities due to related parties	333			333
Liabilities due to associated companies and joint ventures	–			–
Other liabilities	71,965			71,965
Provisions	5,100			5,100
Income tax liabilities	5,341			5,341
Total	**286,517**			**286,517**

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
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**

6.17 Trade accounts payable and other liabilities

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Trade accounts payable	25,731	23,851
Other liabilities	71,965	65,427
Total	**97,696**	**89,278**

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 3,308 (previous year: TCHF 1,931).

Trade accounts payable are in the following currencies:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
CHF	522	2,910
EUR	20,223	19,971
USD	4,959	928
Other	27	42
Total	**25,731**	**23,851**

Other liabilities

Other current liabilities break down as follows:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Liabilities from conditional loan repayment (subsidies)	13,948	12,580
Personnel-related liabilities	10,985	11,248
Value-added tax liabilities	1,706	2,496
Other taxes	3,204	2,057
Social security	1,085	760
Deferred income	2,198	11,173
Customers with credit balances	391	72
Commissions and licenses	20,663	19,850
Other current loans	856	162
Negative fair value of underlying transactions in hedging relationships	3,085	2,142
Negative fair value of derivative financial instruments in hedging relationships	3,267	250
Negative fair value of derivative financial instruments without hedging relationships	1,080	–
Other current liabilities	9,497	2,637
Total	**71,965**	**65,427**

As of December 31, 2015, there is a contingent purchase price liability from the acquisition of PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH of TCHF 773. The payment of the contingent purchase price component in subsequent fiscal years is considered likely and the discounted payment amount was recognized in full under liabilities. An amount of TCHF 243 has been classified as non-current in this context.

The other current liabilities are in the following currencies:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
CHF	13,033	9,770
EUR	42,583	41,561
USD	16,349	14,096
Total	**71,965**	**65,427**

6.18 Financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 104,290 (previous year: TCHF 81,279), TCHF 69,290 (previous year: TCHF 31,279) of which relate to the financing of film projects.

The Highlight Group had free short-term credit facilities totaling around TCHF 161,644 (previous year: TCHF 200,911) as of the end of the reporting period. Of this, the Constantin Film Group's credit facilities (production financing and license trading facilities) are secured by the film rights reported as film assets in the amount of TCHF 198,996 (previous year: TCHF 158,298) and the resulting proceeds from exploitation in addition to receivables of TCHF 29,833 (previous year: TCHF 29,341). The security interests of the banks serve as collateral for all current and future receivables of the banks from Constantin Film AG. The banks are 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 45,000 (previous year: TCHF 50,000) is secured by the shares in Constantin Film AG, the Constantin Medien shares held by Highlight Communications AG and the 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, 2015	Dec. 31, 2014
CHF	35,000	50,000
EUR	6,199	12,447
USD	56,246	1,766
CAD	6,845	16,390
Other	–	676
Total	**104,290**	**81,279**

6.19 Advance payments received

Advance payments received totaling TCHF 120,846 (previous year: TCHF 54,148) essentially include amounts received from license sales and advance payments from customers in the amount of TCHF 78,482 (previous year: TCHF 0). TCHF 47,089 (previous year: TCHF 0) of these advance payments have to be classified as non-current.

6.20 Long-term service production

Receivables from customers for service productions amount to TCHF 15,619 (previous year: TCHF 9,424). Liabilities to customers for service productions amount to TCHF 3,308 (previous year: TCHF 1,931). These are reported under trade accounts receivable and trade accounts payable respectively.

Proceeds from service production for the period amount to TCHF 127,830 (previous year's period: TCHF 149,572). Total costs incurred for contracts in progress and reported profits (less any reported losses) amount to TCHF 13,472 (previous year: TCHF 12,350).

6.21 Pension liabilities

Defined benefit pension plans

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 salary. The retirement pension is calculated on the basis of the projected interest-bearing savings and a conversion rate.

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

Companies abroad have defined contribution plans only.

Funding agreements for future contributions

The Swiss occupational pension scheme (BVG – Swiss Federal Law on Occupational Retirement, Surviving Dependents' and Disability Pension and related ordinances) stipulates the minimum pension benefits. Legislation prescribes minimum annual amounts for employers. 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 salary 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 plan 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 pension 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.

The forecast employer contributions for fiscal year 2016 amount to TCHF 1,506.

Maturity profile of defined benefit obligation:

(TCHF)	2015	2014
Less than 1 year	1,515	1,942
Weighted average maturity of defined benfit obligation (in years)	15.7	16.2

Change in defined benefit liabilities

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

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Present value of defined benefit obligation	43,411	43,699
Fair value of plan assets	32,432	33,025
Balance sheet amount	**10,979**	**10,674**

The pension obligation developed as follows:

(TCHF)	2015	2014
Present value of defined benefit obligation as of January 1	**43,699**	**38,582**
Current service cost (without employee contributions and administrative expenses)	2,493	1,985
Employee contributions	931	932
Interest cost	440	784
Curtailment, settlement	–139	–
Benefits paid	–3,348	–3,142
Actuarial losses/(gains) from experience adjustments	–608	278
Actuarial losses/(gains) from changes in financial assumptions	–57	4,280
Present value of defined benefit obligation as of December 31	**43,411**	**43,699**
thereof actively insured persons	36,281	37,342
thereof pensioners	7,130	6,357

Plan assets developed as follows:

(TCHF)	2015	2014
Fair value of assets as of January 1	**33,025**	**32,567**
Interest income	333	663
Employee contributions	931	932
Employer contributions	1,491	1,636
Administrative expenses of the foundation	–90	–70
Benefits paid	–3,348	–3,142
Actuarial (losses)/gains from experience adjustments	90	439
Fair value of assets as of December 31	**32,432**	**33,025**

Retirement benefit expenses broke down as follows:

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Current service cost (without employee contributions and administrative expenses)	2,493	1,985
Administrative expenses of the foundation	90	70
Effects from curtailments and settlements	–139	–
Net interest cost (income)	107	121
Total income statement	**2,551**	**2,176**

Plan assets

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

(TCHF)	2015	2014
Cash and cash equivalents	407	1,467
Bonds with quoted market prices on active markets	12,594	12,693
Bonds without quoted market prices	141	437
Shares with quoted market prices on active markets	2,732	3,543
Real estate	9,862	9,515
Insurance surrender values	4,876	4,826
Other	1,820	544
Total	**32,432**	**33,025**

The actual return on plan assets in the year under review amounted to TCHF 423 (previous year's period: TCHF 1,102).

Actuarial assumptions

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

	2015	2014
Discount rate	0.75	1.00
Pension trend	0.10	0.50
Salary trend	1.50	1.50
Average life expectancy after pension men (in years)	21.53	21.43
Average life expectancy after pension women (in years)	24.98	24.88

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, 2015:

	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
(TCHF)	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–1,186	1,197	843	–307	296	–289	1,063

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

	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
(TCHF)	+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

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 liabilities recognized in the consolidated balance sheet.

Defined contribution plans

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 5,389 in fiscal year 2015 (previous year's period: TCHF 3,857).

6.22 Provisions

(TCHF)	Jan. 1, 2015	Currency translation differences	Consumption	Reversal	Addition	Dec. 31, 2015
Licenses and returns	4,228	–343	2,167	664	3,728	4,782
Provisions for litigation risks	136	–15	35	47	11	50
Other provisions	260	–1	–	9	18	268
Total	**4,624**	**–359**	**2,202**	**720**	**3,757**	**5,100**
thereof non-current provisions	–	–	–	–	–	–
thereof current provisions	4,624	–359	2,202	720	3,757	5,100

(TCHF)	Jan. 1, 2014	Currency translation differences	Consumption	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.

As in the previous year, there were no non-current provisions as of the end of the reporting period.

6.23 Income tax liabilities

Income tax liabilities break down as follows:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Income taxes Switzerland	1,512	1,526
Income taxes Germany	3,638	6,571
Income taxes rest of the world	191	246
Total income taxes	**5,341**	**8,343**

6.24 Deferred tax liabilities

Deferred tax liabilities broke down as follows as of December 31, 2015:

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Intangible assets/film assets	33,179	32,733
Inventories	23	27
Trade accounts receivable	4,977	2,593
Other receivables	701	1,298
Provisions	–	2
Trade accounts payable	104	651
Other liabilities	161	–
Advance payments received	2,846	3,996
Total	**41,991**	**41,300**
Netting with deferred tax assets	–32,658	–35,805
Deferred tax liabilities (net)	**9,333**	**5,495**

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

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Current deferred tax liabilities	–	372
Non-current deferred tax liabilities	9,333	5,123

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.

Sales from exchanging services of different types and values amounted to TCHF 1,292 in the reporting period (previous year's period: TCHF 0) and are assigned to the Film segment.

7.2 Capitalized film production costs and other own work capitalized

Capitalized film production costs amount to TCHF 72,590 (previous year's period: TCHF 37,641). Other own work capitalized reported in the previous year in the amount of TCHF 199 (reporting period: TCHF 0) related to internally developed intangible assets.

7.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Income from the reversal of provisions and deferred liabilities	1,883	5,865
Income relating to other periods	422	391
Reversal of impairment	425	2,145
Recharges	3,620	1,964
Currency exchange gains	7,582	3,244
Income from rents and leases	153	163
Income from the disposal of non-current assets	128	53
Income from settlements of claims for damages and settlement agreements	3,076	4,759
Miscellaneous operating income	3,031	3,059
Total	**20,320**	**21,643**

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 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, 2015	Jan. 1 to Dec. 31, 2014
Licenses and commission	5,731	5,508
Other costs of material	17,826	24,208
Total licenses, commission and material	**23,557**	**29,716**
Production costs	122,044	118,140
Services	2,365	4,363
Overages in the Film segment	14,181	10,132
Total purchased services	**138,590**	**132,635**

7.5 Other operating expenses

(TCHF)	Jan 1 to Dec. 31, 2015	Jan 1 to Dec. 31, 2014
Rental costs	6,549	6,507
Repair and maintenance costs	936	865
Advertising and travelling expenses	5,048	4,830
Legal, consulting and auditing costs	8,564	10,648
Additions to impairment and write-off of receivables	887	897
IT costs	1,939	2,029
Administrative costs	1,191	1,229
Other personnel-related expenses	1,318	1,251
Insurance, dues and fees	800	885
Expenses relating to other periods	144	345
Price losses	5,884	1,580
Vehicle costs	908	1,006
Bank fees	204	193
Distribution costs	136	188
Losses from the disposal of non-current assets	109	10
Other taxes	186	329
Release and promotion expenses	20,198	28,525
Sundry expenses	4,603	3,582
Total	**59,604**	**64,899**

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.

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

7.6 Financial income

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Interest and similar income	131	975
Income from other financial assets	1,080	–
Compounding of receivables	54	53
Gains from changes in the fair value of financial instruments	128	188
Currency exchange gains	2,862	11,465
Total	**4,255**	**12,681**

The remeasurement of the interest previously held in PolyScreen Produktionsgesellschaft für Film und Fernsehen mbH of 50 % and a carrying amount of TCHF 227 as of the acquisition date give rise to a gain reported in other net finance costs of TCHF 1,080. The fair value of the equity investment recognized using the equity method as of the acquisition date (TCHF 1,307) is also a purchase price component in accordance with IFRS 3.

7.7 Financial expenses

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Interest and similar expenses	1,980	3,465
Write-down of financial assets and non-current securities	1,583	2,045
Losses from changes in the fair value of financial instruments	980	362
Currency exchange losses	6,246	12,745
Total	**10,789**	**18,617**

The impairment on non-current financial assets and investment securities include an impairment loss on non-current receivables from the associated company Kuuluu Interactive Entertainment AG recognized in the reporting year of TCHF 1,583 (previous year's period: TCHF 1,965). TCHF 7,185 of the receivable was written down as of the end of the reporting period (previous year: TCHF 6,225).

The reduction in finance expenses and financial income was due mainly to lower currency losses and gains in financing activities in the fiscal year, which resulted above all from the remeasurement of liabilities to banks in foreign currency, which declined sharply during the year but were replenished as of the end of the year. To the extent permitted, currency gains and losses were offset in the year under review.

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, 2015	Jan. 1 to Dec. 31, 2014
Profit before taxes	25,454	23,350
Expected taxes based on a tax rate of 21 %	–5,345	–4,904
Differing tax rates	–699	752
Reversal of deferred tax assets	442	50
Write-down on deferred tax assets	–184	–
Tax-exempt income	535	–
Permanent differences	–154	13
Tax rate changes	1	–1
Non-deductable expenses	–1,056	–1,038
Aperiodic income taxes	104	584
Other effects	218	30
Unrecognized deferred taxes	–1,418	–770
Goodwill impairment	–326	–
Actual tax expense	**–7,882**	**–5,284**
Effective tax rate in %	**31.0**	**22.6**

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)
Cash and cash equivalents
Trade accounts receivable
Receivables due from associated companies and joint ventures (current and non-current)
Other receivables (current)
Financial assets at fair value
Other receivables
Derivative financial instruments with hedging relationships in accordance with IAS 39
Other assets (underlying transactions in hedging relationships in accordance with IAS 39)
Other financial assets (current)
Financial assets at fair value (equity instruments)
Financial assets at fair value (equity instruments)
Non-current receivables and other receivables
Other financial assets (non-current)
Financial assets at fair value
Financial assets at fair value (equity instruments)

LIABILITIES (TCHF)
Financial liabilities (current and non-current)
Financial liabilities with hedging relationships in accordance with IAS 39
Trade accounts payable (current and non-current)
Other liabilities (current and non-current)
Financial liabilities at amortized cost
Financial liabilities at fair value
Derivative financial instruments with hedging relationships in accordance with IAS 39
Other liabilities (underlying transactions in hedging relationships in accordance with IAS 39)

AGGREGATED BY CATEGORY (ASSETS AND LIABILITIES IN TCHF)
Financial assets at amortized cost
Financial assets (equity instruments)
Financial assets at fair value
Financial liabilities at amortized cost
Financial liabilities at fair value

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

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

Classification category IFRS 9 (2009) and IAS 39	Carrying amount Dec. 31, 2015	thereof not relevant under IFRS 7*	Valuation in the balance sheet under IFRS 9 (assets)/IAS 39 (liabilities)			Fair value Dec. 31, 2015
			Amortized cost	Fair value through OCI	Fair value through profit or loss	
AC	106,407	–	106,407	–	–	106,407
AC	44,432	–	44,432	–	–	44,432
AC	5,185	–	5,185	–	–	5,185
FVPL	205	–	–	–	205	205
AC	39,774	–12,952	26,822	–	–	26,822
without category	4,186	–	–	–	4,186	4,186
without category	989	–989	–	–	–	–
FVPL	350	–	–	–	350	350
FVOCI	14,303	–	–	14,303	–	14,303
AC	564	–	564	–	–	564
FVPL	1,816	–	–	–	1,816	1,816
FVOCI	1,365	–	–	1,365	–	1,365
OL	103,714	–	103,714	–	–	103,714
without category	576	–	–	–	576	576
OL	25,731	–	25,731	–	–	25,731
OL	65,109	–8,737	56,372	–	–	56,372
FLPL	1,080	–	–	–	1,080	1,080
without category	3,267	–	–	2,849	418	3,267
without category	3,085	–3,085	–	–	–	–
AC	196,362	–12,952	183,410	–	–	183,410
FVOCI	15,668	–	–	15,668	–	15,668
FVPL	2,371	–	–	–	2,371	2,371
OL	194,554	–8,737	185,817	–	–	185,817
FLPL	1,080	–	–	–	1,080	1,080

** 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)
Cash and cash equivalents
Trade accounts receivable
Receivables due from associated companies and joint ventures (current and non-current)
Other receivables (current)
Financial assets at fair value
Other receivables
Derivative financial instruments with hedging relationships in accordance with IAS 39
Other assets (underlying transactions in hedging relationships in accordance with IAS 39)
Other financial assets (current)
Financial assets at fair value (equity instruments)
Financial assets at fair value (equity instruments)
Non-current receivables and other receivables
Other financial assets (non-current)
Financial assets at fair value

LIABILITIES (TCHF)
Financial liabilities (current and non-current)
Financial liabilities with hedging relationships in accordance with IAS 39
Trade accounts payable (current and non-current)
Liabilities due to associated companies and joint ventures (current and non-current)
Other liabilities (current and non-current)
Financial liabilities at amortized cost
Financial liabilities at fair value
Derivative financial instruments with hedging relationships in accordance with IAS 39
Other liabilities (underlying transactions in hedging relationships in accordance with IAS 39)

AGGREGATED BY CATEGORY (ASSETS AND LIABILITIES IN TCHF)
Financial assets at amortized cost
Financial assets (equity instruments)
Financial assets at fair value
Financial liabilities at amortized cost
Financial liabilities at fair value

Classification category IFRS 9 (2009) and IAS 39	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
AC	44,773	–	44,773	–	–	44,773
AC	38,680	–	38,680	–	–	38,680
AC	6,342	–	6,342	–	–	6,342
FVPL	–	–	–	–	–	–
AC	52,945	–15,657	37,288	–	–	37,288
without category	3,624	–	–	–	3,624	3,624
without category	185	–185	–	–	–	–
FVPL	1,624	–	–	–	1,624	1,624
FVOCI	11,562	–	–	11,562	–	11,562
AC	1,666	–	1,666	–	–	1,666
FVPL	1,802	–	–	–	1,802	1,802
OL	81,279	–	81,279	–	–	81,279
without category	–	–	–	–	–	–
OL	23,851	–	23,851	–	–	23,851
OL	700	–	700	–	–	700
OL	63,172	–16,891	46,281	–	–	46,281
FLPL	–	–	–	–	–	–
without category	250	–	–	–	250	250
without category	2,142	–2,142	–	–	–	–
AC	144,406	–15,657	128,749	–	–	128,749
FVOCI	11,562	–	–	11,562	–	11,562
FVPL	3,426	–	–	–	3,426	3,426
OL	169,002	–16,891	152,111	–	–	152,111
FLPL	–	–	–	–	–	–

**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 if 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 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, 2015 (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	205	–	205	–	205
Derivative financial instruments with hedging relationships	4,186	–	4,186	–170	4,016
Receivables due from associated companies and joint ventures (current and non-current)	5,185	–	5,185	–	5,185
Cash and cash equivalents	106,407	–	106,407	–	106,407
Total	**115,983**	**–**	**115,983**	**–170**	**115,813**

Offsetting of financial liabilities as of December 31, 2015 (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	1,080	–	1,080	–	1,080
Derivative financial instruments with hedging relationships	3,267	–	3,267	–170	3,097
Liabilities due to associated companies and joint ventures (current and non-current)	–	–	–	–	–
Financial liabilities (current and non-current)	104,290	–	104,290	–	104,290
Total	**108,637**	**–**	**108,637**	**–170**	**108,467**

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**

Net income

Net income from the respective classes of financial instruments for 2015 is shown in the table below:

		from subsequent measurement					
(TCHF)	from interest	Changes in fair value	Currency translation	Impairment	Others	2015	2014
Loans and receivables (AC)	185	–	–1,552	–2,039	–6	–3,412	938
Financial assets at fair value through OCI (FVOCI)	–	2,766	–	–	–	2,766	–3,797
Financial assets at fair value through profit or loss (FVPL)	–	111	5	–886	–	–770	315
Financial liabilities and other liabilities (OL)	–1,980	–	–139	–	1,827	–292	–378
Financial liabilities at fair value through proft or loss (FLPL)	–	–77	–	–	–	–77	–299

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

(TCHF)	from interest	from subsequent measurement: Changes in fair value	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 proft or loss (FLPL)	–	–299	–	–	–	–299	–542

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 liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks). These risks are monitored centrally within the Highlight Group. The risk situation is tracked by the risk manager on the basis of a risk management directive that applies to the whole Group using standardized risk reports and reported to the Board of Directors of Highlight Communications AG. Please also see the presentation of risks in the Group Management Report.

8.2 Liquidity risks

A liquidity risk arises if future payment obligations of the Group cannot be covered by available liquidity or corresponding credit facilities. In order to limit this risk, suitable processes are in place within the Highlight Group, 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 liquidity risk tables 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 2015

(TCHF)	Carrying amount Dec. 31, 2015	Cash flows 2016: Fixed interest	Cash flows 2016: Variable interest	Cash flows 2016: Repayment	Cash flows 2017: Fixed interest	Cash flows 2017: Repayment	Cash flows 2018-2020: Fixed interest	Cash flows 2018-2020: Repayment
Liabilities due to banks, bonded loans and similar liabilities	104,290	–	214	104,290	–	–	–	–
Other non-interest-bearing financial liabilities	82,103	–	–	82,103	–	–	–	–
Derivative financial liabilities								
Currency derivatives without hedging relationships	1,080	–	–	16,334	–	–	–	–
Currency derivatives in connection with fair value hedges	418	–	–	13,421	–	–	–	5,847
Other derivatives (cash flow hedges)	2,849	–	–	20,677	–	20,460	–	20,471
Derivative financial assets								
Derivatives without hedging relationships	205	–	–	4,105	–	–	–	–
Currency derivatives with hedging relationships	4,186	–	–	29,096	–	6,146	–	3,015

Liquidity risk 2014

(TCHF)	Carrying amount Dec. 31, 2014	Cash flows 2015 Fixed interest	Cash flows 2015 Variable interest	Cash flows 2015 Repay-ment	Cash flows 2016 Fixed interest	Cash flows 2016 Repay-ment
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 liabilities						
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	–	–

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 film business, and other financing activities such as the purchase of non-controlling interests and the acquisition of treasury shares, can influence liquidity differently over time.

Despite unused working capital facilities, 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 the direct counterparty risk and the risk of deterioration in credit quality.

Financial institutions 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, and/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 Market risks

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

8.5 Currency risk

The Highlight Group is exposed to currency risks in its ordinary business activities. This primarily relates 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 in net operating income and net finance costs of TCHF –1,686 (previous year's period: TCHF 384) were recognized in profit or loss in fiscal year 2015. Offsetting this, currency differences from the translation of foreign subsidiaries of TCHF –10,606 (previous year's period: TCHF –1,720) and from cash flow hedges of TCHF –2,519 (previous year's period: TCHF 0) were recognized in equity.

8.6 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 financial liabilities. The Group currently does not utilize financial instruments to hedge the risk of changes in interest rates, although interest pooling arrangements are available to some extent for bank overdraft liabilities.

Fixed interest agreements provide protection against additional expenses in phases of rising interest rates. They have the disadvantage that the company does not profit from corresponding developments in times of falling interest rates. Fixed interest agreements provide sufficient planning security for financial liabilities without flexible regulations on utilization and repayment. 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.

8.7 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.

8.8 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:

2015 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVPL/without category	–	4,391	–	4,391
Financial assets at fair value through profit or loss	FVPL	99	–	2,067	2.166
Financial assets (equity instruments)	FVOCI	14,303	–	1,365	15,668
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships in accordance with IAS 39	without category	–	576	–	576
Derivative financial instruments	FLPL/without category	–	4,347	–	4,347

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) through profit or loss	190	–
Currency translation differences through equity	–	31
Acquisition	1,522	–
Sale	–	–675
Fair value on December 31, 2014	**1,712**	**1,624**
Gains/(losses) through profit or loss	5	–903
Currency translation differences through equity	24	–262
Acquisition	1,341	–
Sale	–	–109
Fair value on December 31, 2015	**3,082**	**350**

The financial assets measured at fair value through profit or loss and included in level 1 are measured using stock market 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 shares in Geenee Inc., Delaware, which are unlisted and assigned to level 3 of the fair value hierarchy, are measured using a discounted cash flow method and the following, material unobservable inputs:

- forecast annual growth rate in sales of 2 % to 200 %
- forecast EBITDA margin of 28 % to 68 %
- risk-adjusted interest rate of 55 %

As the planning premises have remained unchanged since measurement on addition in September 2015 and as other investors paid the same market price between October and November 2015, there is no change in the fair value as of December 31, 2015.

The estimated fair value would increase (decrease) if:

- the annual growth rate in sales would be higher (lower),
- the EBITDA margin would be higher (lower) or
- the risk-adjusted interest rate would be lower (higher).

The change in the fair value of the financial assets assigned to level 3 is due to purchases of TCHF 1,341 (previous year's period: TCHF 1,522), sales of TCHF 109 (previous year's period: TCHF 675), impairment losses of TCHF 903 (previous year's period: TCHF 0) and currency translation effects of TCHF –233 in total (previous year's period: TCHF 221) (for further information on financial assets assigned to level 3 see note 6.8).

Both the currency effects recognized in profit or loss and impairment losses are reported under finance expenses.

There were no reclassifications between the individual levels of the fair value hierarchy. They are reclassified quarterly in each reporting period 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, 2015 or December 31, 2014.

The fair value of the property of TCHF 3,300 (previous year: TCHF 3,900) was calculated by the management as of December 31, 2015 with the assistance of an independent valuation specialist and using a discounted cash flow method. A discount rate of 6.0 % (previous year: 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. In 2015, the management of the company decided to raise the discount rate by 1 % despite declining interest rates. This adjustment to the risk component of the discount rate was made as the sale of the property is proving more difficult than expected.

8.9 Use of hedging instruments

In significant transactions, particularly in US dollars, Canadian dollars and euro, 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.

Currency forwards were also bought in the current fiscal year to hedge recognized foreign currency receivables and liabilities and to hedge profit distributions by international subsidiaries of Constantin Entertainment GmbH.

Fair values of hedging instruments in hedges

The following table shows the fair values of hedging instruments in hedges as of the end of the reporting period:

	Dec. 31, 2015		Dec. 31, 2014	
(TCHF)	Assets	Liabilities	Assets	Liabilities
Currencies – Fair value hedges (derivates as hedging instruments)				
Hedge-Foreign currency forward	4,186	418	3,624	250
Currencies – Cash flow hedges (derivates as hedging instruments)				
Hedge-Foreign currency forward	–	2,849	–	–
Currencies – Fair value hedges (original financial instruments as hedging instruments)				
Hedge-Liabilities in foreign currencies	–	576	–	–
Total	**4,186**	**3,843**	**3,624**	**250**

Fair value hedges

As of December 31, 2015, derivatives with a nominal amount of TCHF 56,701 (previous year: TCHF 44,251) were designated as hedging instruments in fair value hedges. The hedged items relate essentially to pending rights purchases and sales (firm commitments) in US dollars. Furthermore, financial liabilities in foreign currency are also used as hedging instruments to hedge currency risks. They are used to hedge firm commitments in USD not yet recognized and are fair value hedges.

The net gains and losses from these hedging instruments and the net gains and losses from the associated hedged items are shown in the table below:

	Jan. 1 to Dec. 31, 2015		Jan. 1 to Dec. 31, 2014	
(TCHF)	Gains	Losses	Gains	Losses
Currencies – Fair value hedges (derivates as hedging instruments)				
Hedge	4,130	409	3,660	253
Underlying transaction	409	4,130	253	3,660
Currencies – Fair value hedges (original financial instruments as hedging instruments)				
Hedge	–	568	–	–
Underlying transaction	568	–	–	–
Total	**5,107**	**5,107**	**3,913**	**3,913**

In effective hedges, the effects of changes in the fair value of hedged items and hedges were reported net in the income statement.

Cash flow hedges

As of December 31, 2015, derivatives with a nominal amount of TCHF 61,607 (previous year: TCHF 0) were designated as hedging instruments in cash flow hedges. The hedged items are essentially forecast transactions that are highly likely to occur.

The table below shows the unrealized earnings before taxes from the measurement of derivatives that were recognized in other comprehensive income:

	Jan. 1 to Dec. 31, 2015		Jan. 1 to Dec. 31, 2014	
(TCHF)	Gain	Loss	Gain	Loss
Unrealized gains and losses before taxes	–	2,849	–	–

It is expected that the amounts from cash flow hedges recognized in other comprehensive income as of December 31, 2015 will be reclassified to the income statement between 2016 and 2018. The gains and losses before taxes reclassified from consolidated equity to the consolidated income statement in the period amount to TCHF 0 (previous year's period: TCHF 0).

Derivative financial instruments without a hedge

Derivatives that are not or no longer included in a hedge are still used to hedge a financial risk from operating activities. The hedging instruments are closed out if the operating hedged item no longer exists or is no longer expected.

The nominal amounts and fair values of derivatives not designated in hedge accounting as of December 31, 2015 and 2014 are as follows.

	Dec. 31, 2015		Dec. 31, 2014	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
PLN	1,498	–8	–	–
USD	4,148	–70	–	–
CAD	1,351	–10	–	–
USD/CAD swap	9,337	–992	–	–
Total	**16,334**	**–1,080**	**–**	**–**
Foreign currency forwards (acquisition)				
USD	4,930	205	–	–
Total	**4,930**	**205**	**–**	**–**

8.10 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. A drop would have resulted in additional expenses before taxes of around TCHF 21 (previous year's period: earnings of TCHF 365). An increase in interest rates of the same amount would have increased earnings before taxes by TCHF 21 (previous year's period: expenses of TCHF 365).

The Group's currency sensitivities were calculated for the main currency pairings of CHF/EUR, EUR/USD and EUR/CAD (each expressed in Swiss francs) assuming that the underlying exchange rate of the pairing fluctuates by 10% in either direction with all other 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%. An increase in exchange rates of 10% would have an additional effect of TCHF –7,214 (previous year: TCHF 4,485). This would have an effect of TCHF –1,248 (previous year: TCHF 4,485) on earnings before taxes and TCHF –5,966 (previous year: TCHF 0) on equity. A reduction in exchange rates of the same amount would have an additional effect of TCHF 6,451 (previous year: TCHF –4,101). This would have an effect of TCHF 300 (previous year: TCHF –4,101) on earnings before taxes and TCHF 6,151 (previous year: TCHF 0) on equity. The closing rate was used for the sensitivity analysis.

Sensitivity analysis 2015

(TCHF)	Interest rate risk –1 %	+1 %
Financial assets		
Cash and cash equivalents	–1,064	1,064
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)	1,043	–1,043
Derivative financial instruments	–	–
Total increase/decrease in profit before taxes	**–21**	**21**

Sensitivity analysis 2014

(TCHF)	Interest rate risk –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**

The other price risks of 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 +/–1,430 (previous year's period: TCHF +/–1,156).

Exchange rate risk								Other price risks	
EUR/CHF		EUR/USD		EUR/CAD		Total			
–10%	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%	+10%
–962	962	–85	102	–3	4	–1,050	1,068	–	–
–504	504	–486	594	–	–	–990	1,098	–	–
–281	281	–237	237	–	–	–518	518	–	–
–	–	–296	296	–31	39	–327	335	–1,440	1,440
–1	1	–106	130	–5	6	–112	137	–	–
–	–	–3,695	4,516	–	–	–3,695	4,516	–	–
1	–1	450	–551	–	–	451	–552	–	–
174	–174	1,486	–1,817	–	–	1,660	–1,991	–	–
–	–	5,113	–6,249	622	–761	5,735	–7,010	–	–
5,130	–5,130	775	–947	–608	744	5,297	–5,333	–	–
3,557	**–3,557**	**2,919**	**–3,689**	**–25**	**32**	**6,451**	**–7,214**	**–1,440**	**1,440**

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

9. SEGMENT REPORTING

The segment information below is based on the management approach.

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

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, which is not an operating segment. These include actual Group Management, Corporate Finance, Investor Relations, Controlling, Legal, Group Accounts, Corporate Communications, Internal Audit and Human Resources. Segments earnings are defined as EBIT as this figure is used internally for performance measurement.

The activities of Constantin Film AG and its subsidiaries plus the Highlight Communications equity investments Rainbow Home Entertainment and its subsidiaries (not including Pokermania GmbH and Comosa AG) are combined in the Film segment as they have similar business features and are comparable in terms of the type of their products, services, processes, customers and sales methods. Its activities comprise the production 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. This segment has also included the business activities of Comosa AG since the second quarter of 2015. This company was founded on March 31, 2015 and its purpose is the planning and performance of sports and entertainment events, as well as the brokerage, acquisition and exploitation of rights of all kinds.

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 online/social gaming.

The "Other" segment comprises the administrative functions of the Highlight Communications AG holding company.

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

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

Segment information 2015

(TCHF)	Film	Sports- and Event-Marketing	Other Business Activities	Other	Reconciliation	Group
External sales	290,892	51,730	3,438	–	–	346,060
Intra-Group sales	–	–	210	–	–210	–
Total sales	290,892	51,730	3,648	–	–210	346,060
Other segment income	91,303	2,388	166	–	–947	92,910
Segment expenses	–364,997	–33,089	–5,221	–5,689	1,157	–407,839
thereof amortization, depreciation	*–61,307*	*–843*	*–347*	–	–	*–62,497*
thereof impairment	*–11,314*	–	–	–	–	*–11,314*
Segment result	**17,198**	**21,029**	**–1,407**	**–5,689**	**–**	**31,131**
Non-allocable items						
Earnings from investments in associated companies and joint ventures						857
Financial income						4,255
Financial expenses						–10,789
Profit before taxes						**25,454**

Segment information 2014

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

The elimination of inter-segment transactions is reported in the “Reconciliation” column.

Segment information by region

Jan. 1 to Dec. 31, 2015 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of world	Total
External sales	93,070	195,114	34,417	23,459	346,060
Non-current assets	20,494	206,904	52	–	227,450

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

External sales by products

(TCHF)	2015	2014
Service production	127,829	149,571
Film	163,063	209,552
Sports- and Event-Marketing	51,730	49,920
Other Business Activities	3,438	3,535
Total external sales	**346,060**	**412,578**

Sales by customers

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

	2015		2014	
(TCHF)	nominal	in %	nominal	in %
Customer A (Sports- and Event-Marketing segment)	51,730	15	49,920	12
Customer B (Film segment)	44,158	13	52,824	13
Customer C (Film segment)	25,460	7	40,776	10
Sales with other customers	224,712	65	269,058	65
Total external sales	**346,060**	**100**	**412,578**	**100**

10. FINANCIAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

10.1 Overview

The following table provides an overview of financial commitments, contingent liabilities and other financial obligations:

(TCHF)	Contingent liabilities	Purchase commitments for licenses	Other financial obligations	Rental and lease obligations (operating lease contracts)	Total
As of December 31, 2015					
Due within one year	15,855	9,776	4,815	5,376	35,822
Due between one and five years	–	3,785	9,839	5,038	18,662
Due after five years	–	–	41	–	41
Total	**15,855**	**13,561**	**14,695**	**10,414**	**54,525**
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**

10.2 Contingent liabilities

As of December 31, 2015, there were guarantees to various TV stations for the completion of service productions totaling TCHF 15,855 (previous year: TCHF 10,826). As there are no indications that the collateralized service productions will not be completed as contractually agreed, it is not expected that material actual liabilities will result from the contingent 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 13,561 (previous year: TCHF 30,530).

10.4 Other financial obligations

Other financial obligations comprise future obligations not yet recognized from the development of in-house productions in the amount of TCHF 14,695 (previous year: TCHF 13,480).

10.5 Rental and lease obligations

The Group rents and leases offices, warehouses, vehicles and facilities. The total rental expenses for fiscal year 2015 amounted to TCHF 6,153 (previous year: TCHF 6,194).

The Group had the following minimum lease obligations as of December 31, 2015:

(TCHF)	Building and room rental	Vehicle lease	Other rental and lease obligations	Rental and lease obligations (operating lease contracts)
As of December 31, 2015				
Due within one year	5,095	187	94	5,376
Due between one and five years	4,852	87	99	**5,038**
Total	**9,947**	**274**	**193**	**10,414**
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**

The minimum lease obligations are calculated based on the respective uncancellable terms 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, 2015	Dec. 31, 2014
Receivables	–	3,371
Liabilities	–	700

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Sales and other income	6,894	10,588
Cost of materials and licenses and other expenses	6,360	9,977

Associated companies

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Receivables	5,185	2,971
Liabilities	–	–

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Sales and other income	1	142
Cost of materials and licenses and other expenses	–	84

Other related parties

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Receivables	–	–
Liabilities	55	36

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Sales and other income	–	–
Cost of materials and licenses and other expenses	87	313

Parent company and its direct subsidiaries

(TCHF)	Dec. 31, 2015	Dec. 31, 2014
Receivables	191	6
Liabilities	278	101

(TCHF)	Jan. 1 to Dec. 31, 2015	Jan. 1 to Dec. 31, 2014
Sales and other income	247	261
Cost of materials and licenses and other expenses	622	534

Other expenses for management services by the direct parent company Constantin Medien AG in the amount of TCHF 117 (previous year's period: TCHF 132) were incurred in the reporting year.

As of December 31, 2015, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 55 (previous year: TCHF 36).

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 2015 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 9 to the annual financial statements of Highlight Communications AG for details of their shareholdings. There are no deviations between Swiss and international accounting law.

12. DISCLOSURES ON EVENTS AFTER THE BALANCE SHEET DATE

At the extraordinary meeting of the Board of Directors of Highlight Communications AG on February 2, 2016, the Board of Directors resolved to sell the entire equity investment of 1,305,860 shares (75.374 %) in Highlight Event & Entertainment AG to Bernhard Burgener, President of the Board of Directors and CEO. The total sale price as per the purchase agreement is TCHF 18,282, corresponding to a value of CHF 14.00 per share in Highlight Event & Entertainment AG. The transaction was completed on February 3, 2016. The carrying amount of the net assets less non-controlling interests as of the end of the reporting period was CHF 14.3 million. The sale therefore gave rise to a book profit of around CHF 4 million.

Furthermore, the Board of Directors of Highlight Communications AG resolved to discontinue the activities listed in the annual report under Other Business Activities. In particular, in order to implement this strategic decision, the Board of Directors intends to also sell the (indirectly held) associated equity investments in Paperflakes AG, Holotrack AG and the equity investment in Pulse Evolution Corporation at their respective carrying amounts as of December 31, 2015, plus the loans granted to these companies, to Highlight Event & Entertainment AG. The assets referred to have a carrying amount of around CHF 5 million as of December 31, 2015. The transactions were completed on February 28, 2016.

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 78 to 144), for the year ended 31 December 2015.

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 2015 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, 15 March 2016

Financial statements

as of December 31, 2015 of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2015

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2015	Dec. 31, 2014
Current assets		
Cash and cash equivalents	4,656	2,472
Securities with a market price	14,303	11,563
Other current receivables		
due from third parties	11	10
due from Group entities	3,172	7,966
Prepaid expenses/accrued income	5	17
	22,147	22,028
Non-current assets		
Non-current receivables		
due from Group entities	10,000	–
Equity investments	228,210	226,178
Licenses	–	–
	238,210	226,178
Total assets	260,357	248,206

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2015	Dec. 31, 2014
Liabilities		
Current liabilities		
Trade accounts payable		
due to third parties	14	8
due to shareholders	126	–
Current interest-bearing liabilities		
due to banks	35,000	50,000
due to Group entities	33,519	16,952
Other current liabilities		
due to third parties	22	33
Deferred income/accrued expenses	549	606
Current provisions	250	250
	69,480	67,849
Equity		
Subscribed capital	47,250	47,250
Legal capital reserves		
Reserves from capital contributions	24,537	30,955
Other legal capital reserves	2,063	4,532
Voluntary retained earnings	67,798	67,798
Profit carried forward	41,110	45,241
Net profit/loss for the year	18,440	–4,131
Treasury shares		
Against reserves from capital contributions	–10,321	–9,045
Other	–	–2,243
	190,877	180,357
Total equity and liabilities	260,357	248,206

INCOME STATEMENT 2015

Highlight Communications AG, Pratteln

(TCHF)	2015	2014
License income	266	138
Other income	431	258
Income from equity investments	25,748	25,779
Total income	**26,445**	**26,175**
License expense	–96	–125
Personnel expense	–5,519	–4,903
Office and administrative expense	–3,323	–2,865
Write-downs on receivables due from Group entities	–3,300	–2,000
Write-downs on equity investments	–	–12,984
Total expense	**–12,238**	**–22,877**
Earnings before interest and taxes (EBIT)	**14,207**	**3,298**
Financial expense		
Interest expense	–573	–1,443
Expense on securities	–	–6,113
Price losses	–943	–60
Financial income		
Interest income	82	183
Income from securities	5,666	–
Price gains	1	4
Profit/loss before taxes	**18,440**	**–4,131**
Income taxes	–	–
Net profit/loss for the year	**18,440**	**–4,131**

NOTES TO THE FINANCIAL STATEMENTS 2015

Highlight Communications AG, Pratteln

1. ACCOUNTING

These financial statements were prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. The material items of the balance sheet are accounted for as shown below. Prior-year figures were prepared in accordance with current accounting legislation to ensure a consistent presentation and structure of the figures.

Securities with a market price

Securities with a market price are measured at their market price on the reporting date. A fluctuation reserve was not recognized.

Foreign currency positions

The functional currency is the Swiss franc (CHF). Transactions in foreign currencies are translated into the functional currency CHF at the exchange rate as of the transaction date. Balance sheet items are translated at the closing rate.

Other current receivables

Other current receivables are recognized at nominal value less any necessary impairment losses. All changes in value are recognized in income.

Equity investments

Equity investments are measured individually. They are recognized at cost less any necessary impairment losses. Additional impairment losses are recognized at the discretion of the Board of Directors.

Treasury shares

Treasury shares were measured at market value until December 31, 2014 and reclassified to equity without value adjustment. From fiscal year 2015, treasury shares are recognized at cost without subsequent remeasurement.

2. DETAILS ON INDIVIDUAL ITEMS

Securities with a market price

This item contains shares in Constantin Medien AG.

Current interest-bearing liabilities due to banks

Financial liabilities of CHF 15 million were repaid in the reporting year.

Income from equity investments

This item contains dividends from Group entities.

Income from securities

This relates to a gain (previous year: loss) on the remeasurement of Constantin Medien shares and realized price gains on treasury shares.

Office and administrative expense

This item contains management expenses, consulting expenses and investor relations costs.

Amortization, depreciation and write-downs

In the previous year, write-downs on equity investments amounted to CHF 12.984 million and write-downs on receivables due from Group entities amounted to CHF 2.0 million (subordination). Write-downs on receivables due from Group entities as a result of subordination amounted to CHF 3.3 million in the reporting year.

Interest expense

Interest expense decreased as a result of the repayment of financial liabilities.

Expense on securities

In the previous year, there was a loss on the remeasurement of Constantin Medien shares.

3. PLEDGED ASSETS AS COLLATERAL FOR OWN OBLIGATIONS

	Dec. 31, 2015	Dec. 31, 2014
Shares in Constantin Medien AG		
Number	6,012,749	6,012,749
Carrying amount in TCHF	11,638	9,366
Shares in Constantin Film AG		
Number	12,742,600	12,742,600
Carrying amount in TCHF	132,151	132,151
Shares in Highlight Communications AG		
Number	1,546,894	2,680,793
Carrying amount in TCHF	7,487	10,748
Credit facility used		
TCHF	35,000	50,000

4. CONTINGENT LIABILITIES

Joint liability exists in respect to Group value-added taxation under Section 22 of the Swiss Value-Added Tax Act.

5. NOTES ON MAIN INVESTMENTS

The list of all companies with own legal identity, including minority investments held directly or indirectly by the holding company and consolidated at the level of the Highlight Group, can be found in section 3 of the consolidated financial statements in this annual report.

6. BREAKDOWN OF LEGAL CAPITAL RESERVES

In the reporting year, TCHF 3,784 was reclassified from legal reserves from capital contributions to other legal capital reserves for treasury shares that had been held for the maximum period permitted under tax law of six years. As a result of the disposal of treasury shares, TCHF 6,253 was reclassified back to the legal reserves from capital contributions. The dividend of TCHF 8,887 was paid in full from the legal reserves from capital contributions.

7. SHAREHOLDER STRUCTURE

Shareholders with holdings of over 5%	Dec. 31, 2015	Dec. 31, 2014
Constantin Medien AG	60.53%	52.39%
Highlight Communications AG (treasury stock)	4.51%	5.96%

For the stakes held by members of the Board of Directors and the Group management as well as their related parties, refer to note 9.

The Board of Directors is aware of no other material shareholdings (over 5%).

8. TREASURY STOCK (HELD DIRECTLY OR INDIRECTLY VIA SUBSIDIARIES)

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2015	2,815,650	11,288	–
Sales	2,627,418	11,403	14,329
Acquisitions	1,943,519	10,436	10,436
Balance on December 31, 2015	2,131,751	10,321	–

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2014	2,715,650	13,188	–
Acquisitions	100,000	391	391
Price gains/losses	–	–2,291	–
Balance on December 31, 2014	2,815,650	11,288	–

9. INFORMATION ON THE SHAREHOLDINGS OF THE BOARD OF DIRECTORS AND THE GROUP MANAGEMENT

As of December 31, 2015, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2015	2014
Bernhard Burgener, Chairman and Delegate, executive member	2,200,000	2,000,000
René Camenzind, non-executive member	628,715	628,715
Martin Hellstern, non-executive member	200,000	200,000
Dr. Dieter Hahn, non-executive member	–	21,000
Peter von Büren, executive member	–	–
Hanns Beese, non-executive member	2,500	2,500
Dr. Paul Graf, Managing Director	50,000	–

10. NUMBER OF FULL-TIME EQUIVALENTS

The average number of full-time equivalents over the year was not more than 10 employees.

11. ADDITIONAL INFORMATION, STATEMENT OF CASH FLOWS AND MANAGEMENT REPORT

Additional information, the statement of cash flows and the management report have been waived in accordance with article 961d (1) of the Swiss Code of Obligations as Highlight Communications AG prepares consolidated financial statements in accordance with a recognized accounting standard.

12. EVENTS AFTER THE BALANCE SHEET DATE

On February 2, 2016, the Board of Directors decided to sell the entire equity investment in Highlight Event & Entertainment AG to Bernhard Burgener, Chairman of the Board of Directors and CEO.

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

Highlight Communications AG, Pratteln

PAYMENT OF A DIVIDEND FROM LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS

(TCHF)	
Payment of a dividend of CHF 0.20 per share	9,024
Withdrawal from the legal reserves from capital contributions	**9,024**

APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(TCHF)	2015
Profit carried forward	41,110
Net profit for the year	18,440
Available retained earnings	**59,550**

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

Balance to be carried forward	59,550

The dividend amount of TCHF 9,024 is entirely distributed from “Legal reserves from capital contributions” and corresponds to a dividend (not subject to withholding tax) of CHF 0.20 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 148 to 153), for the year ended 31 December 2015.

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 2015 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, 15 March 2016

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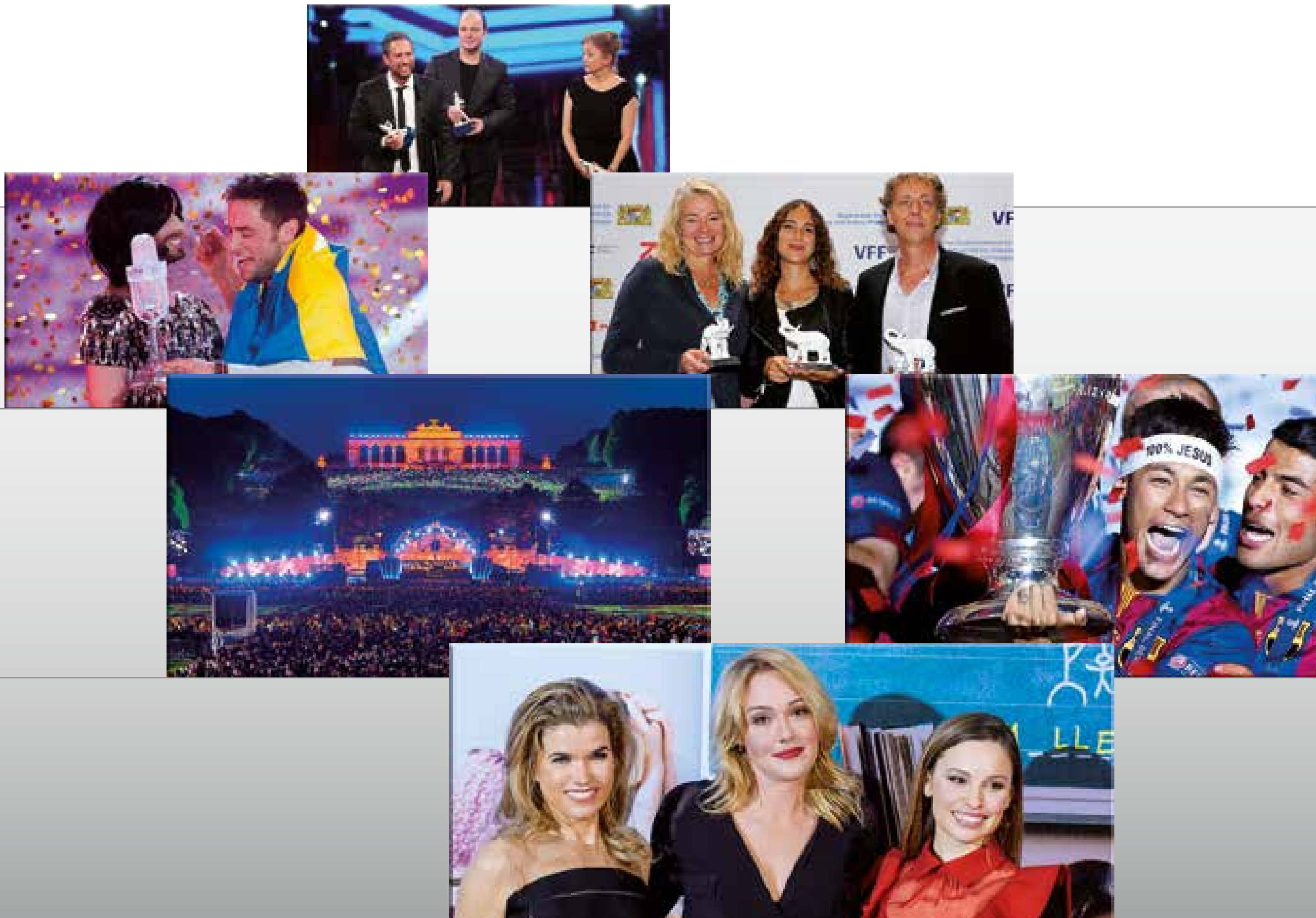
Highlight

Highlight Communications AG

Events 2016

Cinema	Cannes Film Festival	May 11 – 22
	Locarno Film Festival	August 3 – 13
	Venice Film Festival	August 31 – September 10
	Toronto Film Festival	September 8 – 18
Football	UEFA Europa League final	May 18
	UEFA Champions League final	May 28
Investor Relations	Interim reports	May/August/November
	Annual General Meeting	June 3
	German Equity Forum	November 21 – 23



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