

# Highlight at a Glance

	1998	1999	2000
Sales revenue (in CHF mn)	34.1	98.5	170.9
EBIT	3.0	18.1	42.8
Net profit attributable to Group (in CHF mn)	0.8	4.9	26.1
Earnings per share (in CHF)	1.57	1.37	5.73
Number of employees	159	272	301

Performance of stock since first listing on May 11, 1999



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**Bernhard Burgener**  
(born 1957)  
President of the  
Board of Directors

*Degree in Commerce, active in the film business since 1982. He established Rainbow Video AG, Pratteln in 1983. Since 1994, he has been a shareholder*

*and delegate of the Board of Directors and since 1999 President of the Board of Directors at Highlight Communications AG, Pfäffikon.*

*Dear shareholders,*

Looking back at the first year of the new millennium, it is fair to say that the Highlight Group performed very successfully in spite of the turbulence in the stock markets.

★ **Top award for Highlight films –  
“Goldene Leinwand” won**

In our core Film division, we again extended our position in the hotly contested German-language film market last year.

After considerable strain in 1999 and at the beginning of 2000 on enger of excessively high license costs for high-quality films, we were able to gain numerous promising properties at film fairs in the course of 2000. As of mid-year we were aided by a marked “cooling-off” in the prices of German-language rights. Moreover, the output deal signed with Artisan Entertainment in 1999 is assuring us of further films with commercial potential. We have signed another output deal with Hollywood-based production company Fifty Cannon, giving us access to one of the largest US talent agencies, ICM.

Our top cinema release in 2000 was of course “Scary Movie”, one of the most successful films of the year in the United States and also a box-office smash in the

German-speaking region. For the first time in our Group’s history, our Film division received both the Goldene Leinwand award and the Bogey. We want to build on these votes of confidence and generate further success of this type. With an audience of roughly 741,000 per film, Highlight achieved the second highest volume of German cinema exploitations, placing it well ahead of almost all other independent license exploiters and even in front of the majors’ productions in 2000. Our roster for 2001, which comprises 8–10 films for the German-language region, is also promising.

Turning to license exploitation, we met our revenue forecasts in spite of a concentration of German TV broadcasters’ purchasing power and the resultant more difficult setting for license exploitation, thereby again proving the quality of our film library.

Yet, it was not only in the license-exploitation segment but also in the DVD/video distribution area that we were able to further extend our market position. The marketing alliance forged in October 1999 with CIC, the Frankfurt/Main-based marketing company operated by Paramount Pictures for the German-speaking region, lived up to the hopes which had been pinned to it. As a result, full-year revenue forecasts for this segment were achieved as early as in March 2000.

With our Joe's Multimedia retail chain, we are still the market leader in the German-speaking part of Switzerland, buoyed by the introduction of DVDs and Sony PlayStations.

Against the backdrop of mounting competition in the film and media business, these activities constituted an important basis for continued successful extensions to our market position as one of the leading dealers in film licenses in the German-speaking region. In spite of this superb performance in 2000, we will continue to ensure that our business strategy is not guided by revenues growth or short-lived PR successes. Highlight has the courage to say no. The most important guiding principle is the profitability of our deals.

#### ✦ *TEAM Group ensuring continued growth*

The successful acquisition of an 80 percent stake in TEAM Holding AG in July 1999 proved to be a further strategically important pillar for the Highlight Group's growth in fiscal 2000. The market leader in marketing sports events, the TEAM Group has been arranging all contracts in connection with the commercial marketing of the rights to the UEFA Champions League on an exclusive global basis for UEFA since 1992 and is one of the world's most professional marketing and event organizations.

On May 25, 2000, the first season for the extended UEFA Champions League format (32 teams, 157 matches and 17 weeks) entailing the match between Real Madrid CF and Valencia CF in Paris was successfully completed. The TEAM Group exceeded UEFA's target revenues of CHF 800 million from the sale of the TV and marketing rights for the 1999/2000 season. The matches were broadcast by roughly 80 television stations all over the world, reaching a total audience of some 4 billion.

In addition to the UEFA Champions League, the TEAM Group was also able to successfully market the UEFA Cup Final and the UEFA Super Cup. In the year under review, the UEFA Cup Finale pitched Galatasaray SK Istanbul against Arsenal FC London in Copenhagen on May 17, 2000. The UEFA Super Cup match between Galatasaray SK Istanbul and Real Madrid CF took place on August 23, 2000 in Monaco. In addition, UEFA awarded the TEAM Group the rights to market the European Under-21 championship in spring 2000.

#### ✦ *Further work on building up the New Business division*

The end of 1999 saw the birth of our New Business division. This division will be combining media and internet technology to spur the Highlight Group's continued corpo-

rate and profit growth. No contributions to revenues or earnings were planned for fiscal 2000. However, preliminary revenues are to be generated in 2001, with the division set to account for roughly 40 percent of the Highlight Group's revenues by 2003.

Highlight Intertechnology AG, which was incorporated in this connection in December 1999, with Highlight Communications AG holding 70 percent of its capital, has already been actively included in the Group's corporate strategy as part of moves to become an integrated entertainment group. Its newly developed compression methods, which we have evaluated with selected potential partners to gauge its marketing potential in the media and internet areas, hold great promise.

In addition, we acquired a 19,8 percent stake in high-tech company VIDAIR AG in May 2000. Established in 1997, VIDAIR AG has developed innovative camera-based security systems for the aerospace, defense, security, automotive and communications sectors. Top priority is being given to active collaboration in order to harness synergistic benefits and to integrate VIDAIR in the Highlight Group's entertainment strategy.

In addition, we are particularly pleased to have secured the services of Heinz B. Wermelinger for the Highlight Group as CEO New Business. Mr. Wermelinger was President and CEO of BOL, Bertelsmann AG's international internet-based media and entertainment store, prior to which he acted as President and CEO of AOL Bertelsmann Europe. His experience and international contacts will make an invaluable contribution to extending the New Business division. Mr. Wermelinger is also to join the Group's Board of Directors.

✦ ***Successful continuation of activities to form an integrated entertainment group***

Last fiscal year, we took a giant step forward in achieving our vision of making Highlight an integrated entertainment group, providing top movie and sports entertainment and distributing it in all forms – i.e. cinema, TV, DVD/video and the internet. We are committed to continuing our work on developing the Highlight Group in this way.

We met or even exceeded both our strategic and quantitative targets for the year. In fact, in spite of the more difficult market setting, the Highlight Group delivered

DVFA/SG earnings of CHF 26.0 million or EUR 0.38 per participation right, thereby topping its own expectations.

So much for the determinants which we were able to influence in 2000. By going public on May 11, 1999 and seeking a listing on the Neuer Markt segment of the Frankfurt stock exchange, we not only opened our Company to the capital markets but entered an arena on which we have little influence.

The rising prices at the beginning of the year prompted us to split our stock at the end of March 2000. This was followed in June 2000 by the additional equity issue which the shareholders had approved at the annual general meeting on May 30, 2000. As a result, the Company's share capital was increased from CHF 43 million to CHF 47.25 million by the issue of new shares. These 4.25 million new shares were placed on a private basis with institutional investors in Germany and other European countries.

The proceeds of over EUR 100 million are being used to further extend our core entertainment business and to finance specific acquisitions. We would like to take this

opportunity of again expressly thanking investors for their confidence in our Company.

As of the middle of the year, nearly all Neuer Markt stocks sustained drastic losses. Media stocks, which just prior to this had been declared to be growth stocks par excellence, were suddenly cast aside by investors. This was a sobering experience for shareholders and management alike.

Looking forward, we expect to see enduring consolidation in the media sector. In this connection, it should be noted that the Highlight Group has ample liquidity as well as a positive operative cash flow in tandem with very low bank liabilities. We are confident that investors will reward our deliberately conservative accounting methods, our profit-oriented business strategy and particularly the Highlight Group's inherent strength. We will be doing all we can to justify investors' trust!



**Bernhard Burgener**  
President

✦ **Bernhard Burgener (born 1957)**

Chairman of the Board of Directors

Degree in Commerce, active in the film business since 1982. He established Rainbow Video AG, Pratteln in 1983. Since 1994, he has been a shareholder and delegate of the Board of Directors, becoming President in 1999.

✦ **Reinhold Camenzind (born 1923)**

Banker, 1968–1972 general agent for Winterthur Versicherungen, Lucerne; since 1972 owner of one of the Swiss shopping centers Mythencenter; 1994: acquired an interest in Highlight Communications AG and became a member of the Board of Directors.

✦ **Marc Conrad (born 1960)**

1992–1998: Programme Director and, as of 1994, independent Deputy Manager of RTL, the private TV station based in Cologne; 1999: established production company typhoon networks AG (Chairman of the Board: Prof. Helmut Thoma) for cinema films, TV movies and series. Member of the Board of Directors since February, 1999.

✦ **Andreas Fallscheer (born 1963)**

Founder of Highlight Communication AG's predecessor in 1983 in the license-trading and exploitation area. CEO of the Film division.

✦ **Klaus J. Hempel (born 1947)**

President of TEAM

Graduate in business management; many years of service for Unilever and adidas; 1981–1991: President and CEO of ISL Marketing AG in Lucerne; founded TEAM in 1991 with Jürgen Lenz. Member of Highlight Communications AG's Board of Directors since May, 2000.

✦ **Jürgen Lenz (born 1943)**

President of TEAM

Many years of service for McCann-Erickson and adidas; 1982–1991: Executive Vice President and COO of ISL Marketing AG in Lucerne; founded TEAM in 1991 with Klaus J. Hempel. Member of Highlight Communications AG's Board of Directors since May, 2000.

★ **Dr. Ingo Mantzke (born 1960)**

CFO/Investor Relations

Degree in Commerce, from 1987–1989 with BHF Bank; from 1989–1991 received a grant for a doctorate; from 1991–1996 at KPMG Management Consultant GmbH where he attained the position of Senior Manager in the Financial Services Division; 1996–1999: Director of Deutsche Börse AG, responsible for controlling and IR; from January, 1999 Head of Finance at the Deutsche Börse Group. In February, 1999 he was appointed to the Board of Directors. CFO at Highlight Communications AG since October, 1999.

★ **Marco Syfrig (born 1960)**

CEO Sports and New Business

Lawyer, 1993–1997 tax consultant and partner of ATAG Ernst & Young in Zurich (as of 1993); as of 1997 partner and founding member of Taxpartner AG, Zurich. From 1991 consultant to Highlight Communications AG for tax-related and financial affairs. Member of the company's Board of Directors since November, 1998 and delegate of the Board of Directors since June, 1999.

★ **Martin Wagner (1960)**

Head of Legal Department

Partner and commercial attorney in a large international law firm in Basle with a branch in the United States; specialist in corporate, stock-market and media law. Advises a number of listed companies in Switzerland as well as abroad. Member of Highlight Communications AG's Board of Directors of since May 30, 2000.

*The members of Highlight Communications AG's Board of Directors at the annual general meeting on May 30, 2000 in Basle: (from left) Marco Syfrig, Martin Wagner, Reinhold Camenzind, Marc Conrad, Jürgen Lenz, Bernhard Burgener, Klaus J. Hempel, Dr. Ingo Mantzke, Andreas Fallscheer*





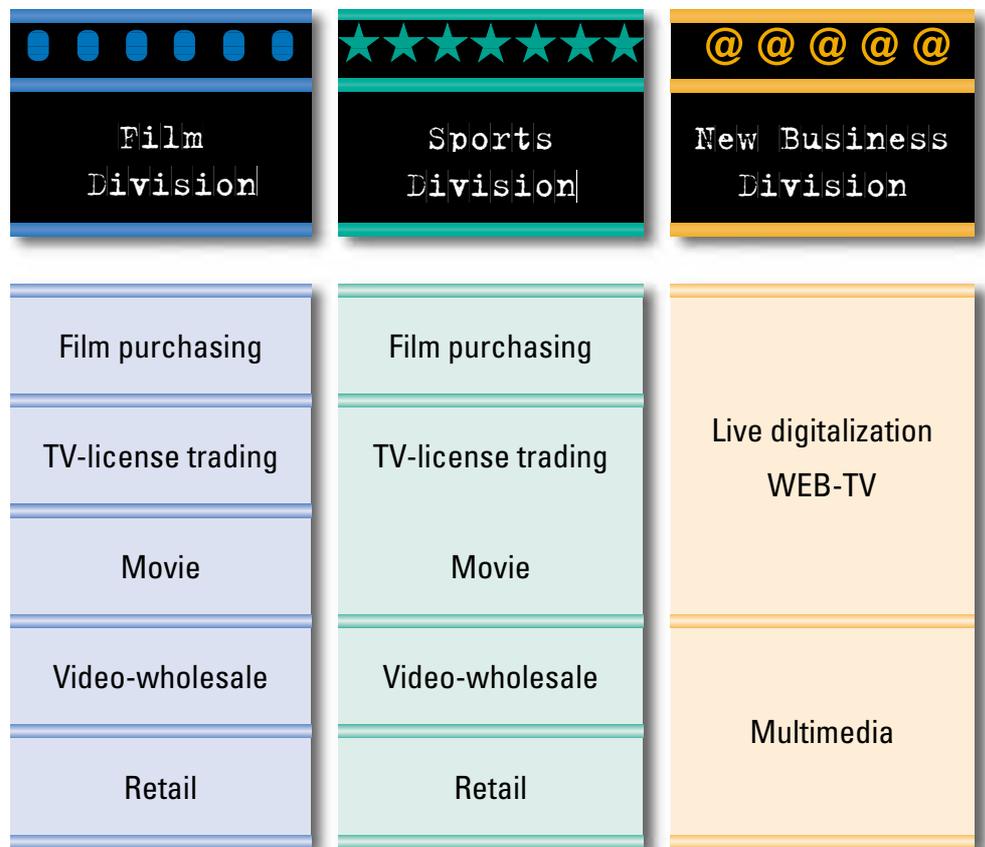


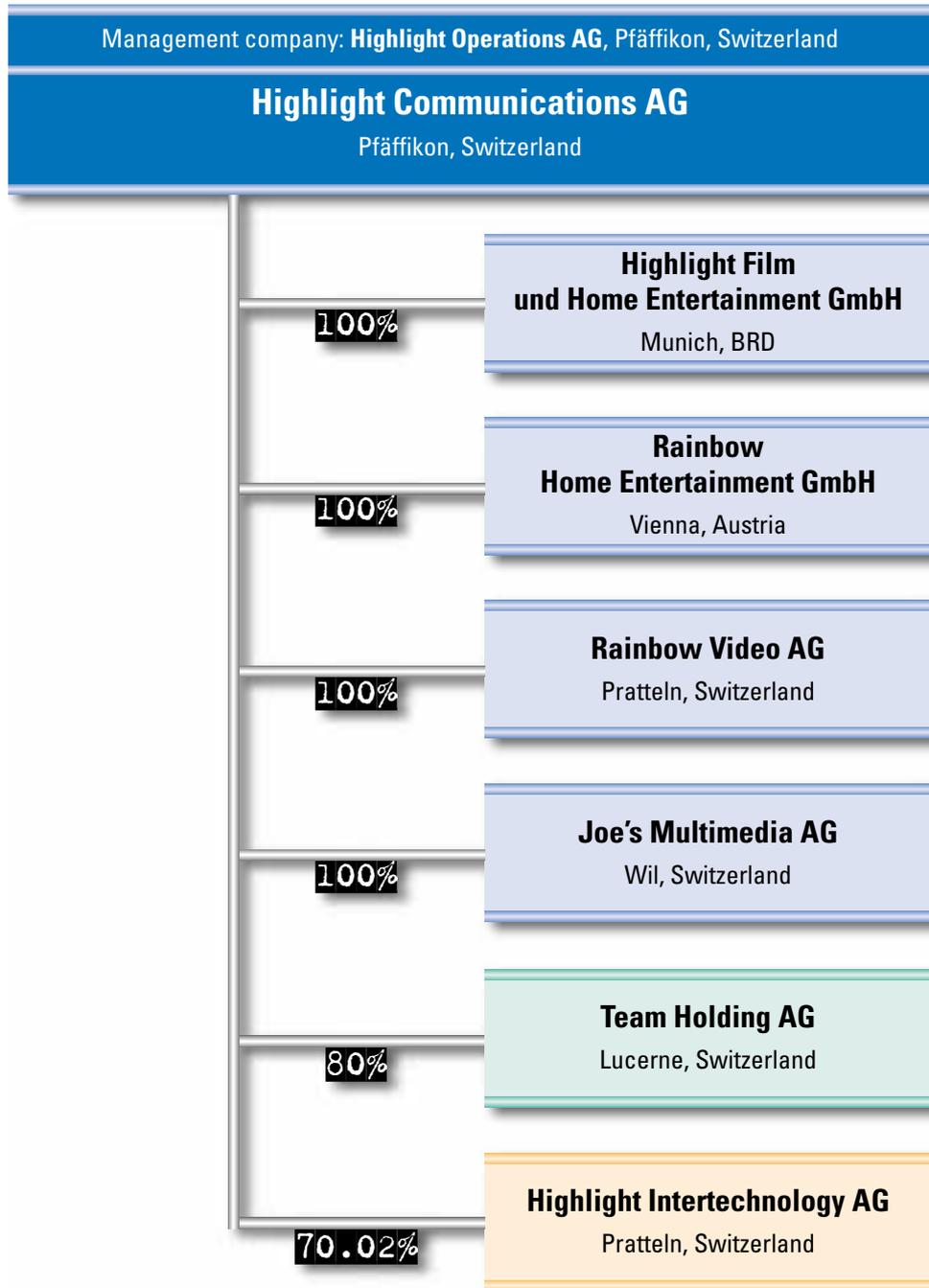
Business Performance

Notwithstanding its corporate form, the Highlight Group comprises three divisions – Film, Sports and New Business.

The following table sets out the structure of these divisions.

This section describes the performance of the individual divisions as well as the capital market. This is followed by the Board of Directors' report setting out the Group's consolidated figures.







*Scary Successful – last year's  
blockbuster "Scary Movie" a major hit  
in 2000.*



Film Division





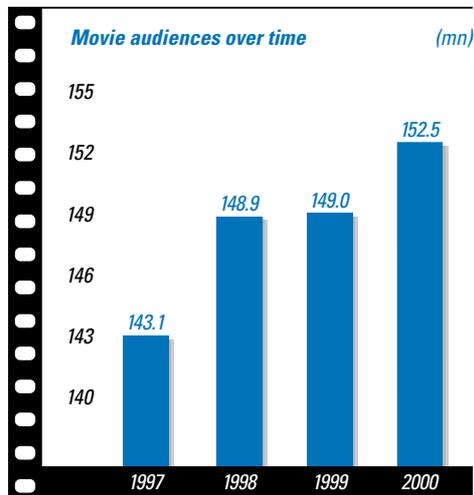
**Andreas Fallscheer**  
(born 1963)  
CEO of Film division

1983 founding member of the company which preceded Highlight Communications AG; set up the company operations in the areas of license trading and in the whole utilization

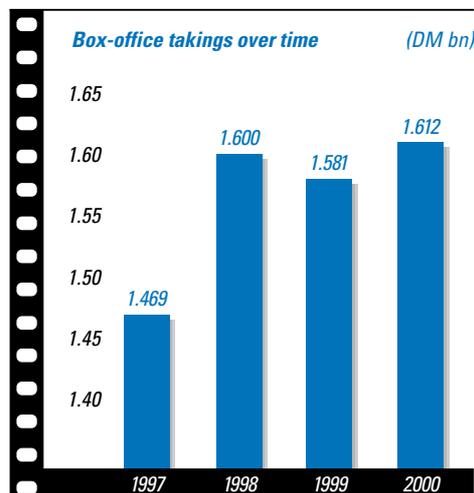
chain. Also active on the video market since the mid-1980s. Andreas Fallscheer was largely responsible for establishing the cinema utilization chain, and the video/DVD and TV businesses.

## ★ The movie market in 2000: a wealth of films

2000 was a year in which several records were broken. The number of cinemagoers rose to 152.5 million (1999: 149.0 million), while box-office takings came to DM 1,612 billion (1999: DM 1,581 billion).



Source: FFA



Source: FFA

Never before had so many films vied for cinemagoers' attention as in 2000. By September 2000, the full-year number of films released in Germany in 1999 (350) had almost been surpassed, with the year closing at an impressive 416 films. The downside of this was that given the wealth of films on show fewer and fewer releases appealed to a massive audience. Audience numbers in 2000 fell far short of those achieved with "Titanic" (17.9 million): the top hits in 2000 were "American Pie" (6.1 million) and "Mission Impossible 2" (4.4 million), the only films to attract more than 4 million cinemagoers. An increasing number of films are failing to sufficiently stand out from the large number of releases. As in earlier years, approx. 20 percent of film releases generated 80 percent of box-office takings. The US majors accounted for 65 percent of total German revenues with 38 percent of the films released in 2000. This is making it increasingly difficult for the independents to achieve profits or cover costs with their releases. The necessary upshot of this is an even greater focus on box-office hits than before and concentration on the really profitable films rather than spreading available resources in the hope of finding a blockbuster. The Highlight Group's Film division has been following this principle for years, achieving considerable success in the process.

*Awards for superb box-office takings on the first weekend – “Goldene Leinwand” and the “Bogey” for “Scary Movie”*



2000 was the most successful year in the Film division's history. Thus, the Company landed a top-three hit with "Scary Movie" (3.25 million viewers), grossing the highest first-weekend revenues (after "Mission Impossible 2" and "Gladiator"), a feat which was rewarded with the "Goldene Leinwand" and Silver "Bogey" awards. All told, the Highlight Film division's film releases were very successful in 2000: "U-571" shared the distinction with "Scary Movie" of achieving the top box-office takings on the first weekend in Germany. With average audience numbers per film coming to 741,000, the Highlight Film division achieved absolute top results compared with its

peers in 2000. Ranking the second highest, it is well ahead of the US majors and all the other independents, which averaged only 209,000 viewers per film.



**Dr. Paul Graf**  
(born 1957)  
Managing Director Film

*Degree in science/BBA; has held various technical and marketing/sales positions since 1986. Moved to the US in 1992 after acquiring an additional degree in business and administration. Returned to Switzerland in 1995 and was appointed manager of the global business of an electronics company in 1997. With Highlight Communications since July 2000.*



**Birgit Rheinboldt**  
 (born 1962)  
 Head of Internal Services of the Film Division.

*Bachelor of Commerce. Has been with Highlight Communications AG for four years. In charge of Internal Services since 1998.*

★ **TV-license exploitation – muted purchasing and successful marketing**

TV-license exploitation, i.e. purchasing film rights and then selling them to TV stations, is handled by Highlight Communications AG in Pfäffikon, Switzerland. Highlight Communications has been engaged in this market since 1983 and possesses long-standing contacts with the international film industry. One of our strengths is the ability to exploit film rights along the entire license chain from cinema to video/DVD and sales to TV stations. This broad-based exploitation provides far more profit potential than cinema rights on their own. This is why it is extremely important to build up a presence on all levels of film exploitation.

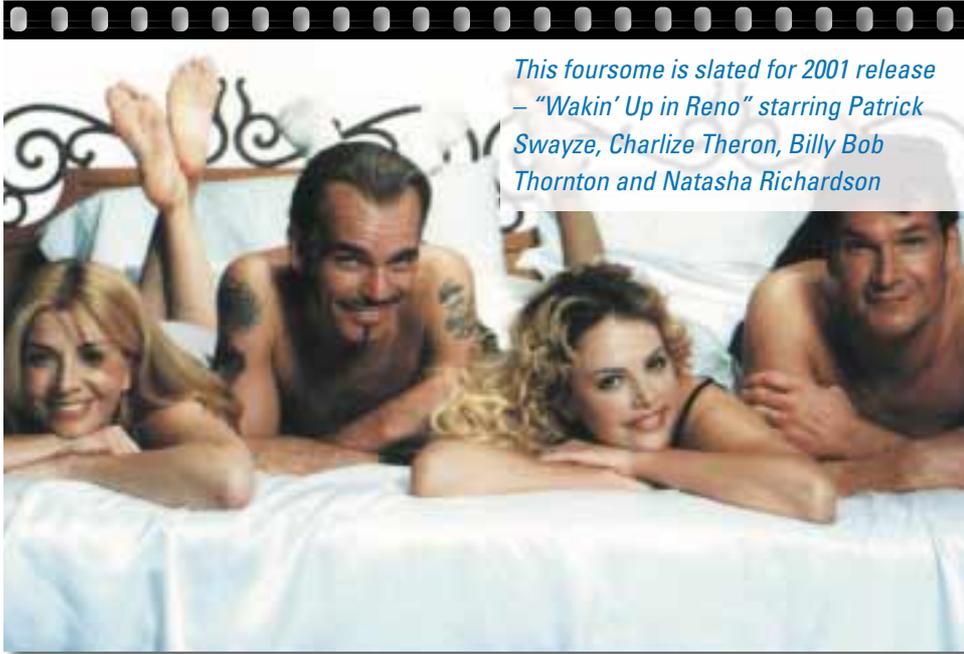
Our business starts long before movies make their debut in cinemas. It commences with the purchase of films, continues with trade in licenses for the various exploitation levels and ends with the marketing of films. Promising properties are purchased

from marketing or production companies or studios. At this point, the project is little more than an idea, a script or a treatment. All that is known is the names of a few people in front of and behind the camera. Everything else is vision and intuition. Gauging the future success of a project on the basis of this seed is the art and the skill which Film division employees have been mastering for decades. Assessing a finished film is easier especially if it has already proved itself at the box office in other territories. However, the truly interesting projects are generally bought far in advance.

Intuition is paired with the division employees' extensive knowledge of the market, allowing them to recognize international and German productions with promising names and buying them for Highlight's annual roster. Highlight supplies pay and free-TV broadcasters with proven blockbusters. These high-quality assets form the basis of Highlight's constantly growing library. In

★ **The license-exploitation chain**





this respect, we have also been able to extend our library by adding such popular actors and actresses as Gwyneth Paltrow, Ben Affleck, John Cusack, Steven Seagal, Robert Wagner, Sandra Bullock, Chuck Norris, Jean Claude van Damme, Udo Kier and others.

Our primary goal is to purchase high-quality commercially successful films featuring

popular stars appealing to a broad-based audience. In fiscal 2000, we continued our selective "cherry-picking" acquisition strategy with great success. In contrast to many of the film-license dealers listed in the Neuer Markt segment of the Frankfurt stock exchange, we do not buy packages comprising a large number of productions but look for individual high-quality films which we think guarantee good commer-



**Stephan Giger**  
(born 1969)  
Manager of Film  
Purchasing

*Degree in business management (lic. oec. HSG); 1997-2000: Mitsubishi Switzerland and BTI Kuoni Central Europe in the sales planning and financial controlling/analysis areas. Joined Highlight Communications in 2000 and is responsible for international film purchasing.*

cial exploitation. As each short-listed film undergoes careful profitability examinations, we rejected many films offered to us in spite of their top-name casts and directors on account of excessive prices and hence insufficient profitability. Measures to ensure that film licenses acquired are profitable in conjunction with conservative accounting practices continue to form the basis of our day-to-day business.

In spite of these strict criteria, we were able to add further promising films to our library, including "Scary Movie 2" – the sequel to this year's international box-office smash, "Bounce" (a romance starring Gwyneth Paltrow and Ben Affleck) as well as "Wakin' Up in Reno" (starring Patrick

Swayze and Oscar® winner Billy Bob Thornton) and "Wes Craven Presents Dracula". All these films come from Miramax, one of the largest and most successful independent producers in the United States and a long-standing partner of the Film division.

However, our customers do not only include international producers. National production companies also rely on our marketing prowess. Thus, one of our acquisitions is the German-language production "Nachts im Park" starring Heike Makatsch and Heino Ferch.

In addition to the acquisition of individual films, one part of our strategy is to sign output deals. Thus, the output deal signed with Artisan Entertainment (for a term of 3 years covering approx. 34 films with a production volume of approx. USD 600 million) during the Cannes film festival in May 1999 as well as a further contract signed with Hollywood-based production company Fifty Cannon (for a term of 3 years, approx. 6–12 films) give us guaranteed access to further high-quality films. The ongoing activities founded in a spirit of mutual trust under the terms of these output deals allow us to buy top productions from our partners at reasonable prices. Even so, we have excluded special productions which are of only limited appeal for the German-speaking market or have



*Gwyneth Paltrow and Ben Affleck team up for the romantic comedy "Bounce". Slated for release in 2001.*



provided for an exclusion clause for the most expensive productions. As these deals give us valuable and direct contact with producers and trendsetters in the film industry, we are assured of being able to lay our hands on first-class upcoming projects. The properties acquired from Artisan Entertainment included the psycho-thriller "Soul Survivor" Darren Aronofsky's "Requiem for a Dream" as well as the Steve Martin comedy "Novocaine". Fifty Cannon has very interesting projects currently in the project or drawing-board phase.

Turning to exploitation, TV stations were distinctly restrained when it came to purchasing new material in 2000. Only a small number of film-license dealers were able to successfully sell their merchandise – film licenses – to German-language broadcasters. Our long-standing relations with licensors and broadcasters helped us to further extend our favorable competitive position in license-trading. Thus, unlike most other independent film-license traders, we were able to keep on successfully marketing parts of our library. We have retained our strong presence on German television, particularly in the prime-time slots. There are not many other license-trading companies able to command such a large volume of broadcasting time on German television as we are. Our library holds over 740 films offering a variety and quality catering to the needs of

established TV broadcasters. Our success in marketing licenses testifies to the merits of our selective purchasing policy targeted solely at German-language licenses.

✦ **Movie marketing – Highlights at the top of the movie charts – "Bogey" and "Goldene Leinwand" awards won**

The Highlight Group's Film division can also look back on a very successful year in 2000 with respect to cinema marketing. Our Munich-based subsidiary Highlight Film und Home Entertainment GmbH is responsible for marketing and distributing the films we have acquired in cinemas. This entails arranging dubbing and copying by renowned studios, press relations, individual marketing concepts, the graphic design of the cinema posters as well as further advertising and trailer design, TV and radio commercials, website presentation and many other things all making up the basis of successful movie marketing.

Over 50 films have been marketed in the cinema segment since 1989. In fiscal 2000, six Highlight films were released:

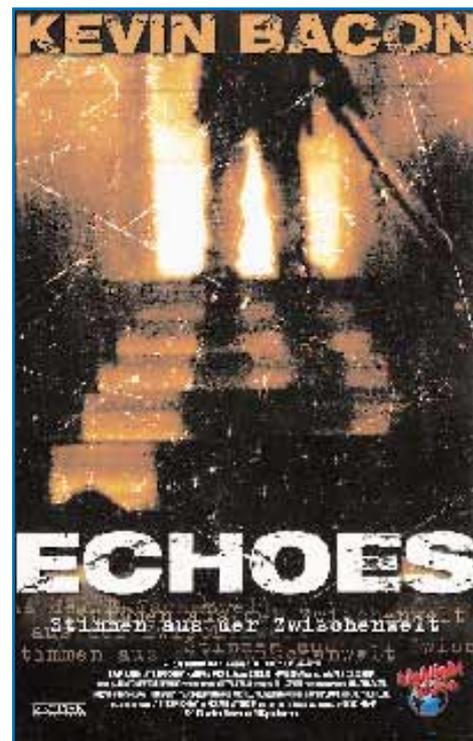
**Stir of Echoes**

A mystery thriller starring Kevin Bacon; after "The Sixth Sense" a new climax in the mystery wave in German cinemas keeping audiences on the edge of their seats.



**Jasna Vavra**  
(born 1960)  
Managing Director  
Cinema

*Degree in Commerce, after holding a position in marketing with Bertelsmann, she joined Highlight Film as Head of Publicity in 1988. She has held a managerial position in the Cinema Department since 1991. In 1999 she was appointed Managing Director, Cinema.*



*A Highlight thriller on DVD and Video – "Stir of Echoes" starring Kevin Bacon.*



*The sequel to the blockbuster. "Blair Witch 2" was a box-office smash for weeks.*

Harvey Keitel, Bill Paxton and Jon Bon Jovi directed by Jonathan Mostow ("Breakdown"). An enthralling Oscar®-Award winning submarine adventure.

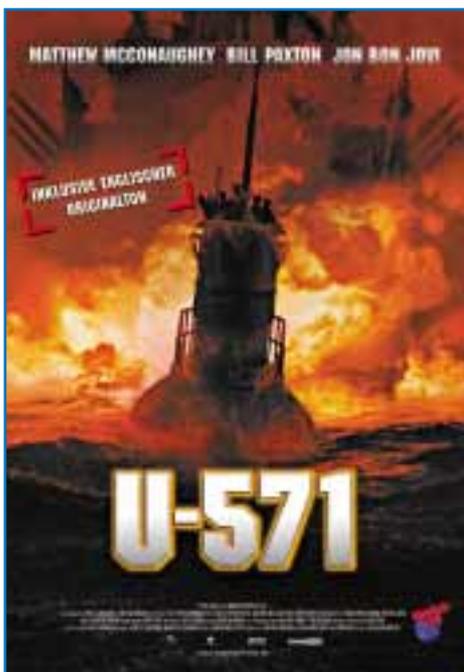
### **Scary Movie**

The box-office smash of the year: Number 1 for weeks on end, in the top ten for months, winner of the "Bogey" and "Goldene Leinwand" awards. Scary Movie, the wackiest teen-horror send-up ever. Rarely has humor been so warped!

### **Blair Witch 2**

Released in 1999, "Blair Witch Project" was the most successful independent film ever. "Blair Witch 2" is the creditable and successful attempt to continue the myth in standard cinema quality. With an audience of almost 450,000, it was a further Highlight release which remained at the top of the movie charts for weeks.

The highlight of our film roster was, of course, Scary Movie, which we had acquired from Miramax and with which we achieved tremendous success in the form of the BLICKPUNKT: FILM silver "Bogey" award as well as the "Goldene Leinwand" awarded by FILMECHO magazine and the Association of Film Distributors. With average audiences of 741,000 per Highlight film, the Group outperformed the competition in 2000.



*Released in autumn 2000, it has been a major success ever since – the dramatic submarine adventure "U-571". Out soon on DVD and video.*

### **The Limey**

Steven Soderbergh ("Erin Brokovich", "Traffic") is one of the few directors able to combine commercial cinema and art: Praised by critics, this superior thriller stars Peter Fonda and Terence Stamp.

### **Salsa & Amor**

As the title suggests, this film features hot music and everything else needed for a successful summer hit full of zest for life.

### **U-571**

A major cinematographic event and a colossal success: A No. 1 smash German box-office hit starring Matthew McConaughey,

Yet, far from resting on our laurels, we want to top this success in 2001. To this end, we have a number of promising releases lined up:

Gwyneth Paltrow and Ben Affleck give landmark performances in *"Bounce"* – a moving romance. This Miramax production was released in February with a large number of copies backed by a major advertising campaign.

#### *Highlander: Endgame*

This time it is two immortals who make this high-action Miramax fantasy adventure an unforgettable cinematic experience with its outstanding special effects. At the end, as ever, only one can survive!

#### *Wes Craven Presents Dracula*

Wes Craven ("Scream") presents the return of a legend. Dracula returns to the New Orleans of the 21st century where he performs his mischief. Jonny Lee Miller ("Trainspotting", "Hackers"), Omar Epps, Jennifer Esposito and Christopher Plummer star in this unique film which has redefined the genre.

#### *Requiem For a Dream*

Newly discovered director Darren Aronofsky ("Pi") has created another poignant film. The script was written by cult author Hubert Selby ("Last Exit to Brooklyn"). The film stars Jared Leto, Jennifer Connelly, Marlon Wayans and Ellen Burstyn, who was nominated for the Oscar® for her role in this film.



*The vampires are amongst us again – new standards set with "Wes Craven Presents Dracula".*

#### *Movie Highlights in 2001*

A moving romantic comedy:

**"Bounce"**

A nightmarish drama by newly discovered director Darren Aronofsky:

**"Requiem for a Dream"**

Christopher Lambert meets Adrian Paul:

**"Highlander: Endgame"**

A teen thriller full a suspense against a mystical background:

**"Soul Survivors"**

A tender love story:

**"Serendipity"**

The number-one comedy from Down Under:

**"The Dish"**

Black humor and a top-name cast:

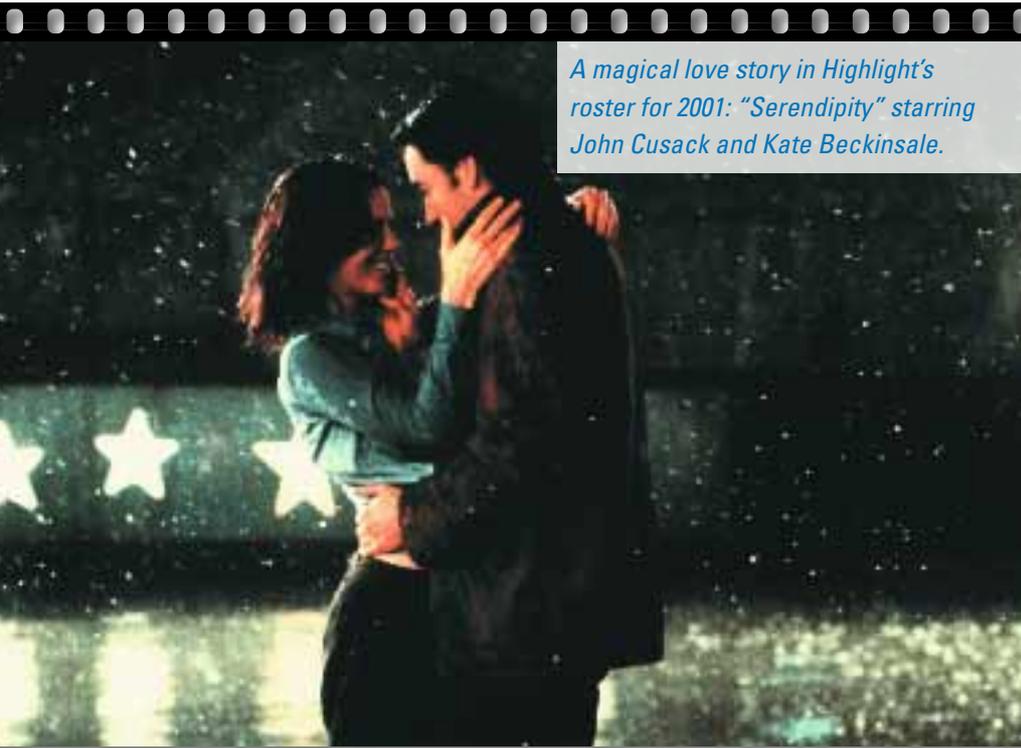
**"Novocaine"**

A road movie with a difference:

**"Wakin' up in Reno"**

Another helping from the people who produced Part 1:

**"Scary Movie 2"**



*A magical love story in Highlight's roster for 2001: "Serendipity" starring John Cusack and Kate Beckinsale.*

### ***Soul Survivor***

A high-quality psycho-thriller in the "teenie" segment with a clever and enthralling story. Produced by Neal H. Moritz ("Teen Movie", "I Know What You Did Last Summer", "Cruel Intentions") and directed by Steve Carpenter, the film has a mystic background.

### ***Just visiting***

The two time-travelers Count Thibault Malfete and his devoted servant André have come from medieval France to present-day Chicago. As in "The Visitors", Jean Reno ("Mission Impossible") and

Christian Clavier ("Asterix and Obelix Against Caesar") delightfully wreak havoc wherever they go.

### ***Dust***

Director Milco Manchevski ("Before the Rain") winner of the Golden Lion in Venice shows us a powerful and poetic ballad in the mold of an American Western telling the story of his Macedonian home land in the last century. The film stars Joseph Fiennes ("Shakespeare In Love"), Anne Brochet ("Cyrano de Bergerac") and David Wenham ("Dark City").

### ***Serendipity***

Jonathan (John Cusack) and Sara (Kate Beckinsale) met one magic night. It was love at first sight. Yet, Sara dared to defy fate, saying that she would only give him her heart if all the signs suggested that this was the right thing to do. They lost sight of each other for ten years, marrying other partners and moving 3,000 miles away from each other. Will fate bring them back together again? Director Peter Chelsom ("Funny Bones", "The Mighty") enchants us with a wonderful and inspiring love story.

### ***Novocaine***

Things couldn't be going any better for dentist Dr. Frank Sangster (Steve Martin).

The practice is booming and he loves his girlfriend (Laura Dern). Yet, a new patient Susan Ivey (Helena Bonham Carter) appears on the scene and turns his life upside down.

David Atkins, who wrote the script for "Arizona Dream" makes his directing debut with "Novocaine".

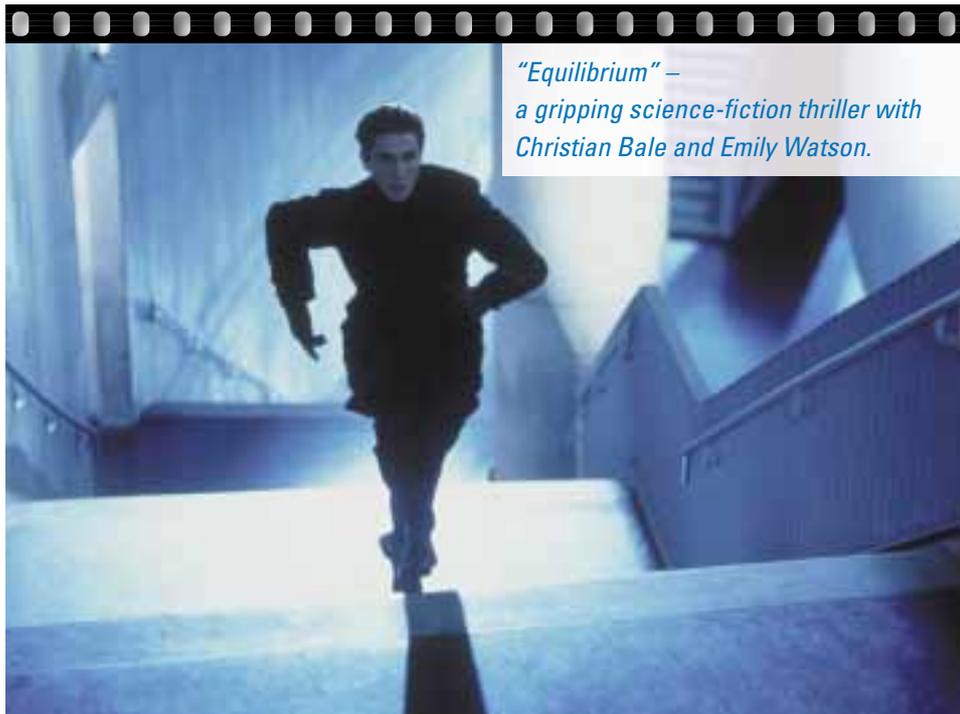
### *Wakin' up in Reno*

Candy and Lonnie Earl are mad for each other. The only problem is that she is married to Roy and he is married to Darlene. So far, they have managed to keep the whole affair under wraps, but not for much longer.

A complex and entertaining four-way love affair served by director Jordan Brady. Oscar®-award winner Billy Bob Thornton ("Armageddon", "Sling Blade"), Charlize Theron ("The Cider House Rules"), Patrick Swayze ("Dirty Dancing") and Natasha Richardson ("The Handmaid's Tail") star in this off-beat road movie.

### *Equilibrium*

Sometime in the future in a place called Libria in a society in which all feelings are suppressed. Director Kurt Wimmer has created a bleak vision of the future along the lines of "Gattaca" starring Christian Bale ("American Psycho", "Shaft") and



*"Equilibrium" – a gripping science-fiction thriller with Christian Bale and Emily Watson.*

*Destined to be a major success – “Scary Movie 2”, the sequel to the global box-office smash included in Highlight’s roster for 2001.*



### **Scary Movie 2**

Uncompromising. Shameless. Incomparable. “Scary Movie” is a global hit. Directed by Keenan Ivory Wayans, it was one of the most successful movies in 2000. And now the Wayans brothers are back again with another helping. “Scary Movie 2” shows that their unique humor has not yet met its “final destination” and that the “Hollow man” is also fair game for the brothers’ jokes.

### **★ Video/DVD partnership with Paramount a further success factor**

In addition to trading in film licenses, we also market films from our own library as well as those sourced from other successful studios in video and DVD form. This is done in Germany via Highlight Film und Home Entertainment GmbH, which exclusively markets Highlight films, and in Austria by Rainbow Home Entertainment Gesellschaft mbH, which distributes all main DVD/video labels in the Austrian market. In Switzerland, we are represented by Rainbow Video AG in Pratteln, which also markets all main DVD/video labels in that country. Our primary customers are the large mail-order and retail chains such

Emily Watson (“Breaking The Waves”). “Equilibrium” was produced by successful director Jan de Bont (“Twister”, “Speed”).

### **The Dish**

A heart-warming film about the excitement surrounding the first lunar landing. Top Australian actor Sam Neill (“Jurassic Park”) stars in “The Dish”, sensitively directed by Rob Sitch (“The Castle”). A box-office smash in Australia, this film is set to appeal to a broad German-speaking audience as well.

as Bertelsmann, Karstadt, Alpha and Deutsche Videoring. In addition to very encouraging business primarily underpinned by the major box-office hits and particularly the DVD boom, we have been able to secure the video/DVD rights to further major releases.

The most important step in our plans to extend DVD/video marketing operations in German-speaking markets was the long-term marketing deal signed with Paramount Pictures International in October 1999. This partnership venture, which came into effect at the beginning of 2000, involves exclusive joint activities with Paramount Entertainment GmbH, ensuring our continued growth in the video/DVD market in the future. As the successor to the former CIC Video (Paramount/Universal/ Dreamworks), Paramount Home Entertainment has been one of three most successful marketing companies in Germany since its establishment.

With the release of Kurt Russell's science-fiction action film "Soldier" (Warner Brothers), which was in the DVD/video Top 10 for many weeks, Highlight laid the foundations for an extremely successful year right from

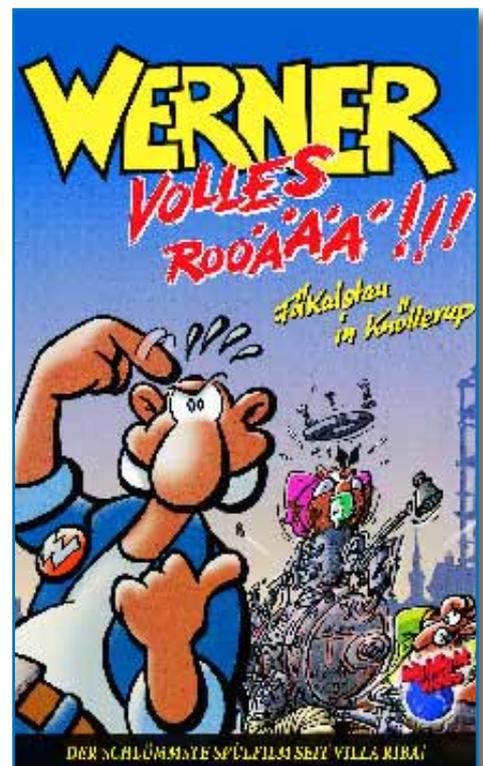
the start in January 2000. However, the video department primarily owed its success to local productions such as box-office hit "Werner – Volles Rooäää!!!", which was released in March and for which Highlight had secured the video rights. With sales in excess of 400,000 units (VHS & DVD), this film advanced to become the most successful product in Highlight Video's history, earning the Group a gold "Videowinner 2000" award alongside "American Pie" and "The Mummy".

The video release of Ingrid Noll's "Die Häupter meiner Lieben" also met with a warm market response in May 2000. A few weeks earlier, leading actress Heike Makatsch had received the Gala Videowinner award in Munich in recognition of her acting skills on behalf of the young generation of actors. The autumn highlight was the Boje/Buck-produced comedy "Sonnenallee" directed by theater-man Leander Hausmann. With the DVD/VHS release of "Sonnenallee" in October 2000, the Company was able to establish itself as a high-quality DVD producer, a feat which was rewarded by a DVD Champion 2000 nomination.



**Franz Woodtli**  
(born 1947)  
Managing Director  
Video

*With Rainbow Video AG, Pratteln since 1985, initially as Head of Sales, and, since the beginning of the 1990s, Deputy Managing Director in charge of sales in Switzerland and Austria. The Highlight Group's Managing Director, Video/DVD since 1999.*



*A plumber on the road to success – "Werner – volles Rooäää!!!", Highlight's spring 2000 DVD/video hit*



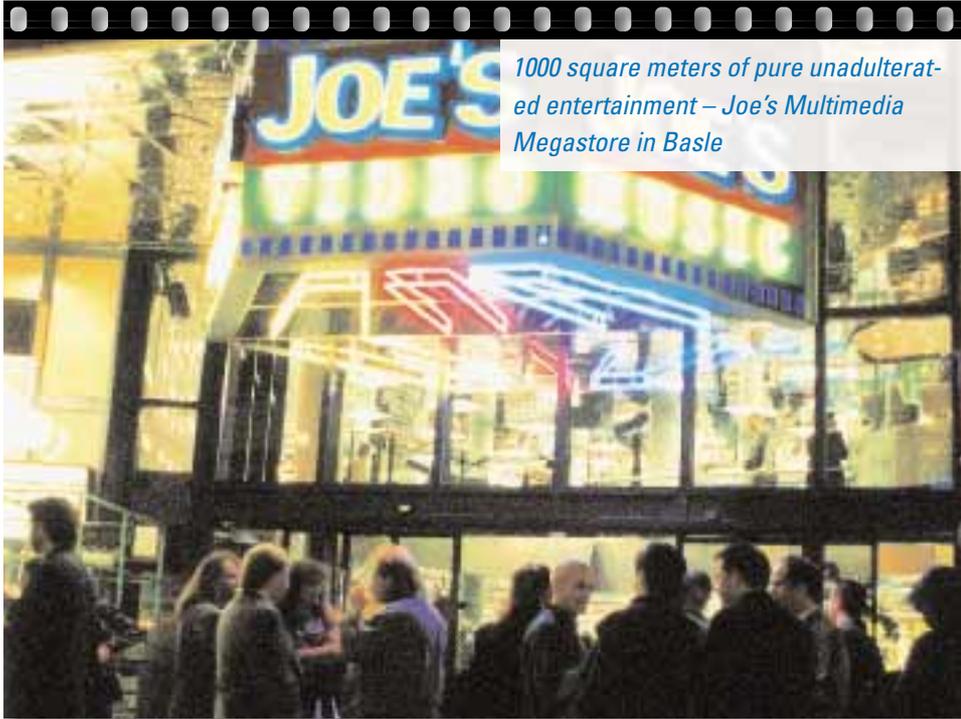
*Macabre, immoral and funny – Heike Makatsch and Christiane Paul in the filmed version of Ingrid Noll's novel "Die Häupter meiner Lieben".*

★ **Retail business – Joe's by far the largest Multimedia chain in the German-speaking part of Switzerland**

The Highlight Group is engaged in retailing multimedia products in Switzerland via its subsidiary Joe's Multimedia AG domiciled in Wil. Under this established brand name, the company operates the largest chain of video retail outlets in the German-speaking part of Switzerland currently comprising 36 branches and 146,000 members. The branches are marketed as "Entertainment Stores" with the aim of achieving high-level customer satisfaction. The premises are designed with families in mind, with a video range catering to all tastes from children's films to special-interest titles true to the company's motto: "Joe's – the video chain for the whole family". Our service includes a regular customer magazine reporting on the latest news in the video mar-

ket as well as convenient locations close to large urban areas. Round-the-clock shopping is also possible at 16 of our stores thanks to automatic vending machines. We attach importance to operating our own retail outlets as this allows us to track market tastes and anticipate new trends and preferences, giving us an important basis for aligning our license-acquisition activities.

With a floor area of 1,000 square meters, the first multimedia megastore opened in Basle in 1998, meeting with strong customer interest. The broad range of entertainment products (videos, DVDs, CDs, videogames) rivals that previously only available in the United Kingdom (Virgin Megastores) and in France (FNAC). In addition to Swiss customers, the store also attracted many consumers from neighboring German and French areas.



*1000 square meters of pure unadulterated entertainment – Joe's Multimedia Megastore in Basle*

In 2000, Joe's achieved success with the DVD format in particular. The share of DVD sales in total business has risen sharply, with further growth expected for 2001 as well. In the Games segment, sales of the new Sony PlayStation 2 were also heartening.



**Roy Häfliger**  
(born 1961)  
Managing Director

*Degree in Commerce. From 1986–1987 Deputy Head of Finance with a Swiss industrial company. 1987–1988 Deputy Managing Director of Finanz Treuhand Zurich; from 1989 Managing Director of Resede Treuhand. Head of Finance and Accounts/Administration for the Highlight Group and Managing Director, Retail since 1990.*



**Rolf Lanz**  
(born 1950)  
Managing Director  
Retail

*Freelance entrepreneur in the film industry from 1982–1992. Member of the Management Board of Joe's Multimedia AG since 1992, with responsibility for marketing and sales divisions. Member of the Board of Directors of Joe's Multimedia AG since 1995.*





★ ★ ★ ★ ★ ★ ★ ★  
Sports Division



**Klaus J. Hempel**  
(born 1947)  
President of TEAM

Graduate in business management; many years of service for Unilever and adidas; 1981–1991: President and CEO of ISL Marketing AG in Lucerne; founded TEAM in 1991 with Jürgen Lenz.

Highlight Communications AG's Sports division comprises the 80 percent share held in Team Holding AG. Domiciled in Lucerne, Team Holding AG is the parent company of the TEAM Group, one of the world's leading sports marketing companies. The operating business is handled by the subsidiaries Team Football and T.E.A.M. Marketing. At year-end, the TEAM Group employed 100 people with 18 different nationalities.

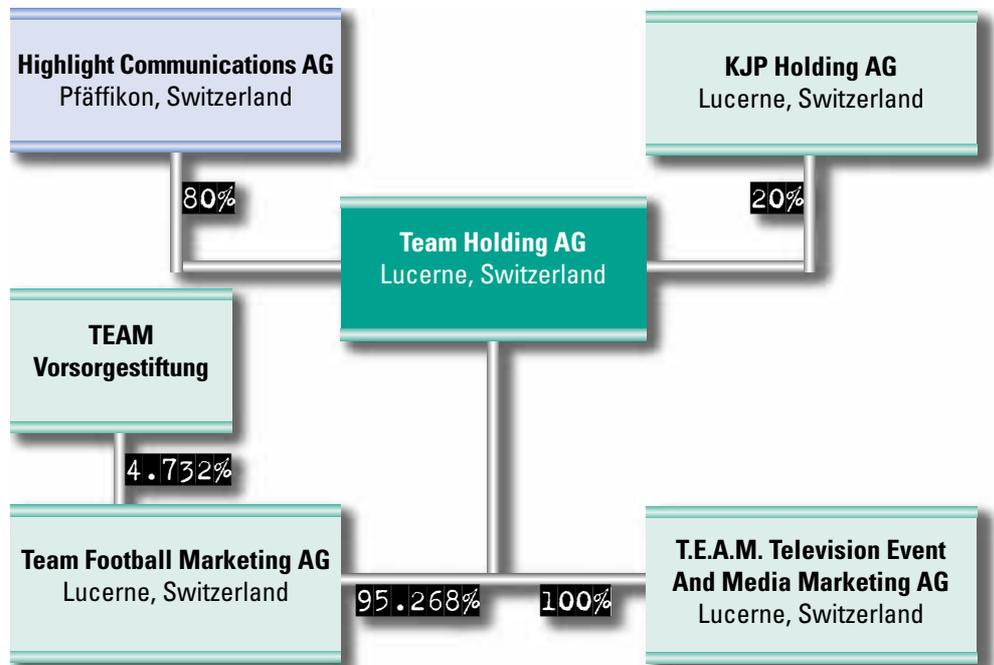
The TEAM Group is responsible for the commercial exploitation of the UEFA Champions League on behalf of UEFA on an exclusive worldwide basis and has had this role since 1992. These rights include in particular TV, sponsorship and licensing.

On May 25, 2000, the first season with the extended UEFA Champions League format (32 teams, 157 matches and 17 weeks) was



**Jürgen Lenz**  
(born 1943)  
President of TEAM

Many years of service for McCann-Erickson and adidas; 1982–1991: Executive Vice President and COO of ISL Marketing AG in Lucerne; founded TEAM in 1991 with Klaus J. Hempel.



successfully concluded with the final match between Real Madrid CF and Valencia CF in Paris. The TEAM Group exceeded UEFA's target revenues of CHF 800 million from the sale of the TV and marketing rights for the 1999/2000 season.

The UEFA Champions League is broadcast by roughly 80 TV stations in over 200 countries, reaching a total of some 4 billion viewer contacts. Leading European TV broadcasters such as RTL/Premiere World in Germany, ITV/OnDigital in the UK, RTI (Mediaset)/Stream in Italy, TF1/Canal Plus in France, TVE/Via Digital/Canal Satelite in Spain and NOS in the Netherlands acquired the broadcasting rights for the UEFA

Champions League matches in the 2000/01 season. These matches regularly achieve excellent ratings.

The new sponsorship concept – introduced in the 2000/01 season with only four sponsors (instead of eight as before) – has proved to be successful. Heineken/Amstel, EUROCARD/MasterCard, Sony PlayStation and Ford have worldwide exclusive marketing rights (particularly event and TV programme sponsorship rights). This successful strategy has clearly set a new standard in an increasingly cluttered market environment. Moreover, adidas was signed as a supplier partner for sports equipments up to and including the 2002/03 season.

<i>Development of the UEFA Champions League</i>			
<b>Season</b>	<b>Participating clubs</b>	<b>Number of matchdays</b>	<b>Matches</b>
1992/93	8	6	24
1993/94	8	7	26
1994/96	16	11	61
1997/99	24	11	85
1999/2000	32	33	157



**Thomas Klooz**  
(born 1954)  
Managing Director of  
TEAM

Attorney (LL.M.); 1985–1992: Legal Counsel and Vice President at ISL Marketing AG; 1992–1994: Attorney in Zurich, followed by appointment as Counsel Business & Legal Affairs at TEAM; appointed Managing Director in 1998.



**Craig Thompson**  
(born 1949)  
Managing Director of  
TEAM

Studied anthropology at the University of California Los Angeles; 1988–1992: worked for ISL Marketing AG in Lucerne; Vice President responsible for track and field and equestrian projects; joined TEAM in 1992 and now Managing Director Special Events & Corporate Relations.





**Richard Worth**  
(born 1956)  
*Managing Director of TEAM*

*Studied economics in Brighton, UK, before going to ITV, where he became Sports Executive Producer; joined TEAM in 1995; initially responsible for TV, now*

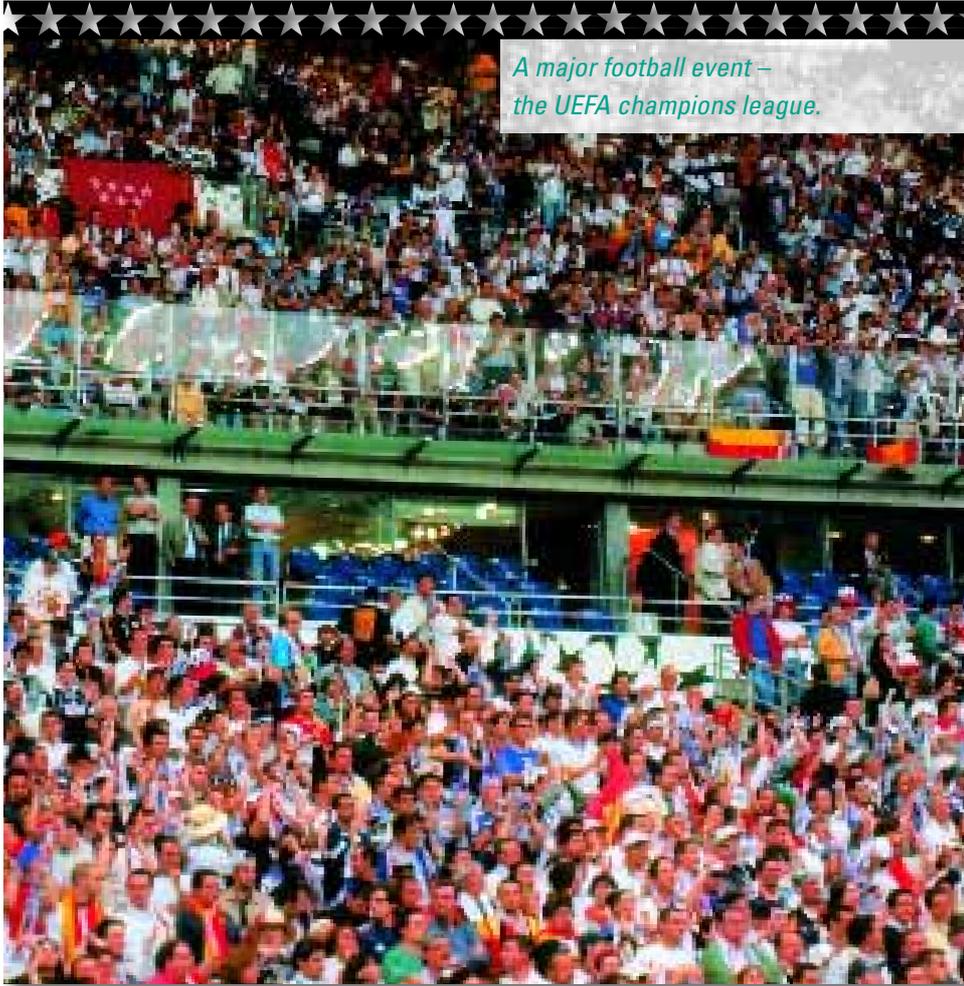
*Managing Director in charge of the UEFA Champions League.*

Further projects being successfully marketed by the TEAM Group are the UEFA Cup Final and the UEFA Super Cup. In the year under review, the UEFA Cup Final was played between Galatasaray SK Istanbul and Arsenal FC London in Copenhagen on May 17, 2000. The UEFA Super Cup match between Galatasaray SK Istanbul and Real Madrid CF took place on August 23, 2000 in Monaco.

Finally, the TEAM Group made a successful bid for the rights to market the UEFA European Under-21 Championship in Slovakia from May 27 until June 4, 2000. In spite of the tight schedule, the TEAM Group managed to increase revenues from the sale of marketing rights three-fold compared with the last event in 1998.

<i>Extract from TV market statistics in the 1999/2000 season</i>		
<b>Region</b>	<b>Hours broadcast</b>	<b>Viewers</b>
Eastern Europe	2,357	990,217,305
Western Europe	5,239	1,660,325,941
Asia	862	735,897,435
America	998	90,993,104
Africa	3,434	396,583,577
Oceania	153	21,092,262
Middle East	580	45,375,462





*A major football event –  
the UEFA champions league.*



**Tom Liston**  
*(born 1960)*  
*Managing Director of*  
*TEAM*

*Business school in the*  
*UK; 1985–1989: sports-*  
*management activities*  
*in Saudi-Arabia; fol-*  
*lowed by three years as*  
*Football Projects Man-*  
*ager at ISL Marketing*  
*AG; joined TEAM in 1992; currently Managing Director*  
*in charge of New Media.*



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@@@@@@@@@@@@@  
New Business Division



itself on a comprehensive and promising basis as a vendor of solutions for compressing and transferring narrow and broad-band content.

The dynamic growth of the New Business division has gained even greater momentum in the new fiscal year. With Heinz B. Wermelinger, the Highlight Group signed up a chief executive officer for the division with an unusually extensive track record in the media business. Heinz B. Wermelinger has gained the reputation of being a marketing expert following various management positions at publishers Reader's Digest and Harlequin. Between 1996 and 1998 he was responsible for Internet service providers AOL and CompuServe in Europe, which became top European operators under his aegis. This was followed by his appointment as president and CEO at bol.com, Bertelsmann's international Internet media and entertainment store, which launched 16 local outlets in three continents during his tenure.



We are confident that by taking these steps the Highlight Group has laid the foundations for creating an additional growth segment. As planned from the outset, no revenues were generated in 2000. Preliminary revenues are expected for fiscal 2001.





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Capital Market and Investor Relations

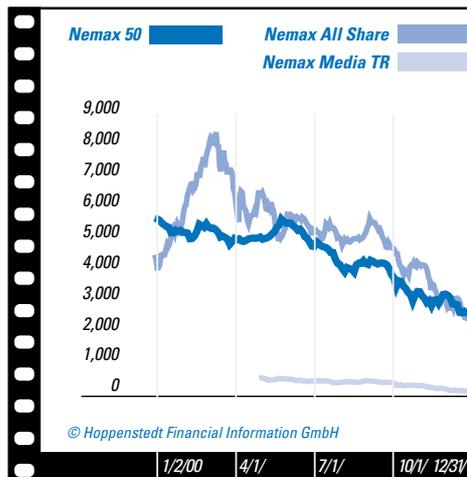


**Dr. Ingo Mantzke**  
(born 1960)  
CFO and Head of  
Investor Relations

*Degree in Commerce, from 1987–1989 with BHF Bank; from 1989–1991 received a grant for a doctorate; from 1991–1996 at KPMG Management Consul-*

*tant GmbH where he reached the position of Senior Manager in the Financial Services Division; 1996–1999: Director of Deutsche Börse AG, responsible for controlling and IR; from January 1999 Head of Finance at the Deutsche Börse Group. In February, 1999 he was appointed to the Board of Directors. CFO at Highlight Communications AG since October, 1999.*

## Performance of the Neuer Markt in 2000



Stock-market trends in 2000 were initially characterized by strong gains followed by sharp broad-based losses in the course of the year. The NEMAX 50, in which Highlight is one of the major listed Neuer Market media stocks, started the year on January 3, 2000 at 5,151.36 points, while the NEMAX All Share – which, as its name suggests, includes all Neuer Markt stocks – entered the new year at 4,618.56 points. On March 10, 2000, the NEMAX hit a high of 9,631.53 points, with the NEMAX All Share following suit in mid March (8,583.34 points); the Media & Entertainment index had already reached an all-time high of 567.72 points at the beginning of February 2000.

Following the gains posted at the beginning of the year, the stock was split on a five-for-one basis at the end of March 2000.

The Company's annual general meeting was held at the Hilton Hotel in Basle on May 30. This was followed in June 2000 by the additional equity issue which the shareholders had approved at the annual general meeting, increasing the Company's share capital from CHF 43 million to CHF 47.25 million by the issue of new shares. These 4.25 million new shares were placed on a private basis with institutional investors in Germany and other European countries. The placement was oversubscribed as a result of the strong demand for the new shares.

Precipitated by numerous macroeconomic factors such as interest-rate hikes and related fears of a recession in the United States, forecasts of weaker growth in Europe as well as excessive expectations as



*Highlight Communications' annual general meeting on May 30, 2000 in Basle*

to company revenue and profit growth, stock prices dropped sharply across the board in all European growth markets as well as the NASDAQ, the world's leading growth stock market. Nearly all Neuer Markt shares felt the effects of these drastic losses. Media stocks, which just prior to this had been seen as constituting growth stocks par excellence, were increasingly cast aside by investors.

In spite of the Group's successful business performance in 2000, Highlight stock was unable to shield itself from the effects of waning interest in TMT (telecommunications, media, technology) companies. Although it hit a high for the year of EUR 49 during this period on April 7, 2000, profit-taking inevitably set in after the market as a whole failed to recover from its initial losses and the liquidity outflows ushered in a sharp downside move.

Even so, Highlight stock rose from EUR 5.10 on its first day of listing on May 11, 1999 to no less than EUR 10.55 at year-end (in split-adjusted terms), marking a considerable gain of 119 percent. By contrast, the NEMAX 50 shed 28 percent in the same period of time. Even so, this gradual erosion of the Company's market capitalization was a difficult and painful experience for shareholders and management alike.

On December 27, 2000, barely 75 out of the 338 companies listed on the Neuer Markt were trading up on the beginning of 2000 or their issue price; most of these companies were in the logistic and biotechnology segments.

The euphoria which had spurred the Neuer Markt in 1999 and 2000 came to abrupt halt with the onset of sustained losses as of mid-2000. The overall sentiment both in the Neuer Markt as a whole and towards individual stocks is characterized by uncertainty and pessimism. To some extent this appears to be justified especially as erstwhile highfliers in this newly created segment of the market, such as EM.TV, Inter-shop and MobilCom, have failed to live up to the high expectations made of them due to uncontrolled growth, accounting deficiencies and other home-grown problems.

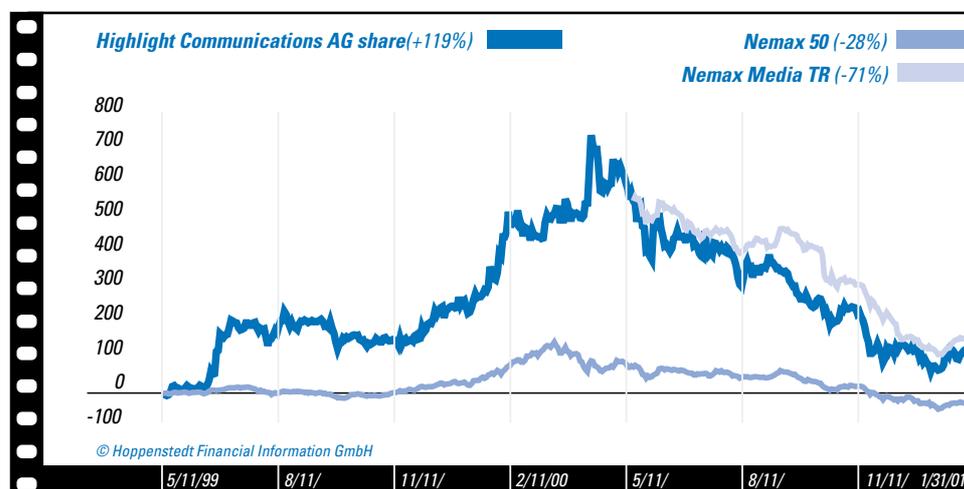


**Luzia Schuler**  
(born 1967)  
Investor Relations  
Manager

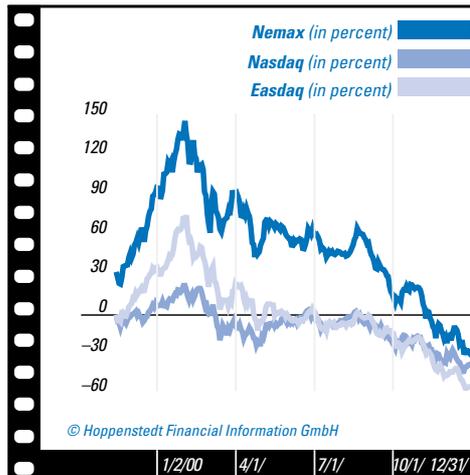
Graduate in business management; further training in marketing; between 1996 and 1999 customer consultant and then head of marketing services at a

Swiss financial services company. Investor Relations Manager at Highlight Communications AG since October, 1999.

#### Performance of Highlight stock since IPO



## Performance of growth markets in 2000



In times in which media stocks as a whole are coming under consolidation pressure on account of new underlying conditions, there is a greater chance of attracting investors via profitable business models and consistent compliance with long-term strategic forecasts. With the Film division's deliberately restrained purchasing strategy and the marketing success of its properties, we have embarked on the right course at an early stage. Moreover, the marketing of the UEFA Champions League has given us a very strong position in a further business segment which is not exposed to the pressure of media-sector consolidation. Our most recent addition, the New Business division, is to start making contributions to revenues in 2001.

With its fully functioning business model, experienced staff and conservative accounting policies not to mention liquidity of CHF 153.5 million on December 31, 2000, equity of CHF 379.4 million and positive

cash flow in spite of the watering-down effects of the June 2000 equity issue, the Highlight Group is one of the Neuer Market companies with the greatest inherent value. Our long-term bank liabilities come to only CHF 32 million. Across the entire Group, all projects are systematically oriented to heightening the return on investment (ROI). This is further borne out by the fact that in spite of a difficult setting in 2000 we did not stray from the projections published at the time of the IPO, successfully continuing on our growth course and, with DVFA earnings per share coming in at EUR 0.38, exceeded our targets.

We are convinced that once the Neuer Market has matured and consolidated investors will refocus on companies applying long-term profit-oriented strategies and employing targeted communication to make such business success visible to others. The Highlight Group has every chance of being amongst such companies!







Report of the Board of Directors

Fiscal 2000 was a successful year for the Highlight Group

✦ **Sales revenue up 73.6 percent**

In fiscal 2000, the Highlight Group generated consolidated sales revenue of 170.9 million Swiss francs (CHF). Sales revenue in the previous year had come to CHF 98.8 million, translating into a 73.6 percent increase.

In accordance with the restructuring of the Group to create three divisions (Film, Sports, New Business), revenues break down by segment as follows: Film division CHF 105.2 million; Sports division CHF 65.7 million. As planned, the New Business division did not generate any sales revenue in 2000.

License expense (amortization of film assets) rose from CHF 17.0 million in 1999 to CHF 28.0 million in 2000. Charges on film license rights continue to be deliberately conservative and are for the most part substantially higher than the average rates across the sector as a whole for the individual exploitation levels: 10 percent upon cinema exploitation, 20 percent upon video

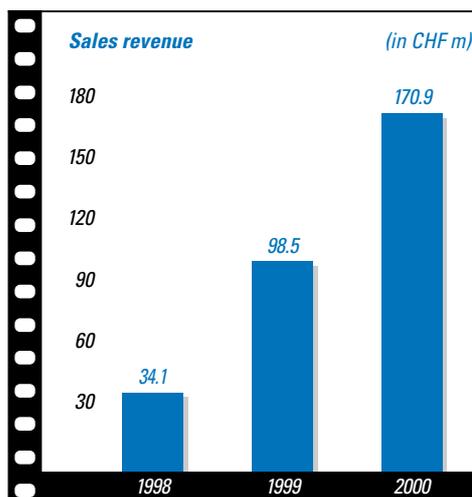
exploitation, 10 percent upon pay TV exploitation, 45 percent upon exploitation of primary free TV rights, 15 percent upon secondary/tertiary exploitation of free TV rights. Exceptions are made only in individual cases.

In the year under review, the cost of good sold came to a nominal CHF 48.3 million, equivalent to 28.2 percent of consolidated sales revenue. Thus, it was up CHF 20.4 million over the previous year.

The Highlight Group's personnel expense in 2000 rose by CHF 13.7 million over the previous year to CHF 30.3 million due to the full-year consolidation of the TEAM Group for the first time (previous year: consolidated as of July 1, 1999). All told, the Highlight Group employed 301 people at the end of 2000.

✦ **136.8 percent increase in EBIT**

In the year under review, the Company continued to pursue an earnings-oriented growth course. Whereas sales revenue was up just 73.6 percent over the previous year, EBIT rose from CHF 18.1 million in 1999 to CHF 42.8 million, equivalent to an increase of 136.8 percent.



Consolidated DVFA/SG post-tax profit came to CHF 26.1 million, up 162.9 percent over 1999 (CHF 9.9 million).

DVFA/SG post-tax earnings per share stand at CHF 0.57 (EUR 0.38) and therefore exceed the target for 2000 of EUR 0.35 in spite of the watering-down effects of the June 2000 equity issue.

★ **Assets: Substantial increase in liquidity and equity**

Consolidated total assets rose by 60.6 percent from CHF 297.6 million in 1999 to CHF 478.0 million in 2000.

The Highlight Group's fixed assets increased by CHF 53.4 million (26.1 percent) over the previous year to CHF 257.4 million due to the increase in film license rights and participations.

Current assets increased sharply from CHF 93.5 mn to CHF 220.5 mn as a result of the successful equity issue. At year-end, the Highlight Group had liquidity reserves (liquid funds and securities) worth CHF 153.5 million for its continued internal and external growth. On the other hand, long-term

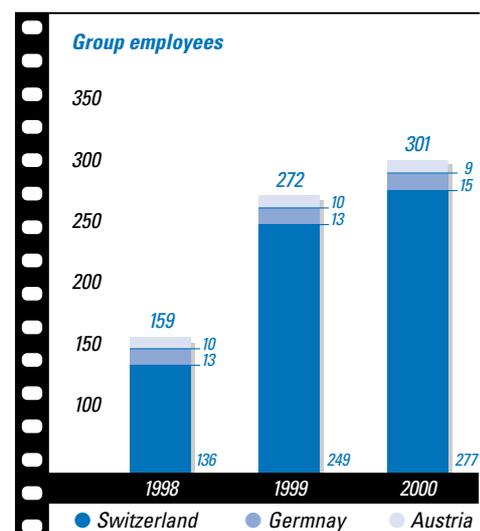
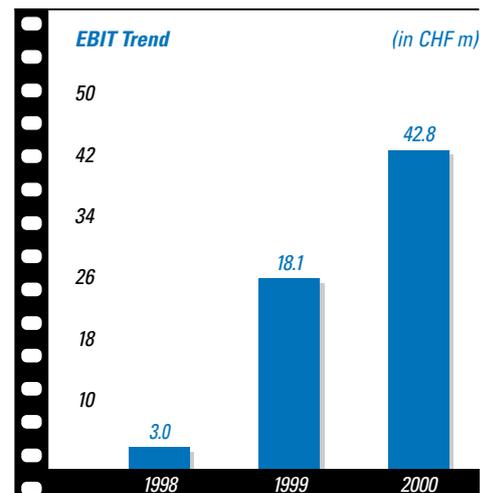
debt was further reduced by CHF 15.6 million to CHF 32.1 million. The aggregate debt ratio therefore came to 10.1 percent at year-end (1999: 18.7 percent).

The Highlight Group's shareholder's equity rose from CHF 202.5 million to CHF 379.1 million, pushing the equity ratio up to 79.3 percent (1999: 68.1 percent)

★ **Employees: Strong commitment for the benefit of the entire Group**

The Highlight Group's success would be unthinkable without the enthusiasm and commitment of its staff. In fiscal 2000, the total year-end number of employees rose to 301, up from 272 one year earlier.

The Board of Directors wishes to thank the staff for their commitment in the interests of the Highlight Group.



★ **Highlight in the new millennium:**  
**Continued focused and earnings-oriented growth**

Highlight Communications AG was listed in Deutsche Börse AG's Neuer Markt segment for the first time on May 11, 1999 as a pure-play media company. Since then, it has quickly evolved into an entertainment group. Its position in the individual markets covered by the Film, Sports and New Business divisions is to be further extended in fiscal 2001. We have successfully met or even exceeded our internal strategic and quantitative targets. The descriptions contained in the annual report of the individual divisions' performance and development to date illustrate what the Highlight Group has achieved so far as well as what it is capable of in the future.

This year, we will be continuing to swiftly implement our vision of an integrated entertainment company covering the top movie and sports segments along the entire exploitation chain, i.e. cinema, TV, DVD/video and Internet. Internal growth,

carefully considered acquisitions and partnership ventures will further reinforce our divisions.

In spite of all these activities, we remain fully committed to our strategy of seeking earnings rather than revenues growth in tandem with conservative accounting principles, i.e. a value-oriented business policy rather than activities targeted at the press and the media.

Given our performance in 2000 as well as the strategic diversification of the Film, Sports and New Business divisions, our ample liquidity and low gearing, the Highlight Group is well poised to make the most of the upcoming consolidation in the media sector and to continue growing in line with targets.

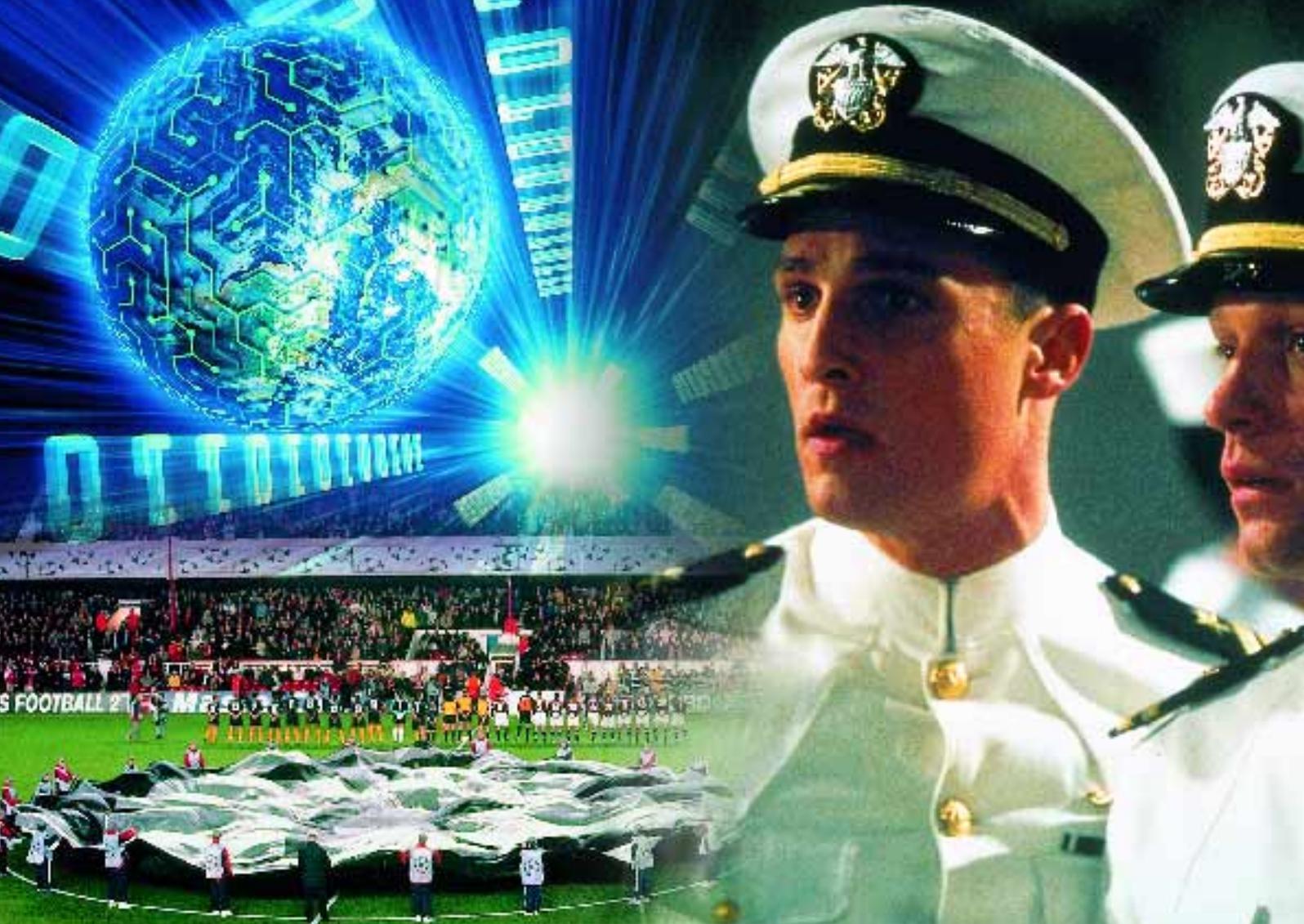
Pfäffikon, April 2001

Bernhard Burgener

Andreas Fallscheer

Marco Syfrig

Dr. Ingo Mantzke



Auditors' Report

*with consolidated financial statements  
for the year ended December 2000 of  
Highlight Communications AG, Pfäffikon*

✪ **Auditors' report for the annual  
general meeting of HIGHLIGHT  
COMMUNICATIONS AG, PFÄFFIKON**

In our capacity as auditors, we audited the consolidated financial statements of Highlight Communications AG for the fiscal year ending December 31, 2000 (balance sheet, income statement, statement of equity movements, cash flow statement and notes).

The Board of Directors is responsible for the consolidated financial statements. Our duty is to audit and assess them. We confirm that we comply with the statutory requirements with respect to eligibility and independence.

Our audit was performed according to the principles of our profession which state that the audit must be planned and implemented in such a way that material faults in the consolidated financial statements can be discerned with reasonable certainty. We audited the items contained in the consolidated financial statements and the notes thereto by performing random-sample analyses and examinations. We also

determined whether the relevant accounting principles had been applied and reviewed the main valuation decisions as well as the depiction of the consolidated financial statements in their entirety. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations in accordance with International Accounting Standards.

We recommend approving the consolidated financial statements.

Zurich, March 29, 2001

ATAG Ernst & Young AG

Kevin McCabe	Markus Burri
Chartered	Wirtschaftsprüfer
Accountant	(Auditor in chief)

# Highlight Communications AG, Pfäffikon, Consolidated Income Statement for 2000

<i>HIGHLIGHT COMMUNICATIONS AG, PFÄFFIKON CONSOLIDATED INCOME STATEMENT FOR 2000</i>	<i>Notes</i>	<i>2000 CHF</i>	<i>1999 CHF</i>
Sales revenue			
– Sales		60,141,543	42,748,535
– License income		45,133,067	26,168,162
– Income from services rendered		65,671,751	29,545,302
	3	170,946,361	98,461,999
Other income	4	22,084,182	4,426,034
		193,030,543	102,888,033
License expense	11	27,989,938	16,987,906
Cost of goods sold		48,315,396	27,901,542
Personnel expense	5	30,346,532	16,592,031
Advertising		2,796,199	585,744
Depreciation		13,833,862	7,264,501
Various operating expenses		21,418,577	15,901,804
Exchange differences		5,540,830	–418,662
		150,241,334	84,814,866
Earnings from operating activities		42,789,209	18,073,167
Financial expense	6	–4,090,681	–1,979,933
Cost of capital increase		0	–5,011,165
Earnings before taxes		38,698,528	11,082,069
Taxes		–6,781,452	–3,399,286
Net profit		31,917,076	7,682,783
Minority interest		–5,847,115	–2,777,565
Net profit attributable to Group		26,069,961	4,905,218
Undiluted earnings per share	8	5.730	1.370
Diluted earnings per share		5.730	1.370

# Highlight Communications AG, Pfäffikon, Consolidated Balance Sheet for the Year ended December 31, 2000

<b>ASSETS</b>	<i>Notes</i>	<b>12/31/2000 CHF</b>	<b>12/31/1999 CHF</b>
<b>Fixed assets</b>			
Participations		27,437,126	40,000
Tangible fixed assets	10	5,292,869	5,424,831
Film license rights	11	67,829,111	29,915,087
Other intangible assets	12	156,864,138	168,692,458
Deferred taxes	17	56,552	37,225
		<b>257,479,796</b>	<b>204,109,601</b>
<b>Current assets</b>			
Inventories	13	7,318,824	6,814,705
Receivables	14	59,680,569	36,572,742
Securities	15	37,862,758	10,150,227
Liquid funds		115,664,822	39,938,649
		<b>220,526,973</b>	<b>93,476,323</b>
<b>Total assets</b>		<b>478,006,769</b>	<b>297,585,924</b>
<b>LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	16	47,250,000	43,000,000
Legal reserves		800,000	800,000
Share premium		290,051,575	143,583,670
Treasury shares		-829,030	-652,000
Revenue reserves		41,829,123	15,759,162
Currency translation differences		-46,535	24,518
		<b>379,055,133</b>	<b>202,515,350</b>
Minority interests		15,585,163	12,682,877
<b>Long-term debt</b>			
Liabilities subject to interest	19	32,000,000	47,720,000
Deferred taxes	17	123,036	0
		<b>32,123,036</b>	<b>47,720,000</b>
<b>Short-term debt</b>			
Trade payables and other liabilities	18	25,328,865	21,859,933
Liabilities subject to interest	19	16,280,705	7,849,296
Tax accruals		9,258,867	4,651,368
Accruals	21	375,000	307,100
		<b>51,243,437</b>	<b>34,667,697</b>
<b>Total Liabilities</b>		<b>478,006,769</b>	<b>297,585,924</b>

# Highlight Communications AG, Pfäffikon, Consolidated Cash Flow Statement for 2000

<b>HIGHLIGHT COMMUNICATIONS AG, PFÄFFIKON</b> <b>CONSOLIDATED CASH FLOW STATEMENT FOR 2000</b>	<i>Notes</i>	<b>2000</b> <b>CHF</b>	<b>1999</b> <b>CHF</b>
<b><i>Inflow of funds from operating activities</i></b>			
Group net profit		26,069,961	4,905,218
Minority interest in profit after taxes		5,847,115	2,777,565
Depreciation on tangible fixed assets		2,012,509	1,283,451
Depreciation on license rights		28,191,455	14,134,343
Depreciation on intangible assets		11,821,353	5,981,050
Capital gains on securities		-10,453,423	0
Value adjustments		-236,981	0
Payments by issuing own shares		618,005	0
Change in delcredere		117,692	-293,729
Change in inventory reserves		-395,326	286,840
Change in accruals		4,675,396	2,198,931
Change in deferred taxes		103,709	-17,280
Gain on disposal of fixed assets		-33,850	-10,415
Cash flow from operating activities		68,337,615	31,245,974
<b><i>Change in current operating assets</i></b>			
Inventories		-108,793	-1,630,194
Receivables			
– Trade receivables		-10,684,605	-20,409,749
– From related parties		-4,838,060	0
– Other		-7,926,020	8,866,722
Liabilities			
– Trade payables		-4,587,596	6,011,969
– Other		8,056,528	-7,670,084
Cash from operating activities		48,249,069	16,414,638
<b><i>Investment and disinvestment activities</i></b>			
Acquisition of tangible fixed assets		-1,883,017	-1,850,713
Acquisition of financial assets		-17,259,108	-1,820,481
Acquisition of participations		-11,056,334	-111,182,645
Acquisition of intangible assets			
– License rights		-66,105,479	-29,063,373
– Other		0	-5,084,605
Sale of tangible fixed assets		260,694	90,061
Cash flow from investment activities		-96,043,244	-148,911,756
<b><i>Financing activities</i></b>			
Increase in share capital		171,270,627	120,333,670 %
Payment of dividend (minority interests)		-2,933,100	0
Purchase/sale of own shares		-37,688,549	-652,000
Repayment of loans from shareholders		50,000	0
Changes in other loans		111,014	-385,953
Changes in bank debts		-7,218,591	52,418,949
Cash flow from financing activities		123,591,401	171,714,666
Differences from financing activities		-71,053	4,344
Net inflow of funds		75,726,173	39,221,892
Liquid funds, beginning of year		39,938,649	716,757
Liquid funds, end of year		115,664,822	39,938,649
<b><i>Additional information on cash flow</i></b>			
– Interest paid		3,790,757	438,311
– Taxes paid		2,070,247	1,023,073
– Interest received		3,622,892	519,720

# Highlight-Group, Pfäffikon, Change in the Consolidated Capital Stock for Business 2000

<i>HIGHLIGHT-GROUP, PFÄFFIKON CHANGE IN THE CONSOLIDATED CAPITAL STOCK FOR BUSINESS 2000</i>	<i>Share Capital CHF</i>	<i>Statutory Reserve CHF</i>	<i>Share Premium CHF</i>	<i>Treasury Shares CHF</i>	<i>Revenue Reserve CHF</i>	<i>Translation differences CHF</i>	<i>Total CHF</i>
Balance as at Dec. 31, 1998	17,600,000	695,000	0	0	10,958,944	20,174	29,274,118
Differences from currency translation						2,339	2,339
Allocations to the reserves		105,000			-105,000		0
Capital increase	25,400,000		143,583,670	-652,000			168,331,670
Group retained earnings					4,905,218	2,005	4,907,223
Balance as at Dec. 31, 1999	43,000,000	800,000	143,583,670	-652,000	15,759,162	24,518	202,515,350
Differences from currency translation						-34,659	-34,659
Allocations to the reserves	4,250,000		167,020,627				171,270,627
Payback of own shares			-36,573,309	-1,115,240			-37,688,549
Capital increases			16,020,587	938,210			16,958,797
Group net profit					26,069,961	-36,394	26,033,567
Balance as at Dec. 31, 2000	47,250,000	800,000	290,051,575	-829,030	41,829,123	-46,535	379,055,133



# Highlight Communications AG, Pfäffikon, Notes to the Consolidated Annual Financial Statements for Business Year 2000

✪ **HIGHLIGHT COMMUNICATIONS AG,  
PFÄFFIKON  
NOTES TO THE CONSOLIDATED  
ANNUAL FINANCIAL STATEMENTS  
FOR BUSINESS YEAR 2000**

## **1. General**

Highlight Communications AG and its subsidiaries (hereinafter referred to as the "Group") own and exploit film rights in various European countries and operate the largest video rental store in German-speaking Switzerland. Moreover, the Group is active in sports marketing, a field in which it primarily markets the UEFA Champions League. The Group is active in the German-speaking region and employed 301 people as at December 31, 2000 (previous year: 272).

The Group parent company is Highlight Communications AG, a joint stock corporation domiciled in Pfäffikon, Switzerland. The Company has registered offices in:

Schindellegistrasse 3  
CH-8808 Pfäffikon  
Schweiz

## **2. Accounting principles**

### **Basis for the preparation of the financial statements**

The financial statements have been prepared in keeping with IAS as promulgated by the International Accounting Standards Committee (IASC). As well as the interpretations of the Standing Interpretations Committee (SIC). The financial statements are based on historical costs, with the exception of listed securities, which are carried at market value.

The following IAS principles were used for the first time:

Fiscal 1999:

- IAS 19 Employee benefits (revised 1998)
- IAS 35 Discontinuing operations

Fiscal 2000:

- IAS 10 Events after the balance-sheet date (revised 1999)
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets

Where necessary, the prior year's figures have been adjusted to match the presentation in the year under review.

### **Consolidation**

The Group financial statements include the annual financial statements of Highlight Communications AG as well as those of all Group companies in which Highlight Communications AG directly or indirectly holds more than 50 percent of the voting rights intragroup transactions, balances and non-realized earnings and losses are eliminated. The individual annual financial statements have been adjusted where they deviated from Group accounting principles.

A list of the companies included in the consolidation is presented in Item 23 below.

These consolidated financial statements were approved by Management on March 26, 2001.

### **Film rights**

Film rights are carried at purchase cost and amortization charged in line with the respective exploitation stage. The amortization rates applied correspond to the values based on experience for the individual exploitation stages in relation to the total license income generated by a film. Amortization is charged for the various exploitation stages as follows:

Cinema exploitation	10 %
Video/DVD	20/30 %*
Pay TV	10 %
Free TV	45/55 %**
Secondary rights	15 %

\* if a film is not utilized for cinema exploitation of the rights, then the rate rises to 30 percent. To the extent that disproportionately high earnings are to be expected from secondary utilization owing to the specific film genre involved, in individual cases secondary rights are valued at a scale higher than that given above.

\*\* if a film is not utilized for Pay TV exploitation of the rights, then the rate rises to 55 percent.

### **Goodwill**

Assets and liabilities of newly-acquired Group member companies are valued at the estimated market value on the date of acquisition. The difference arising between the purchase price and the newly-valued net assets of a newly-acquired company (all sums in foreign currencies are translated into Swiss francs at the rate applicable on the date of acquisition) comprises the goodwill. Amortization is charged on a straight-line basis for goodwill and over a maximum of 15 years.

### **Currency translation**

The consolidated annual financial statements show the balance-sheet figures for the Group member companies located outside Switzerland translated into Swiss francs at the end-of-year exchange rate,

figures for the income statements are converted into Swiss francs at the average rate for the year. The translation differences which thereby arise are included under the balance sheet item currency translation differences under shareholders' equity and do not impact on earnings.

Transactions denominated in foreign currencies are translated at the exchange rate pertaining on the day. Exchange differences arising from the settlement of such business transactions are taken to the income statement.

#### **Financial instruments**

The financial instruments in the balance sheet include cash and bank balances, short-term securities, trade receivables and trade payables, as well as third-party debt.

#### **Liquid funds**

The cash flow statement presents the liquid funds for cash balances, post office and bank balances, as well as time deposits with a remaining term of up to three months.

#### **Securities**

Short-term securities are shown at market value. Adjustments for changes in market value have been taken to the income statement.

#### **Trade receivables**

These are shown at nominal value. The necessary value adjustments have been made for doubtful receivables.

#### **Inventories of goods**

Inventories are shown at the lower of purchase or production cost and net sales value. Cost is determined by the first-in-first-out method (FIFO). The net sales value is the estimated revenue to be achieved from a sale minus the estimated necessary selling costs.

#### **Tangible fixed assets**

Tangible fixed assets are valued at the highest at most at purchase cost minus operationally necessary depreciation.

For Group companies in Switzerland, depreciation is charged in part on the straight-line basis and in part on the reducing balance basis; for other Group companies, depreciation is booked on a straight-line basis. The following rates apply:

	reducing-balance	straight-line
Operating equipment	12.5 – 40 %	20 – 33 %
Computer equipment	40 %	20 – 33 %
Vehicles	40 %	20 – 33 %

If the book value of a tangible fixed asset is higher than its estimated remaining useful value, then the book value is adjusted by extraordinary depreciation to the estimated realizable value.

### **Accruals**

Accruals are set aside if the Group has an existing legal or factual obligation, an outflow of resources is probable to meet the obligation, and it is possible to reliably estimate the amount of the obligation.

### **Tax accruals**

Tax accruals are calculated using the “balance-sheet liability” method.

The income and corporation taxes to be paid on the taxable earnings of the individual Group member companies are provided for in full.

The deferred taxes on the differences in valuation between the taxable value of an asset or a debt and its book value are taken into account in the balance sheet. Deferred tax claims from tax losses brought forward are carried in the balance sheet if it is

probable that taxable income will be available to be set off against the tax losses brought forward. Tax liabilities, mainly in relation to non-recoverable withholding taxes on future dividend distributions by subsidiaries, are only carried if the intention is indeed to make a distribution.

### **Provisions for employee benefits**

Some of the Group companies not only contribute to state social insurance plans but have established supplementary plans. These are based exclusively on undefined contributions and are managed by independent insurance companies which bear the full risk.

Financing for the plans is provided by contributions from both employees and employers.

The TEAM Group also has a support foundation for members of management. The foundation is a so-called savings facility. The foundation participates in the capital of Team Football Marketing AG. The dividend income earned is credited to savings capital of each member; no contributions affecting the income statement are made.

### **Recognized earnings**

Group sales correspond to services rendered and sales invoiced to third parties excl. VAT and minus sales returns.

Controlling for these segments is undertaken centrally.

Primary segment information is provided on the following page.

### **3. Segment information**

#### ***The Group comprises three divisions – “Film”, “Sports” and “New Business”.***

The Film division handles the exploitation of film rights and marketing of related products.

Segment assets cover all operational assets used by the segment and essentially cover liquid operating funds, receivables, inventories of goods and tangible fixed assets, minus discounts and value adjustments. Segment liabilities comprise all liabilities from operations and mainly cover short-term trade payables, personnel-related liabilities, and taxes.

Operations in the Sport division consist of the activities of Team Holding AG, in which Highlight Communications AG has held an 80-percent stake since July 1, 1999. The TEAM GROUP is exclusively responsible world-wide for marketing the UEFA Champions League.

Operations in the New Business division primarily comprise the activities of Highlight Intertechnology AG, founded in December 1999, in which Highlight holds 70.02 percent of the share capital, as well as the new activities of Highlight Communications AG.

**Primary segment reporting – business fields**

<i>in CHF</i>	<i>Film</i>		<i>Sport</i>		<i>New Business</i>		<i>Consolidation</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
<b>Income</b>								
Income with third parties	105,241,692	68,916,697	65,704,669	29,545,302	0	0		
	105,241,692	68,916,697	65,704,669	29,545,302	0	0	170,946,361	98,461,999
<b>Profit/loss</b>								
Segment profit/loss	6,148,372	4,885,245	23,124,667	10,157,809	-1,623,005	-903,323	27,650,034	14,139,731
Interest expense							-9,631,511	-1,979,933
Interest income							20,680,005	3,933,436
Costs of the capital increase							0	-5,011,165
Group EBT							38,698,528	11,082,069
Taxes on earnings							-6,781,452	-3,399,286
Minority interests							-5,847,115	-2,777,565
Net profit attributable to group							26,069,961	4,905,218
<b>Segment assets</b>								
	259,943,028	93,684,370	217,073,917	203,185,518	989,824	716,036	478,006,769	297,585,924
<b>Segment liabilities</b>								
	61,899,799	69,036,570	21,373,205	13,273,643	93,469	77,484	83,366,473	82,387,697
<b>Investments</b>								
– Tangible fixed assets	911,374	1,385,013	697,106	399,970	274,537	65,730	1,883,017	1,850,713
– Film license rights	66,222,341	29,063,373	0	0	0	0	66,222,341	29,063,373
– Intangible assets	0	3,689,863	0	101,392,354	0	545,000	0	105,627,217
<b>Depreciation</b>								
– Tangible fixed assets	1,102,650	962,183	773,792	321,268	136,067	0	2,012,509	1,283,451
– Film license rights	27,989,938	14,134,343	0	0	0	0	27,989,938	14,134,343
– Others	515,847	292,294	11,269,856	5,688,756	35,650	0	11,821,353	5,981,050
<b>Non-monetary expense (excluding depreciation)</b>								
	4,896,396	4,521,829	0	0	0	0	4,896,396	4,521,829

**Secondary segment reporting format –  
geographic segments**

The following table shows the breakdown of consolidated sales across geographical markets irrespective of the country of manufacture: A large portion of the revenues generated in the Film and Sports division in Switzerland are for recipients in Germany.

in CHF	2000	1999
Switzerland	143,023,897	85,701,733
Germany	18,273,066	3,005,545
Austria	9,649,398	9,754,721
<b>Total</b>	<b>170,946,361</b>	<b>98,461,999</b>

The following table gives the book value of segment assets and investments in tangible and intangible fixed assets by geographical location of the tangible assets:

in CHF	Book value segment assets		Investment in tangible and intangible assets	
	12/31/2000	12/31/1999	2000	1999
Switzerland	463,461,249	292,961,688	67,900,998	136,415,097
Germany	11,735,374	2,737,651	151,306	21,532
Austria	2,810,146	1,886,585	53,054	104,674
<b>Total</b>	<b>478,006,769</b>	<b>297,585,924</b>	<b>68,105,358</b>	<b>136,541,303</b>

The Company is active in Austria, Germany, and Switzerland. The operations of the individual companies are outlined above.

**4. Other income**

in CHF	2000	1999
Interest income from bank current account and time deposits	3,535,644	519,720
Income from options	5,578,326	1,581,904
Income from securities	11,478,587	1,831,812
Various interest	87,448	0
Net interest income	20,680,005	3,933,436
Valuation adjustments	445,881	0
Miscellaneous	958,296	492,598
<b>Total</b>	<b>22,084,182</b>	<b>4,426,034</b>

**5. Personnel expenses**

CHF	2000	1999
Wages and salaries	25,240,648	13,229,000
Social contributions	2,673,772	2,009,200
Outlays for contribution-based pension plans	984,933	428,877
Miscellaneous personnel expenses	1,447,179	924,954
<b>Total</b>	<b>30,346,532</b>	<b>16,592,031</b>

Number of employees at end of year:

	2000	1999
Switzerland	277	249
Germany	15	13
Austria	9	10
<b>Total</b>	<b>301</b>	<b>272</b>

## 6. Financial expense

in CHF	2000	1999
Interest expense		
– on short-term bank liabilities	532,092	478,099
– on long-term bank liabilities	2,443,161	921,811
– on interest-bearing loans from related parties	0	88,932
Various forms of interest and expenses	815,504	491,091
Securities costs	299,924	0
<b>Total</b>	<b>4,090,681</b>	<b>1,979,933</b>

## 7. Taxes

in CHF	2000	1999	in CHF	2000	1999
Income tax	–6,677,743	–3,416,566	Earnings before income tax	38,698,528	11,082,069
Deferred income tax owing to the creation and reversal of temporary differences	–103,709	17,280	Tax at the applicable rate of 19.41 % (21.91 %)	7,511,783	2,427,964
<b>Tax expenses</b>	<b>– 6,781,452</b>	<b>– 3,399,286</b>	Tax losses not included in the balance sheet	219,151	116,000
			Netted tax losses	–664,464	0
			Impact of lowering the tax rate on the opening balance of deferred taxes	0	–416
			Add-back of contributions for reorganization	0	156,770
			Add-back of and allowed to tax purposes	621,918	649,124
			Deductions for participations	–1,006,635	0
			Tax refunds and release of tax accruals for earlier business years	–246,229	–215,918
			Other	345,928	265,762
			<b>Tax expenses</b>	<b>6,781,452</b>	<b>3,399,286</b>

The effective tax expense differs from the tax expense expected, which is calculated by multiplying the respective local tax rate by earnings before taxes per Group company, as follows:

The effective tax rate of 19.41 percent results from summarizing the figures of the individual Group companies included in the consolidation.

### **8. Earnings per share**

The undiluted earnings per share have been calculated by dividing the Group net profit for the year attributable to the shareholders by the weighted number of bearer shares outstanding during the period.

	2000	1999
Group earnings attributable to shareholders	26,069,961	4,905,218
Weighted average number of shares	4,547,917	3,579,167
Undiluted EPS	5,730	1,370
Tax expenses	5,730	1,370

### **9. Dividend per share**

Proposed dividends are only included in the balance sheet after the approval of the annual financial statements by the Annual General Meeting. No dividend was paid for the 1999 business year. Highlight Communications AG does not plan to distribute a dividend for business year 2000.

## 10. Tangible assets

<i>in CHF</i>	<i>Operating equipment</i>	<i>Computer equipment</i>	<i>Vehicles</i>	<i>Total</i>
Reducing-balance depreciation method				
Book values as at January 1, 2000	2,439,722	533,980	239,530	3,213,232
Additions	261,275	374,871	162,438	798,584
Disposals	0	0	-22,232	-22,232
Depreciation for the year	-562,155	-361,941	-151,936	-1,076,032
Net book values as at December 31, 2000	2,138,842	546,910	227,800	2,913,552
Straight-line depreciation method				
Purchase cost				
January 1, 2000	4,162,281	1,678,049	837,955	6,678,285
Differences arising from currency translation	-19,319	3,670	-7,478	-23,127
Addition	318,349	391,976	374,108	1,084,433
Disposals	-151,549	-246,380	-74,882	-472,811
December 31, 2000	4,309,762	1,827,315	1,129,703	7,266,780
Depreciation:				
January 1, 2000	-2,923,247	-1,069,624	-473,815	-4,466,686
Differences arising from currency translation	27,620	11,507	5,243	44,370
Valuation adjustments	0	0	236,981	236,981
Depreciation for the year	-442,798	-361,954	-131,725	-936,477
Disposals	51,341	125,379	57,629	234,349
December 31, 2000	-3,287,084	-1,294,692	-305,687	-4,887,463
Net Book values January 1, 2000	1,239,034	608,425	364,140	2,211,599
Net Book values December 31, 2000	1,022,678	532,623	824,016	2,379,317
<b>Total net book values January 1, 2000</b>	<b>3,678,756</b>	<b>1,142,405</b>	<b>603,670</b>	<b>5,424,831</b>
<b>Total net book values December 31, 2000</b>	<b>3,161,520</b>	<b>1,079,533</b>	<b>1,051,816</b>	<b>5,292,869</b>

### 11. Film rights

in CHF	2000	1999
Purchase costs:		
January 1,	163,283,157	134,109,784
Additions	66,222,341	29,063,373
Change in consolidation scope	0	115,500
Disposals	-116,862	-5,500
December 31,	229,388,636	163,283,157
Depreciation:		
January 1,	-133,368,070	-119,233,727
Additions	-28,191,455	-14,134,343
Disposals	0	0
December 31,	-161,559,525	-133,368,070
Net book values		
January 1,	29,915,087	14,876,057
December 31,	67,829,111	29,915,087

The license expense shown in the Income Statement also reflects the changes in the accrued license expense. These accruals take into account the expense components for TV license rights which have not yet been paid but already exploited. The license expenses in the Income Statement breaks down as follows:

in CHF	2000	1999
Amortization on licenses	28,191,455	14,134,343
Change in accruals license expense (see No.18)	-608,235	2,853,563
Misc. license expense/guarantees	406,718	0
License expense pursuant to the Income Statement	27,989,938	16,987,906

### 12. Other intangible assets

in CHF	2000	1999
Purchase costs:		
January 1,	174,869,918	1,605,316
Changes arising from currency translation	-17,905	-1,043
Change in consolidation scope	0	67,638,428
Additions	0	105,627,217
December 31,	174,852,013	174,869,918
Depreciation:		
January 1,	-6,177,460	-197,461
Changes arising from currency translation	10,938	1,051
Depreciation for the year	-11,821,353	-5,981,050
December 31,	-17,987,875	-6,177,460
Net book values		
January 1,	168,692,458	1,407,855
December 31,	156,864,138	168,692,458

Of the intangible assets (goodwill), the Sports division accounted for a book value of CHF 152,118,644 as at December 31, 2000 and amortization charges of CHF 11,269,856 in 2000.

### 13. Inventories

in CHF	12/31/2000	12/31/1999
Video cassettes/DVD		
– Retail	3,117,515	3,294,259
– Wholesale	901,177	2,699,693
CDs	451,828	565,489
Games/CD-ROM	391,994	294,675
Capitalized film costs	2,362,051	0
Other	141,548	403,204
	7,366,113	7,257,320
Value adjustments	–47,289	–442,615
<b>Total</b>	<b>7,318,824</b>	<b>6,814,705</b>

### 14. Receivables

in CHF	12/31/2000	12/31/1999
Trade receivables		
– from third parties	44,818,957	34,244,197
– from related parties	4,012,015	0
Loans to third parties	381,939	612,953
Prepaid expenses	2,271,135	572,952
Other receivables		
– from third parties	7,370,478	1,142,640
– from related parties	826,045	0
<b>Total</b>	<b>59,680,569</b>	<b>36,572,742</b>

### 15. Securities

Of the amount shown, a sum of CHF 15,415,428 relate to shares in Media [net-Com] AG, which are carried at their market

value of € 21 as of the balance-sheet date. The market value as of the date of this report is € 9.50. The Board of Managers assumes that the market value of these securities will increase, meaning that there will be no loss as a result of impairment of assets.

### 16. Share capital

	Bearer shares	
	Number of shares	CHF
December 31, 1998	1,760,000	17,600,000
Capital increases	2,540,000	25,400,000
December 31, 1999	4,300,000	43,000,000
Capital increase	425,000	4,250,000
<b>December 31, 2000</b>	<b>4,725,000</b>	<b>47,250,000</b>

On May 30, 2000, the Annual General Meeting resolved to increase the share capital by CHF 4,250,000 and to issue a further 425,000 bearer shares at CHF 10 each.

On May 30, 2000, the Annual General Meeting established authorized share capital of CHF 12,750,000 and empowered the Board of Managers to effect a further capital increase by issuing 1,275,000 bearer shares at CHF 10 each.

In 2000, the Company bought back a total of 111,524 of its own shares. 32,020 of these shares were used as payment of the pur-

chase price connected with an acquisition, 12,921 shares were issued to staff at their nominal value and carried as personnel expenditure, while 50,000 were sold as part of the BHF option model. At the balance sheet date, the Company still held 82,903 (12/31/99: 65,200) shares. As at December 31, 2000, the authorized share capital totals 6,000,000 (12/31/99: 4,300,000) bearer shares of a nominal of CHF 10. All shares issued are fully paid.

### 17. Deferred taxes

Temporary differences:

in CHF	12/31/2000	12/31/1999
Lower depreciation for tax purposes on tangible assets	56,552	37,225
Deferred tax assets	56,552	37,225
Value adjustments	123,036	0
Deferred tax liabilities	123,036	0

Deferred tax claims from tax losses brought forward and not yet used are entered in the balance sheet to the extent that it is probable that future taxable income liable to tax will be available. The Group has tax losses brought forward totaling CHF. 19,898,000 (1999: 17,430,000). The deferred tax assets are not recognized owing to the uncertainty whether sufficient taxable income will be generated. Tax losses brought forward as at December 31,

2000 expire in the years 2001 to 2006. The tax losses brought forward as at December 31, 2000 contain tax losses of some CHF 296,000 in Germany, which can be carried forward without limit.

### 18. Trade liabilities and other liabilities

in CHF	12/31/2000	12/31/1999
Trade payables	11,436,265	15,229,827
Film fees	0	254,500
Other liabilities	5,643,152	1,698,470
Income	2,751,132	3,359,367
Prepaid income	5,438,416	1,317,769
<b>Total</b>	<b>25,268,965</b>	<b>21,859,933</b>

## 19. Liabilities subject to interest

Short and long-term liabilities as at Dec. 31 were composed as follows:

in CHF	Maturing in	12/31/2000	12/31/1999
<b>Short term</b>			
Bank liabilities	2001	230,705	2,349,296
Bank loans (short-term)	2001	16,000,000	5,500,000
Loans from related parties	2001	50,000	0
		16,280,705	7,849,296
<b>Long term</b>			
Bank loans	2002–2004	32,000,000	47,600,000
Loans from related parties	–	0	120,000
		32,000,000	47,720,000

Short-term bank current account liabilities are subject to various interest rates of between 5.05 and 5.25 percent.

The bank loan is secured by means of lien granted on shares of some Group companies and is subject to interest at a current rate of 5.35 percent. The loan from related parties does not bear interest and no collateral is furnished, nor are repayment dates set.

## 20. Financial instruments

The balance sheet value of liquid funds, trade receivables, short-term bank liabilities and trade payables corresponds ap-

proximately to the market value owing to the short maturities involved. The balance sheet value of the long-term loan was calculated on the basis of the discounted future payment flows, which are based on the changed interest rates for Group loan agreements.

in CHF	Book value		Market value	
	2000	1999	2000	1999
Financial liabilities				
Bank loans (long-term)	32,000,000	47,600,000	29,500,000	44,500,000

### Risk of change in interest rates

The risk of change in interest rates relates primarily to the long-term interest-bearing liabilities. The Group currently does not employ financial instruments to hedge against the risk of change in interest rates.

### Foreign-exchange risk

The Group buys and sells products in foreign currencies and is thus exposed to fluctuations in exchange rates. The Group currently does not employ financial instruments to hedge the risk of change in interest rates.

### ***Risk of default***

Financial instruments which could possibly expose the Group to concentrated default risk primarily involve liquid funds as well as trade receivables. The Group only maintains banking relations with top-rated banks and constantly monitors the creditworthiness of its customers. The Group faces no considerable concentrated default risk.

### ***21. Accruals***

in CHF	12/31/2000	12/31/1999
Supraordinated guarantees	375,000	56,000
Return guarantees	0	251,100
<b>Total</b>	<b>375,000</b>	<b>307,100</b>

The accruals for return guarantees were written back in the year under review.

### ***22. Acquisition of participations***

In the year under review, the Group made one acquisition:

- On April 7, 2000 it took a 19.8 percent stake in Vidair AG in Mönchengladbach, Germany. This share is not consolidated.

The share has a carrying value of CHF 27,397,126 as at December 31, 2000. The acquisition costs of the share were paid partly in cash and partly in Highlight Communications AG stock as set out below:

in CHF	
Cash payment	8,110,000
Payment in the form of Highlight Communications AG stock	
291,325 shares at a market value of CHF 55,06 each (10 shares)	16,041,954
	24,151,954
Capital increase	2,946,334
	27,098,288
Acquisitions costs	298,838
	27,397,126

### 23. List of consolidated companies

	Activity	Country	Share in capital
Joe's Multimedia AG Wil	Video rental	Switzerland	100 %
Highlight Operations AG	Services	Switzerland	100 %
Team Holding AG	Sports marketing	Switzerland	80 %
– Team Football Marketing AG	Marketing of sports rights, particularly football	Switzerland	95.268 %
– T.E.A.M. Television Event And Marketing AG	Marketing of sports and cultural events	Switzerland	100 %
Rainbow Video AG	Marketing	Switzerland	100 %
– Rewag Radio Edelweiss Werbe AG	Sale of radio commercials space and other advertising	Switzerland	60 %
Highlight Intertechnology AG	Technology development	Switzerland	70.02 %
Highlight Film und Home Entertainment GmbH	Marketing	Germany	100 %
Highlight Filmproduktion und Werbeagentur GmbH	Film production	Germany	100 %
Rainbow Home Entertainment GmbH	Marketing	Austria	100 %

## 24. Transactions with related parties

The following transactions were conducted with related parties:

in CHF	12/31/2000	12/31/1999
<b>Trade receivables</b>		
Klaus Helbert	3,485,625	0
Radio Edelweiss		
Nostalgie Betriebs AG	218,245	0
HLP Management	308,145	0
	<b>4,012,015</b>	<b>0</b>
<b>Other receivables</b>		
R. Camenzind	826,045	0
	<b>826,045</b>	<b>0</b>
<b>Loans</b>		
Radio Edelweiss		
Nostalgie Betriebs AG	0	70,000
A. Ehrat	50,000	50,000
	<b>50,000</b>	<b>120,000</b>
<b>Expenses</b>		
purchasing via Rainbow AG	0	1,933,718
Commission paid to Radio Edelweiss		
Nostalgie Betriebs AG	1,525,115	0
Management fee KJP Holding AG	1,200,000	1,200,000
	<b>2,725,115</b>	<b>3,133,718</b>
<b>Income</b>		
Real gains with R. Camenzind	7,183	0
License income from Rainbow AG	0	260,024
Other income from Rainbow AG	0	10,302
License income Klaus Helbert	0	4,500,000
	<b>7,183</b>	<b>4,770,326</b>

Radio Edelweiss Nostalgie Betriebs AG is a non-consolidated minority participation held by Rainbow Video AG and A. Ehrat is a third-party shareholder in this company.

Mr. R. Camenzind has acquired shares in Escor AG from Highlight Communications AG at market values outside the stock market. Mr. Camenzind is a shareholder in the Company. The corresponding receivable is set out above.

On June 25, 1999, a management agreement was concluded between, on the one hand, Team Football Marketing AG and T.E.A.M. Television Event And Media Marketing AG, and, on the other, KJP Holding AG upon Klaus J. Hempel and Jürgen Lenz joining the latter; the contract is firm through June 30, 2004. Mr. Hempel and Mr. Lenz are making available their special knowledge and experience in marketing, in particular in co-operation with UEFA. Remuneration takes the form of an annual lump-sum fee. The corresponding outlays are disclosed above.

HLP Management is a company in which Mr. Klaus J. Hempel and Mr. Jürgen Lenz hold shares.

As regards the contract of December 21, 1998, Klaus Helbert transferred as agreed the second part-payment of CHF 950,625 on December 30, 1999 and February 7, 2000.

MetallBank Frankfurt has issued a guarantee declaration limited in time until December 31, 2000 for the remaining amount of CHF 3,485,625; the payment installments per film have been set at CHF 63,375 each. These are due at the beginning of the respective broadcasting authorization. Based on the dates for the broadcasting authorization, the following payments are expected:

	CHF
2001	1,964,625
2002	570,375
2003	633,750
2004	253,500
2005	63,375

Transactions with related persons were conducted in accordance with the "arm's length" principle.

## 25. Operating leasing contracts

As at December 31, the following minimum leasing obligations existed:

in CHF	2000	1999
Up to 1 year	3,232,281	2,893,852
2–5 years	5,333,632	5,774,472
More than 5 years	1,195,540	1,549,450
<b>Total</b>	<b>9,752,453</b>	<b>10,217,774</b>

The leasing obligations substantially relate to long-term rental obligations in respect of video rental stores and offices for the TEAM Group in Lucerne and Rainbow Video AG in Pratteln.

Berlin Film Festival	February 6 – 17, 2001
Academy Awards	March 27, 2001
Presentation of annual financial statements	April 2001
Cannes Film Festival	May 9 – 20, 2001
UEFA Cup Final	May 16, 2001
UEFA Champions League-Final	May 23, 2001
Annual General Meeting	June 15, 2001
Venice Film Festival	August 29 – September 8, 2001
Quarterly reports	May/August/November 2001
Meeting for analysts	Fall 2001

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