highlight

Annual Report 2001

The English version is for your convenience. Only the German version is legally binding.

Contents

Dear shareholders and business partners,

2001 is a year which we will all remember for a long time to come given the fears of a global recession, turbulent stock markets with wide-spread losses and not least of all the horrific events in September and their aftermath.

The NEMAX 50, which also includes Highlight as one of the largest Neuer Markt media stocks, started the year off at 2,524 points and the NEMAX All Share at 2,518 points. September saw lows for the year, with the NEMAX 50 hitting 684 points and the NEMAX All Share 724 points. By the end of the year, the two indices had rebounded to 1,150 and 1,096 points respectively, closing the year with losses of 54 and 56 % respectively. This trend was mirrored in all main indices, with the DAX down 20 %, the Dow Jones 6 %, the Nikkei 24 % and the Euro Stoxx 50 19 %.

Highlight stock was not able to shield itself from these trends either. In addition to the general market woes, our stock came under additional pressure from the termination in June of the marketing rights for the UEFA Champions League as well as uncertainty in the media sector.

In view of this, it is necessary to take a close look at the facts.

UEFA Champions League marketing contract renewed

The finale between FC Bayern München and Valencia CF on May 23, 2001 in Milan marked the successful end of the UEFA Champions League 2000/01 season. Proceeds collected by TEAM for UEFA from marketing the TV and marketing rights rose again in the 2000/01 season, coming to roughly CHF 1 billion.

On June 30, 2001, UEFA gave notice of its intention to terminate the agency contract with TEAM effective June 30, 2003 in accordance with the terms of the contract. In mid December 2001, it postponed until the end of January its decision concerning the partner to which it would be awarding the marketing contract for the UEFA Champions League for 2003 – 2006. However, at the end of January 2002, the UEFA executive committee unanimously reinstated TEAM as its marketing partner. The fact that TEAM prevailed over international marketing agencies in securing this contract once more testifies to its high quality and professionalism and fills us with pride.

This has created a stable basis for the future performance of the Highlight Group's Sports division. The terms of the contract remain favorable.

Top ranking in film business

Fiscal 2001 saw the cinema release of seven Highlight films. Our Film division again achieved a top ranking in the Top 20 for 2001 with "Scary Movie 2", the sequel to last year's box-office hit.

Turning to Video/DVD, we are continuing to benefit from the sustained DVD boom as well as the marketing alliance forged with Paramount Home Entertainment in Germany. Highlight Video reported an almost 60 % increase in sales last year, thereby growing more quickly than the market as a whole. As in 2000, "Scary Movie", which was marketed by Highlight, achieved a No. 1 ranking ahead of numerous other prestigious films. Thus, our Film division marketed the most successful rental video of 2001, receiving the coveted "Video Winner 2001" award.

With its 36 branches, the Joe's Multimedia retail chain, which is the market leader in the German-speaking region of Switzerland, is being buoyed by video/DVD trends. Joe's was particularly spurred by the expanding DVD market, something which was reflected both in sales, particularly of new DVD releases and box-office blockbusters, and rentals, which were up again slightly for the first time. DVD sales of top-selling releases exceeded corresponding VHS sales for the first time. Christmas business further confirmed DVD's winning status.

Consolidation of the German-speaking film-trading business on the horizon

We expect to see sustained consolidation in the German-speaking media sector. The signs of a crisis emerging at the end of 2000 in the form of profit warnings, delayed loan repayments and even bankruptcies strengthened in the course of 2001. This was due to the excessively high prices paid for film libraries on the one hand and the deteriorating market for sellers on the other. Accordingly, Highlight continued its policy of selective and cautious film purchasing in 2001. Thus, the imminent market shakeout will offer our Film division interesting openings which will be evaluated and, provided that they offer appeal, acted upon.

Changes in market potential

Established in the previous year, the New Business division was affected the most by developments in fiscal 2001. Changes to overall economic conditions, the end of the new-economy boom as well as plummeting advertising revenues placed enormous pressure on many companies engaged in the new media segment. The New Business division successfully launched preliminary products such as Sony Fan-TV. In spite of this, however, Highlight Communications AG decided in March 2002 to maximize its future potential by withdrawing from its New Business activities and concentrating on its core sports marketing and film business. In this connection, Highlight Communications AG will engage solely in these two core areas and otherwise confine itself to developing Vidair AG. To this end, its share in Vidair has since been increased to 53 %.

Financial statements for 2001: Cautious accounting policy continues

In spite of the individual divisions' strong business performance, the financial statements and the valuation adjustments which they contain systematically allow for the situation prevailing in the financial markets as well as changed conditions in film-license business and therefore comprise the specific precautionary measures required given the current state of the sector. The company's cautious accounting policy was adhered to by writing off nearly all of the goodwill arising from the acquisition of TEAM as well as by taking a non-scheduled charge on film licenses in accordance with US accounting rules for film assets. We think that it is necessary to revalue the film licenses carried on our books not only in the light of US-GAAP rules, which are more stringent than IAS as the latter does not include any detailed valuation rules, but also as a result of the changed situation in the German-speaking film-license market (leading to the concentration of TV broadcasters' purchasing power in tandem with lower film purchasing prices as a result of the reduction in TV broadcasters' advertising revenues as well as heightened competition on the part of license dealers in marketing films to broadcasters). Industry experts consider this to be necessary for the entire sector. In the United States, the US-GAAP-based charges taken by US studios on their assets have totaled roughly USD 4 billion. To date, only few film license dealers in the German-speaking region have considered taking these steps although they are necessary in the light of the state of the sector.

In addition, the possible effects of the insolvency application by parts of the Kirch Group were taken into account in full within the scope of a very cautious scenario, which means that this development will not affect business trends in the 2002 financial year.

These precautionary adjustments have resulted in a total charge on earnings of CHF 282.4 million, which the Highlight Group can digest effortlessly thanks to its ample equity resources. Even after these adjustments, equity stands at CHF 98.3 million. At 52 % of total assets, the Group's equity ratio remains far in excess of the sector average. Consequently, the Highlight Group's entire film library is now only being carried at a value of CHF 37.1 million on its balance sheet in spite of acquisition costs of CHF 281.3 million. Unlike many other film-license dealers, the Highlight Group had liquidity (including securities) of CHF 90.4 million on December 31, 2001. In fact, operating cash flow rose by 27.6 % to CHF 61.6 million.

These are the economic highlights of the Highlight Group.

The Board of Directors and employees are responsible for ensuring steady and successful business performance.

I would like to take this opportunity to personally thank all persons involved once more for their commitment beyond the call of duty in what was a difficult year in 2001.

Economic conditions and the events of 2001 have left investors with little scope for diversification. A mood of disillusionment as well as fears of further disappointment have arisen on the part of many investors. 2002 provides a new view of the situation: No other media company listed on the Neuer Markt has as solid a foundation as the Highlight Group. Thanks to the precautionary adjustments made to its balance sheet in fiscal 2001, the high operating cash flow, the successful renewal of the marketing contract for the UEFA Champions League and its high liquidity, it is well poised to assume an active role in the upcoming shakeout of the German-speaking media market and to continue growing profitably in 2002.

B. Burgener

Bernhard Burgener

President

Bernhard Burgener (born 1957)

President of the Board of Directors

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 network 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 until November 2000.

Klaus J. Hempel (born 1947)

President of TEAM

Degree in Commerce; worked for Unilever and adidas for many years; President and CEO of ISL Marketing AG in Lucerne from 1981–1991; founded TEAM with Jürgen Lenz in 1991. Member of Highlight Communications AG’s Board of Directors since May 30, 2000.

Jürgen Lenz (born 1943)

President of TEAM

Worked for McCann-Eriksson and adidas for many years; Executive Vice President and COO of ISL Marketing AG in Lucerne from 1982–1991; founded TEAM with Klaus J. Hempel in 1991. Member of Highlight Communications AG’s Board of Directors since May 30, 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)

Delegate of the Board of Directors

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 (born 1960)

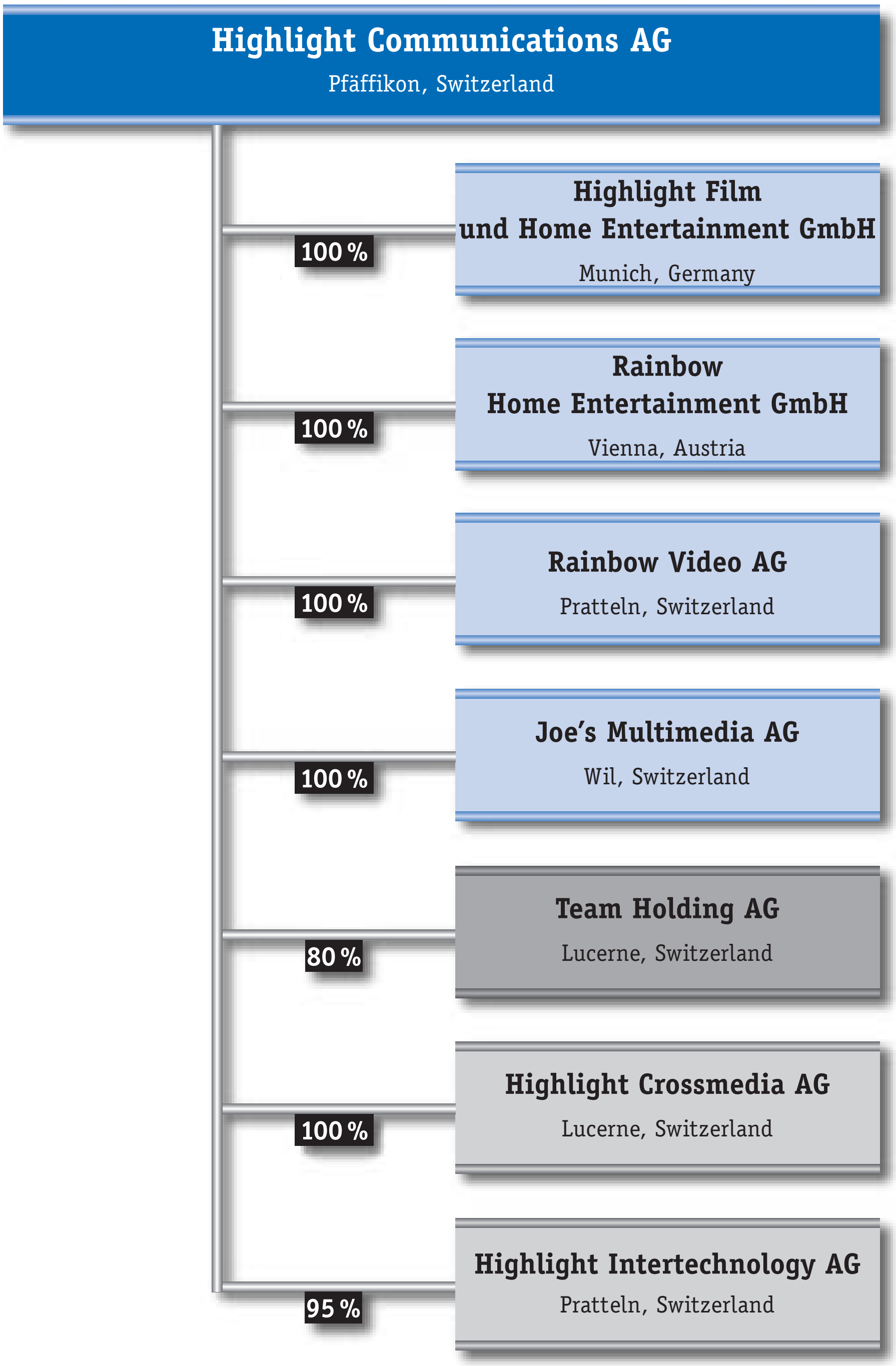
Head Legal Departments

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. Martin Wagner advises a number of listed companies in Switzerland and other countries and has been a member of Highlight Communications AG's Board of Directors since May 30, 2000.

Heinz B. Wermelinger (born 1946)

President and CEO of BOL between 1999 and 2001. President and CEO of AOL Bertelsmann Europe responsible for the AOL and CompuServe Internet access services between 1996 and 1998. Prior to this various management positions at publishing companies Reader's Digest and Harlequin. Chief Executive Officer of Highlight New Business since February 2001. Member of Highlight Communications AG's Board of Directors since June 15, 2001.

The following diagram sets out the main members of the Highlight Group:



Notwithstanding its corporate form, the Highlight Group comprised three divisions in 2001 – Film, Sports and New Business. The following table sets out the structure of these divisions.

Division Film	Division Sports	Division New Business
Film Acquisition	Sports marketing	New Ventures
Theatrical Distribution (Cinema)	UEFA Champions League	Technology
Video/DVD (rental and sell-through)	UEFA Cup Final	Cross Media
TV & Internet	UEFA Super Cup	
Joe's Video rental and retail		

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.

Division Film

The film market in 2001: Record box-office income and consolidation

Movie boom

Nothing is as stale as last year's forecast and this certainly applies to the movie market in 2001. The statistics for 2001 impressively disproved fears voiced in 2000 of the consequences of an oversupply of films. Whereas only two films attracted more than 4 million viewers in 2000, this figure leapt to nine in 2001.

In keeping with this blockbuster year (with no less than 46 films clearing the one-million visitor threshold), a new visitor record (177.9 million, up from 152.2 million in 2000) as well as a new sales record (EUR 987.2 million/DM 1.933 billion, up from DM 1.612 billion in 2000) were achieved in 2001.

Consolidation of German-speaking film-license market

2001 was a difficult year for the independents. All told, prices for film licenses were substantially lower than in the previous two years although some producers still had unrealistic price expectations to our way of thinking. Our Film division continued to purchase films on a cautious and selective basis.

We assume that the overheated German-speaking market in 1999/2000 will give way to a massive phase of consolidation in the license-trading segment, resulting in a market shakeout in 2002. Many other companies in this segment have now been left with films for which they have paid overly high prices. Given the changes at TV broadcasters and the shrinking advertising market, this has resulted in a highly explosive situation.

As an independent operator in Germany, Highlight's Film division operates along the entire exploitation chain, meaning that every major release is exploited via cinema, video/DVD marketing and TV sales. This ensures optimum exploitation of each individual product.

Restrained and professional purchasing – comprehensive exploitation

One of the Highlight Group's strengths is its 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 Film division thus comprises the following segments: cinema exploitation, video/DVD, TV license exploitation, wholesale and retail business.

Scary Movie 2

Second box-office hit: "Scary Movie 2", the sequel to its mega-successful forerunner, drew an audience of 2.2 million to the cinemas in the first half of 2001.

Just Visiting

Old-school swashbuckler makes contact with new-fangled habits: In the comedy "Just Visiting", time traveler and dyed-in-the-wool knight Jean Reno delighted comedy enthusiasts in the cinema summer of 2001.

Bounce

Will they make it or not? Gwyneth Paltrow and Ben Affleck in a romatic comedy – viewers were spellbound by this question in 2001.

Film business starts long before movie-goers actually get to see the movie. 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 seedling is the art and the skill which Film division employees have been perfecting for decades. Assessing a finished film can be easier especially if it has already proved itself at the box office in other territories. However, the really interesting projects are generally sold prior to the commencement of production or in an early production phase.

Using their intuition backed up by extensive knowledge of the market, our employees sift through countless projects to find promising properties with big-name stars.

Our primary goal is to purchase high-quality commercially successful films featuring popular stars and appealing to a broad-based audience. In fiscal 2001, 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 track down individual high-quality films which we think guarantee favorable commercial exploitation. As each short-listed

film undergoes careful profitability examinations, we rejected many films offered to us in spite of their top-name stars 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.

TV license exploitation – successful license 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 AG has been engaged in this market since 1983 and has long-standing relations with the international major and independent film producers.

Turning to exploitation, TV stations were again 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. Still, our high-quality film library and our long-standing relations with license owners and broadcasts stood us in good stead in further extending our competitive position in license-trading. We have retained our strong presence on German television, particularly in the prime-time slots.

Movie marketing – top ranking amongst the independent distributors

The Highlight Group's Film division can also look back on a successful year in 2001 with respect to movie marketing. Our Munich-based subsidiary Highlight Film und Home Entertainment GmbH is responsible for marketing and distributing our films in cinemas. This entails arranging dubbing and copying by renowned studios, press relations, 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.

Fiscal 2001 saw the cinema release of seven Highlight films. With a total of just under 3 million cinema-goers and an average of more than 420,000 viewers per film, Highlight Communications was again one of the top independent distributors.

The year got under way in the spring with "Highlander – Endgame", "Bounce" and "Wes Craven Presents Dracula". All these films achieved respectable gross takings in Germany. In the summer of 2001, only two films were released – "The Dish" and "Just Visiting".

Autumn and winter are traditionally the top cinema-going seasons. In November, Highlight Communications in conjunction with distribution partners in Switzerland (Elite Film) and Austria (Einhorn Film) released "Scary Movie 2", the sequel

to last year's box-office hit. Targeted at teenagers, this comedy attracted roughly 2.2 million viewers throughout GSA, making it into the Top 20 for the year. December saw the release of "Serendipity" starring John Cusack and Kate Beckinsale. This film was perfect for the Christmas season and asserted itself well in the face of blockbusters "Harry Potter" and "Lord of the Rings".

Slapstick comedy at its best: "Jay & Silent Bob Strike Back".

Many promising releases have been slated for 2002 again:

Jay And Silent Bob Strike Back

Featuring Kevin Smith, who directed, wrote the script and stars in the movie, "Jay And Silent Bob Strike Back" is a weird tour-de-force comedy in the mold of "Wayne's World" replete with hair-raising obstacles, down-to-earth laughs and irresistible heroes. This slap-stick comedy not only stars Ben Affleck, Shannon Elizabeth, Chris Rock, Matt Damon, Mark Hamill, James van der Beek, Jason Biggs und Shannen Doherty but also features came to appearances by many other well-known US stars.

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

THE HOURS

The story of three women: a publisher in New York today, a housewife in Los Angeles in 1949 and author Virginia Wolfe, who attempted to commit suicide in 1923 near London.

Serendipity

This romantic comedy with Kate Beckingsale and John Cusack was the surprising success story in the movie autumn of 2001.

Nicole Kidman is one of the main actors in Stephen Daldry's outstanding drama "The Hours" scheduled to reach the cinemas in 2002.

Three women – three lives. Although they lived in different eras, they all have something in common which influenced their lives in a very specific way.

Director Stephen Daldry ("Billy Elliott – I Will Dance") assembled an outstanding cast for his new project. Golden Globe winner Nicole Kidman ("Moulin Rouge"), Oscar winner Meryl Streep ("Out of Africa"), Julianne Moore ("Hannibal"), Claire Danes ("William Shakespeare's Romeo and Julia") and Oscar nominee Ed Harris ("The Truman Show") star in this drama based on Michael Cunningham's Pulitzer prize-winning novel.

"The Hours" is destined to be one of the top highlights of the 2002 film year.

ZU WARRIORS

Star Hong Kong director Tsui Hark ("Knock Off") leads us into a world beyond our imagination. In the Chinese province of Zu, a courageous princess fights a merciless prince together with a handful of soldiers.

Following on from the success of "Tiger & Dragon", Asian cinema is proving to be very popular again. Director Tsui Hark and action choreographer Yuen Wo-Ping ("Matrix", "Tiger & Dragon") have created a superlative mystical action adventure, which stars Zhan Zi Yi, who also appeared in the Oscar-winning epic "Tiger & Dragon" and "Rush Hour 2", as the fearless princess.

Video/DVD – cooperation with Paramount successful

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 releases, 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 main

customers are the large mail order and retail chains. A key 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. The cooperation with Paramount Entertainment GmbH came into effect at the beginning of 2000 and provides for exclusive joint activities with one of the most successful video/DVD marketing companies, which ensured continued growth in the video/DVD market again in 2001.

Retail sales exceeded EUR 716 million in the bought video segment in Germany, an increase of a sensational 40 % over the previous year. With a share of just under 60 % of retail sales, DVD displaced VHS as the top-selling format for the first time. Total sales by video retail outlets also rose to roughly EUR 434 million.

Highlight outpaced the market as a whole, posting an almost 60 % increase in sales in 2001 thanks to a whole series of individual successes. The top-selling video of the year according to Media Control was "Scary Movie". Thus, as in the previous year, Highlight received the coveted "Video Winner 2001" award for the most successful video release of 2001.

Equilibrium

Director Kurt Wimmer presents sombre visions along the lines of "Gattaca" in his science fiction thriller "Equilibrium" with Christian Bale in the lead.

Zu Warriors

Tsui Hark's mystical martial arts special shines with sophisticated choreography of fighting sequences and breathtaking action. A treat for all fans of modern Asian motion pictures.

Scary Movie

With over 400,000 copies sold, the DVD version of the first part of this horror parody was also a resounding success.

With sales of over 400,000 units, "Scary Movie" is also the most successful bought video product in Highlight Video's history.

Other releases such as "U 571", which advanced to become a surprise hit on sales of nearly 200,000 units, testify to the quality of our video library. Other Top Ten releases included films such as "Blair Witch" and "Highlander – Endgame".

Retail business – Joe's still the largest multimedia film 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 covering customers' needs as broadly as possible. 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 strengths not only include a regular customer magazine reporting on new video releases but also our proximity to customers. The Joe's Multimedia AG branches are consumer-friendly and conveniently located in large towns and cities. 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 our license-acquisition activities.

Joe's benefited in particular from the expanding DVD market in 2001 becoming a key platform for bought DVDs in this growth market, particularly new release and movie hits. It has a share of approx. 7 – 8 % of this segment. All in all, retail business grew by a respectable 5 – 8 %. Rental business was also up slightly for the first time. DVD sales of top-selling releases exceeded corresponding VHS sales for the first time. Christmas business further confirmed DVD's winning status.

Division Sports

Highlight Communications AG's Sports division comprises the 80 % share held in Team Holding AG. Domiciled in Lucerne, Team Holding AG is the parent company of the TEAM Group, a company operating successfully all over the world in the sports marketing segment. Operative business is handled by subsidiaries Team Football Marketing AG and T.E.A.M. Television Event And Media Marketing AG. At year-end, the TEAM Group employed a total of 109 people from 18 different nations.

Since 1992 the TEAM Group has been handling all contracts for the commercial exploitation of the UEFA Champions League on behalf of UEFA on an exclusive worldwide basis. These rights entail TV, sponsoring and licensing.

The UEFA Champions League is broadcast by roughly 80 TV stations in over 200 countries, achieving a total of some 4 billion viewer contacts. Leading European TV broadcasters such as RTL/PremiereWorld in Germany, ITV/ITV Sport in the UK, Mediaset/Stream in Italy, TF 1/Canal Plus in France, TVE/Via Digital/Canal Satellite 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 good ratings.

The innovative sponsoring concept, which is limited to four sponsors, was again successful in its second season and has established itself as a new standard. Amstel/Heineken, EUROCARD/MasterCard, Sony PlayStation and Ford have global exclusive marketing rights (particularly event and TV program sponsoring rights). In addition to adidas, Motorola in the computer/telecommunications segment has also been signed up as a further supplier partner up to and including the 2002/03 season.

Always at the center of attraction of the public interest: the highlights of the UEFA Champions League.

The finale between FC Bayern München and Valencia CF on May 23, 2001 in Milan marked the successful end of the UEFA Champions League 2000/01 season. Proceeds collected by TEAM for UEFA from marketing the TV and marketing rights rose again in the 2000/01 season, coming to roughly CHF 1 billion.

As per June 30, 2001, UEFA gave notice of its intention to terminate the agency agreement with TEAM for the marketing of the rights to the UEFA Champions League effective as of June 30, 2003 in order to invite new bids for the contract.

At the end of September 2001, UEFA called for bids for the agency contract for the UEFA Champions League exploitation rights for the 2003/04, 2004/05 and 2005/06 seasons. TEAM lodged a bid providing for a new marketing concept with UEFA at the beginning of November within the requisite period. Following this, TEAM and one competitor were short-listed in the selection procedure, winning out over leading names.

In mid December 2001, UEFA postponed its decision concerning the partner to which it would be awarding the marketing contract for the UEFA Champions League for 2003 – 2006 until the end of January.

Finally, however, the UEFA executive committee awarded TEAM the contract at the end of January 2002, meaning that it will be able to continue marketing the UEFA Champions League beyond 2003 thanks to its high professionalism and independence. In clinching this deal, TEAM prevailed over internationally renowned market agencies engaged in the full range of sporting activities.

Further projects being marketed by the TEAM Group are the UEFA Cup final and the UEFA Super Cup. In the year under review, the UEFA Cup final took place on May 16, 2001, pitting Liverpool FC against Deportivo Alavès of Spain in Dortmund. The new 2001/02 football season was launched on August 24, 2001 with the UEFA Super Cup match between FC Bayern München and Liverpool FC.

UEFA Champions League

The TEAM Group will remain responsible for marketing this sport highlight beyond the year 2003.

Division
New Business

The year under review was primarily characterized by extensive consolidation in the markets for new media and related services. The outlook for these segments was brought into line with market realities, with spending on IT and the Internet curtailed across all segments. Created last year and restructured in 2001, the New Business division was initially divided into three sections: Highlight Cross Media, Technology and New Ventures.

Highlight Cross Media developed and distributed cross-platform programs and marketing solutions. The netproducer GmbH joint venture, in which Highlight holds 60 %, acted as a know-how and production center for content engineering in fiscal 2001. netproducer's first product, FanTV financed by Sony Germany for FC Bayern München, was unveiled in autumn 2001.

The New Ventures division was responsible for searching for profitable companies with established brands, particularly in the business-to-business area of the entertainment industry, something which proved to be quite a challenge on account of the strict criteria which potential investment openings were required to meet. Of the 50 companies examined closely in 2001, none were able to fully meet our strict business model and profitability requirements.

In order to focus more firmly on the future, a decision was made for the Highlight Group to concentrate on its core film and sports marketing activities and to sell its New Business division effective March 30, 2002. In this connection, Highlight Communications AG will engage solely in these two core areas and otherwise confine itself to developing Vidair AG.

The Stock

Important to separate the good from the bad on the Neuer Markt

In tandem with the slump in the global economy, equities declined on a broad front in 2001. The entire global economy including all the major economies from the United States to Europe and Asia felt the effects of the downswing. The NEMAX 50, which also includes Highlight as one of the largest Neuer Markt media stocks, started the year off at 2,524 points and the NEMAX All Share at 2,518 points. After a brief recovery in the first quarter, both indices continued to slide until the late summer. The events and aftermath of September 11 caused the NEMAX 50 and NEMAX All Share to hit new lows for the year of 684 and 724 points respectively, equivalent to a loss of 73 and 71 % respectively over the beginning of the year. By year-end, the two indices had rebounded to 1,150 and 1,096 points respectively, closing the year down 54 and 56 % respectively. This trend is also reflected in other key indices which also closed the year lower, with the DAX down 20 %, the Dow Jones down 6 %, the Nikkei down 24 % and the Euro Stoxx 50 down 19 %.

Highlight stock was unable to escape this negative trend either. Although it rose to over EUR 13 in January, it plunged to a low for the year of EUR 2.09 on September 11 due not only to the general market weakness but also the termination of the agency contract for the UEFA Champions League marketing rights. Uncertainty surrounding the future of this contract initially exerted strong pressure on the stock in the summer, with sharp volatility arising as of November as the announcement of UEFA's decision approached. After UEFA postponed its decision until January 2002 in mid December, the stock closed the year at EUR 3.45 per participation right.

Stock price trend

The comparison of Highlight stock to the NEMAX 50 and NEMAX All Share reveals a high degree of correlation over the year as a whole.

The crisis in the media sector which had been looming since the end of 2000 worsened in 2001. Profit warnings, restructuring and even bankruptcies were the order of the day due to exorbitant prices in the film license market and deteriorating conditions on the sales side. The events and aftermath of September 11 merely served to amplify these trends. As a result, several license dealers experienced difficulty realizing their film-library assets, leading to payment defaults and insolvency.

However, the Highlight Group remains on target. Thanks to our broad product range as well as our cautious purchasing policies, we managed to continue successfully marketing our film licenses in contrast to many of our competitors. In addition to straight license trading, we have stable sources of business in the form of the very successful Rainbow video/DVD marketing companies in Austria and Switzerland as well as Joe's Multimedia (largest multimedia group in the German-speaking part of Switzerland) and our partnership venture with Paramount in Germany. Moreover, now that the marketing agreement with UEFA has been renewed, we have a source of stable and reliable sources of income up until 2006.

Unlike many other film-license dealers, the Highlight Group had liquidity (including securities) of CHF 90.4 million on December 31, 2001. Operating cash flow came to CHF 61.6 million (previous year: CHF 48.2 million). Reserves were created for future years by writing off nearly all of the goodwill arising from the acquisition of TEAM as well as by taking a non-scheduled charge on film rights in accordance with US accounting rules for film assets. Moreover, the possible impacts of the petition for insolvency filed by parts of the Kirch Group on April 8, 2002 have already been taken into account in full in the 2001 financial statements. These are the Highlight Group's economic highlights.

At a price of EUR 3.15 per participation right on March 28, 2002, Highlight stock is still trading at a strong discount on the fair values calculated by analysts, which are mostly around EUR 5–7, notwithstanding the successful renewal of TEAM's marketing contracts until 2006. It seems that Highlight is unable to shrug off the effects of the negative sentiment in the Neuer Markt as a whole and in the media sector in particular in spite of its relatively strong enterprise value.

The exuberance experienced in the Neuer Markt has given way to disillusionment and indeed fear of new disappointments on the part of investors. As a result, investors are focusing on traditional valuation criteria such as profit and gearing to a greater extent once more.

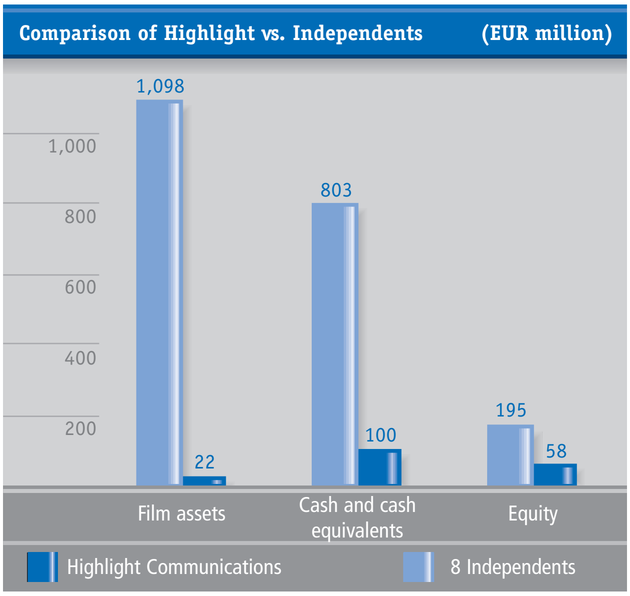
A comparison of the nine-month figures posted by the media license traders listed on the Neuer Markt for 2001 with the equivalent figures announced by Highlight Communications AG reveals the following:

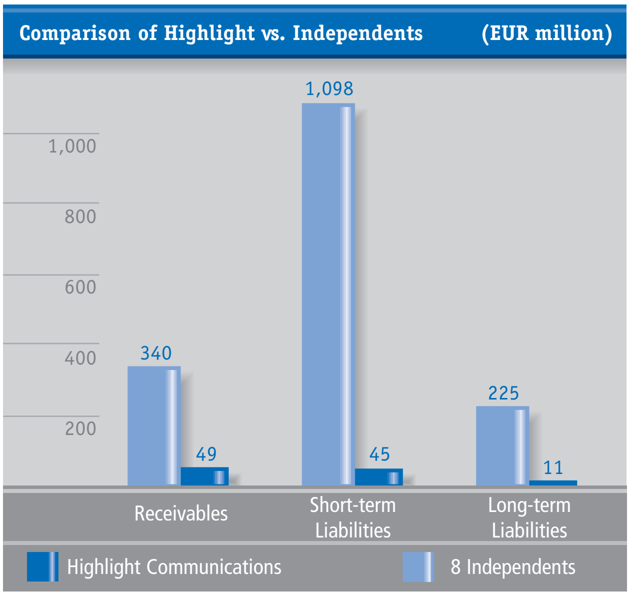
The total film assets of the members of the peer group comprising Highlight Communications, Senator, Kinowelt (excluding the Warner package deal), Constantin, Advanced Medien, Helkon, Splendid, Intertainment were valued at EUR 1,098 million as at September 30, 2001. Highlight's total film licenses were valued at EUR 22 million, equivalent to a share of only 2 % of aggregate film assets. By contrast, the aforementioned companies had total equity of EUR 803 million. Even after the non-scheduled charges worth roughly EUR 155.1 million taken in the second and third quarters, Highlight still had equity of some EUR 100 million, equivalent to roughly 12 % of the sector total. Thus, the Highlight Group boasts an adequate ratio of assets to equity, which is more than can be said of many other companies.

A comparison of liquidity amongst the peer group makes the difference even more obvious: On September 30, 2001, the companies in question had total liquidity of approx. EUR 195 million, of which the Highlight Group alone accounted for EUR 58 million. Thus, although it holds only a small 2 % of the sector's film assets, it leads its peers with a share of roughly 30 % of total liquidity.

This view can also be widened to include revenues. Thus, the companies carried total receivables of EUR 340 million, of which Highlight accounted for EUR 49 million or roughly 14 %. Turning to short-term liabilities, Highlight has only a share of roughly 4 % or EUR 45 million of the aggregate value of EUR 1,098 million.

The more transparent a company is the easier it is for investors to correct the over or undervaluation of individual media stocks. This is a sign of a maturing market. In spite of all the setbacks, the Neuer Markt, which celebrated its fifth anniversary on





March 10, 2002, is unanimously assumed to have overcome its teething problems and achieved a new degree of maturity. Yet, even a mature market is subject to fluctuation, while bankruptcies are an entirely normal phenomenon. Incidentally, a glance at the history of the NASDAQ reveals that each year several hundreds of companies disappear from this index, which has been in existence for roughly 30 years, on account of mergers and insolvencies. Moreover, strong fluctuation was also typical of the early phase of the NASDAQ. In fact, on its fourth birthday it was off its highs by some 60 %. Viewed with hindsight, these losses are merely small dents in the long-term trend.

Rising stock prices depend on a number of factors: an upbeat economic outlook, investor confidence, dynamic business growth and extensive information on the company.

Standards and transparency instill confidence: Deutsche Börse as the owner of the Neuer Markt has already imposed extremely stringent disclosure requirements on listed companies. Thus, Neuer Markt companies are required to meet many reporting requirements such as structured quarterly reports or the disclosure of director dealings (i.e. buying or selling of the company's stock by members of its management board and supervisory board). The Highlight Group has welcomed these high standards from the outset and always complied with them on time.

The Board of Directors and the employees are responsible for ensuring that the Group continues to grow successfully and steadily. With the specific precautionary accounting measures taken in 2001, its high operating cash flow, the successful renewal of the marketing contract and ample liquidity, the Highlight Group is ideally poised to continue expanding. In order to communicate the very favorable situation in which the Highlight Group finds itself as a means of overcoming the current muted sentiment and of spurring the stock, direct investor relations have been strengthened. Thus, road shows (e. g. in Dubai and Abu Dhabi) as well as the participation in private-investor fairs (e. g. INVEST 2002 in Stuttgart) were organized at the beginning of 2002. This will remain a main thrust of the investor relations activities in 2002 so as to set the Highlight Group apart more effectively from other Neuer Markt stocks.

Research reports on Highlight	
GBC-Research of April 22, 2002	accumulate
Consors Capital of April 15, 2002	buy
ABN Amro of April 10, 2002	hold
Landesbank Baden-Württemberg of April 10, 2002	buy
SES Research of March 26, 2002	Outperformer
Sal. Oppenheim of March 27, 2002	neutral
Helaba Trust of March 25, 2002	overweight
Morgan Stanley of March 18, 2002	reduce
LRP Landesbank Rheinland-Pfalz of January 28, 2002	hold

Share-related figures	
Amount of shares (million)/participation rights	4.725/47.250
Market capitalization December 31 (EUR million)	163.01
Earnings per share	–59.138
Nominal value per share	CHF 10
SIN	920 305
ISIN	DE 000 920 305
OTC	HLGD
Reuters code	HLGDq.DE
Listed at	Berlin, Bremen, Düsseldorf, Hamburg, Hannover, München, Stuttgart, XETRA

Report of the Board of Directors

Fiscal 2001 was characterized by a global economic slowdown, declines in stock markets and the events and aftermath of September 11, 2001.

Higher revenues in the Sports division

Sales in fiscal 2001 amounted to CHF 160.8 million (previous year: CHF 170.9 million). In the process, the possible impact of the insolvency petition by parts of the Kirch Group were taken into account in full within the scope of a very cautious scenario. 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 88.9 million (previous year: CHF 105.2 million; Sports division CHF 71.6 million (previous year: CHF 65.7 million). The New Business division posted only marginal revenues of CHF 0.3 million on account of changed market conditions.

Specific accounting measures to take pressure off future years

In order to prepare for future years, the Group systematically adapted to changing conditions in the overall economy as well as the financial markets in 2001. This involved streamlining its balance sheet and taking precautionary measures in the course of the year.

As already reported on June 30, 2001, a charge of CHF 135.5 million was taken on the goodwill of TEAM in the second quarter on the basis of a very cautious scenario in response to UEFA's decision to invite bids for a new contract following the termination of the existing agreement between UEFA and TEAM. As at December 31, 2001, the remaining goodwill was being carried at CHF 16.9 million notwithstanding the fact that TEAM had been awarded the commercial marketing rights for the UEFA Champions League for the 2003/04, 2004/05 and 2005/06 seasons by the UEFA executive committee on January 23/24, 2002 in Porto at the conclusion of the selection procedure. Thus, TEAM successfully prevailed over other renowned competitors in this selection procedure. At the same time, an option clause concerning TEAM was signed with UEFA to cover the possibility of third-party acquisition of the Highlight Group.

In connection with these adjustments, the carrying values of the investments in media[netCom] and Vidair were reviewed and as far as commercially possible written off.

The third quarter saw adjustments to the recognition principles applied to film licenses, resulting in a further tightening of the already conservative accounting for film assets. In spite of already above-average depreciation rates by sector standards (normally only a maximum of 15 % was previously retained for secondary exploitation of film licenses), the valuation principles for film licenses were brought into line with the stricter US-GAAP rules (SOP 00/2). The changed depreciation rates are now normally 10 % for cinema, 20/30 % for video/DVD, 10 % for pay TV and 60/70 % for free TV. As a result, film licenses are now generally written off in full after the first exploitation stage. Secondary rights are now only being carried at a maximum of 20 % in individual cases. Following this revaluation of the film library, a once-off charge of CHF 68.7 million was taken. As reported on September 30, 2001, we think that it is necessary to revalue the film licenses carried on our books not only in the light of US-GAAP rules, which are more stringent than IAS as the latter does not include any detailed valuation rules, but also as a result of the changed situation in the German-speaking film-license market (concentration of TV broadcasters' purchasing power in tandem with lower film purchasing prices due to the reduction in TV broadcasters' advertising revenues as well as heightened competition on the part of license dealers in marketing films to broadcasters). As a result of these adjustments, license expenditure (depreciation of film assets) rose to CHF 115.6 million (previous year: CHF 28.0 million). This means that as at December 31, 2001, the Highlight Group's entire film library is being carried at only CHF 37.1 million in spite of aggregate acquisition costs of CHF 281.3 million.

At the end of the year, the Group decided to focus on its core sports marketing and film business. Accordingly, Highlight Crossmedia AG and the 60 % stake in the Netproducer joint venture were sold in March 2002, while the share in Vidair was increased from 20 % to 53 %. Allowance is also made in the financial statements for fiscal 2001 for the cost of this realignment.

Owing to the petition for insolvency filed on April 8, 2002 by parts of the Kirch Group, possible impacts from the insolvency application were taken into account for fiscal 2001 in terms of a very cautious scenario. In total, the remaining residual debt receivable amounting to CHF 45.3 million was written down in full.

In the financial statements for the year 2001, CHF 282.4 million was spent on all these measures. For fiscal 2001, the Group will be carrying a once-only operating loss of CHF 254.0 million (previous year: profit of CHF 27.6 million). Consolidated loss after all exceptional charges comes to CHF 274.2 million (previous year: profit of CHF 26.1 million). All adjustments to the balance sheet have a neutral impact on cash flow. In fact, operating cash flow came to CHF 61.6 million (previous year: CHF 48.2 million).

Assets: Solid equity resources and copious liquidity

The Highlight Group's total assets dropped to CHF 188.7 million as at December 31, 2001 (previous year: CHF 478.0 million) as a result of the aforementioned adjustments.

The Group's fixed assets declined in value to CHF 65.5 million (previous year: CHF 267.4 million) due to these adjustments. This is manifested in a drop in investments to CHF 1.8 million (previous year: CHF 27.4 million), in film licenses to CHF 37.1 million (previous year: CHF 67.8 million) and in goodwill to CHF 20.6 million (previous year: CHF 156.9 million).

On December 31, 2001, the Highlight Group still had above-average equity resources of CHF 98.3 million (previous year: CHF 379.0 million). The equity ratio thus stands at a respectable 52 % (previous year: 79 %).

Short-term liabilities rose to CHF 67.6 million (previous year: CHF 51.2 million) for operative reasons, while long-term liabilities declined to CHF 16.0 million (previous year: CHF 32 million). Total bank liabilities equal CHF 32 million. On the other hand, the Group has liquidity reserves (cash and securities) of CHF 90.4 million.

Employees: High commitment in a difficult setting

The Highlight Group's success would have been unthinkable without the enthusiasm and commitment of its staff once more in what was a difficult year in 2001. Highlight Group employed 317 people as of the end of 2001 (previous year: 301). The Board of Directors of the Highlight Group wishes to thank the employees for their great dedication.

Focus on core sports marketing and film business

In order to focus more firmly on the future, a decision was made for the Highlight Group to concentrate on its core film and sports marketing activities. In connection with the realignment of its activities, the only activities outside its core business will be Vidair AG.

Although the euphoria of the Neuer Markt has given way to realism since the flotation of Highlight Communications on May 11, 1999, a situation which is currently exerting particular pressure on media stocks, we are still confident that the Highlight Group is well poised to grow profitably once more on the strength of the accounting adjustments made, its high operating cash flow and its copious liquidity.

Pfäffikon, at the beginning of April 2002

Bernhard Burgener	Jürgen Lenz
Reinhold Camenzind	Dr. Ingo Mantzke
Marc Conrad	Marco Syfrig
Andreas Fallscheer	Martin Wagner
Klaus J. Hempel	Heinz B. Wermelinger

Consolidated Financial Statements for the year ended December 31, 2001
of Highlight Communications AG, Pfäffikon

Consolidated Financial Statement		2001 CHF	2000 CHF
Sales			
– Sales		85,249,438	60,141,543
– License income	16	4,127,505	45,133,067
– Service income		71,474,545	65,671,751
		160,851,488	**170,946,361**
Other income	4	832,172	1,404,177
		161,683,660	**172,350,538**
License expense	13	115,610,153	27,989,938
Cost of goods sold		61,907,188	48,315,396
Personnel expense	5	36,571,013	30,346,532
Advertising		4,362,909	2,796,199
Depreciation/amortization	6	166,493,568	13,833,862
Various operating expenses		30,743,076	21,418,577
		415,687,907	**144,700,504**
Earnings from operating activities		**–254,004,247**	**27,650,034**
Financial expense	7	–15,553,539	16,589,324
Currency gain/loss		–646,353	–5,540,830
Earnings before taxes		**–270,204,139**	**38,698,528**
Taxes	8	–7,155,595	–6,781,452
Net profit		**–277,359,734**	**31,917,076**
Minority interests		3,129,155	–5,847,115
Net profit attributable to Group		**–274,230,579**	**26,069,961**
Basic earnings per share	9	–59,138	5.730
Diluted earnings per share	9	–59,138	5.730

Highlight Communications AG, Pfäffikon –
Consolidated Balance Sheet for the year ended December 31, 2001

ASSETS		12/31/2001 CHF	12/31/2000 CHF
Fixed assets			
Long-term receivables	16	0	9,925,416
Equity interests	11	1,815,665	27,437,126
Tangible fixed assets	12	5,896,313	5,292,869
Film license rights	13	37,130,016	67,829,111
Goodwill	14	20,622,506	156,864,138
Deferred taxes	20	64,671	56,552
		65,529,171	**267,405,212**
Current assets			
Inventories	15	5,604,218	7,318,824
Short-term receivables	16	27,121,342	49,755,153
Securities	18	10,373,644	32,970,405
Cash and cash equivalents	17	80,063,284	120,557,175
		123,162,488	**210,601,557**
Total assets		**188,691,659**	**478,006,769**

SHAREHOLDERS' EQUITY AND LIABILITIES		12/31/2001 CHF	12/31/2000 CHF
Shareholders' equity			
Share capital	19	47,250,000	47,250,000
Statutory reserves		800,000	800,000
Share premium		283,919,567	290,051,575
Treasury stock		–1,132,350	–829,030
Unappropriated profit/accumulated loss		–232,401,456	41,829,123
Currency translation differences		–149,543	–46,535
		98,286,218	**379,055,133**
Minority interests		6,725,641	15,585,163
Long-term liabilities			
Liabilities subject to interest	22	16,000,000	32,000,000
Deferred taxes	20	69,121	123,036
		16,069,121	**32,123,036**
Short-term debt			
Trade payables and other liabilities	21	40,068,095	25,328,865
Liabilities subject to interest	22	16,000,000	16,280,705
Tax accruals		8,868,784	9,258,867
Accruals	24	2,673,800	375,000
		67,610,679	**51,243,437**
Total shareholders' equity and liabilities		**188,691,659**	**478,006,769**

Highlight Communications AG, Pfäffikon – Statement of Changes in Equity for Fiscal 2001

	Share capital CHF	Statutory reserves CHF	Share permium CHF	Treasury stock CHF	Unappropriated profit/ accumulated loss CHF	Translation differences CHF	Total CHF
Balance as at December 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
Capital increases	4,250,000		167,020,627				171,270,627
Buyback of own shares			–36,573,309	–1,115,240			–37,688,549
Issue of own shares			16,020,587	938,210			16,958,797
Net profit attributable to group					**26,069,961**	**–36,394**	**26,033,567**
Balance as at December 31, 2000	**47,250,000**	**800,000**	**290,051,575**	**–829,030**	**41,829,123**	**–46,535**	**379,055,133**
Differences from currency translation						–92,801	–92,801
Buyback of own shares			–6,710,303	–427,080			–7,137,383
Issue of own shares			578,295	123,760			702,055
Consolidated loss					**–274,230,579**	**–10,207**	**–274,240,786**
Balance as at December 31, 2001	**47,250,000**	**800,000**	**283,919,567**	**–1,132,350**	**–232,401,456**	**–149,543**	**98,286,218**

Consolidated Cash Flow Statement		2001 CHF	2000 CHF
Inflow of funds from operating activities			
Group net profit/loss		–274,230,579	26,069,961
Minority interests in profit/loss		–3,129,155	5,847,115
Depreciation on tangible fixed assets	12	2,299,096	2,012,509
Depreciation on license rights	13	105,403,972	28,191,455
Depreciation on intangible assets	14	136,494,130	11,821,353
Depreciation on equity interests	11	27,452,325	0
Capital losses/gains on securities	18	16,457,832	–10,453,423
Valuation adjustments		0	–236,981
Non-charged issue and buyback of own shares		47,130	618,005
Changes to delineation of licenses	13	7,795,537	–608,235
Change in accruals		1,908,717	4,675,396
Changes in deferred tax		–62,034	103,709
Gains from disposal of fixed assets		21,341	–33,850
Cash flow before working capital changes		**20,458,315**	**68,007,014**
Change in current operation assets			
Inventories		1,714,606	–504,119
Receivables			
– Trade payables		24,098,466	–10,566,913
– due to related parties		4,811,060	–4,838,060
– Others		3,555,396	–7,926,020
Liabilities			
– Trade payables		1,065,916	–3,979,361
– due to related parties		411,324	0
– Others		5,466,425	8,056,528
Cash provided by operating activities		**61,581,508**	**48,249,069**
Investment and disinvestment activities			
Acquisition of tangible fixed assets	12	–3,127,985	–1,883,017
Acquisition/sale of financial assets	18	6,136,367	–12,366,755
Acquisition of equity interests		–1,855,847	–11,056,334
Acquisition of intangible fixed assets			
– License rights	13	–74,704,877	–66,105,479
Sale of tangible fixed assets		190,293	260,694
Cash used for investment activities		**–73,362,049**	**–91,150,891**

Consolidated Cash Flow Statement	2001 CHF	2000 CHF
Financing activities		
Increase in share capital	0	171,270,627
Minority capital payments	226,886	0
Payment of dividends (minority interests)	–6,198,139	–2,933,100
Purchase/sale of own shares	–6,482,458	–37,688,549
Repayment/granting of loans to related parties	–50,000	50,000
Repayment/granting of other loans	94,305	111,014
Acceptance/repayment of bank debts	–16,230,705	–7,218,591
Cash provided by (used for) financing activities	**–28,640,111**	**123,591,401**
Currency translation differences	**–73,239**	**–71,053**
Net inflow of funds	**–40,493,891**	**80,618,526**
Cash and cash equivalents at beginning of period	**120,557,175**	**39,938,649**
Cash and cash equivalents at end of period	**80,063,284**	**120,557,175**
Additional cash flow disclosures		
– Interest paid	2,565,258	3,790,757
– Tax paid	10,111,201	2,070,247
– Interest received	4,094,060	3,622,892
– Tax reimbursements received	2,435,487	0

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 317 people as at December 31, 2001 (previous year: 301).

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

Churerstrasse 168
CH-8808 Pfäffikon
Switzerland

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 accounts are based on historical costs with the exception of listed securities which are carried at their market value, as well as other financial instruments (see separate comments of financial instruments).

The following IAS principles were used for the first time:

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

Fiscal 2001:
IAS 12 Income taxes (revised 2000)
IAS 19 Employee benefits (revised 2000)
IAS 39 Financial instruments: recognition and measurement
IAS 40 Investment property

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

The application of IAS 39 for the first time did not produce any deviations in the starting balance sheet or equity.

In fiscal 2001, the income statement was altered compared with the previous year. Investment income is now assigned to financial expense (previous year: other income). Exchange-rate gains/losses are shown under financial expense (previous year: operating earnings).

Moreover, in the previous year, securities worth CH 4,892,353 were assigned to cash and cash equivalents.

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 % 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 deviate from Group accounting principles.

Please refer to Note 25 (acquisition of equity interests) and Note 26 (consolidated companies) for details of changes to the consolidation perimeter. Note 26 includes the list of consolidated companies.

Companies in which Highlight Communications AG holds between 20 and 50 % of the voting rights are carried at their prorated equity value provided that it is intended for these interests to be retained over a long term.

The consolidated financial statements were approved by the Board of Directors on March 26, 2002 and released for publication.

The consolidated financial statements were approved by the Board of Directors on March 26, 2002 and released for publication. Following the application for insolvency filed by parts of the Kirch Group on April 8, 2002, the financial statements for the year were corrected again. The revised consolidated financial statements were approved by the Board of Directors on April 17, 2002 and released for publication.

Film rights

Film rights are carried at amortized cost 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.

The amortization method was modified in the year under review in the light of new data; in particular, the amortization rates for primary TV exploitation were increased from 55 % to 70 % for normal cases. On the other hand, secondary rights are now no longer recognized (15 % in earlier years). However, to the extent that secondary exploitation is likely in view of the type and quality of the film, secondary rights are valued at a maximum of 20 % and capitalized accordingly in material individual cases. Following this modification, amortization is charged for the various exploitation stages as follows:

Cinema exploitation	10 %
Video/DVD	20/30* %
Pay TV	10 %
Free TV	60/70** %
Secondary rights	maximum of 20 % in exceptional cases

* if a film is not utilized for cinema exploitation of the rights, then the rate rises to 30 %.
**if a film is not utilized for pay TV exploitation of the rights, then the rate rises to 70 %.

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. Goodwill is written down on a straight-line basis over its expected useful life, provided that this does not exceed 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.

Foreign currencies were converted at the following rates:

	Year-end exchange rate		Mean exchange rate for year	
	2001	2000	2001	2000
Deutsche Mark (DEM)	75.74	77.84	77.23	79.64
Österreich. Schilling (ATS)	10.77	11.06	10.98	11.32
Euro (EUR)	1.4813	1.5224	1.5104	1.5576
US dollar (USD)	1.6840	1.6380	1.6875	1.6890

Financial instruments

The financial instruments in the balance sheet include cash and bank balances, short-term securities, non-consolidated equity interests, long-term receivables, trade receivables and trade payables, as well as third-party debt. Financial instruments are categorized as follows depending on their purpose: loans and receivables, instruments held for trading, held-to-maturity investments and available-for-sale instruments. Investments held for the purpose of deriving short-term gains from changes in value are categorized as assets held for trading. If the Group intends to hold assets until maturity and is able to do so, such assets are classified as held-to-maturity investments. On the other hand, assets held for an indefinite period are classified as available-for-sale financial assets. Reference is made to the principles relating to the individual items for details of allocation and measurement.

Financial liabilities are carried at amortized costs expect those held for trading purposes as well as derivative financial instruments.

Cash and cash equivalents

The cash flow statement presents 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. Securities are classified as available-for-sale financial assets.

Trade receivables/long-term receivables

Short-term receivables are shown at their nominal value.

Receivables with a term of more than one year are carried as long-term receivables. If the receivables do not attract any interest, a cash-value deduction is taken and the relevant sales reduced by the same amount.

The necessary value adjustments have been made for doubtful receivables.

Inventories

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.

Equity interests

Non-consolidated minority interests are carried as available-for-sale financial assets. If there is an active market for such interests or market values can be determined in some other way, they are shown at their market value. If the market value cannot be reliably calculated, they are shown at cost less necessary value adjustments.

Value adjustments and writedowns are charged to the income statement.

Tangible fixed assets

Tangible fixed assets are valued at cost less depreciation necessary for business purposes.

These assets are written down on a straight-line basis over their estimated useful lives. The following rates apply:

Operating equipment	12–33 %
Computer equipment	20–33 %
Motor vehicles	20–33 %

In the previous year, individual assets were written down on a sliding-scale basis. This depreciation method was replaced by straight-line depreciation as of January 1, 2001. This had only an immaterial impact on annual accounts for 2001.

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

Gains and losses from the disposal of assets are charged to the income statement at an amount equaling the difference between the proceeds of the sale and the book 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 for the most part on undefined contributions and are managed by independent insurance companies which bear the full risk. Only in the case of one provision contract entered into with an insurance company is the group company under any obligation to pay compensation to make up a shortfall on the date on which the contract is terminated. This is a performance-tied provision scheme. In view of the modest value of the contract, the possible obligations and surpluses arising from it have not been included.

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 excluding VAT and minus sales returns. License income is reduced upon the licenses being sold by the interest component in the case of long-term payment conditions. This is carried as a reduction in sales.

3. Segment information

The Group comprises three divisions – "Film", "Sports" and "New Business".

Segmentation has been modified in that central holding-company expenses which cannot be allocated to individual divisions are now shown separately. The previous year's figures have been modified accordingly.

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

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 on a world-wide basis for marketing the UEFA Champions League.

The New Business division's operating business covers both the activities of Highlight Intertechnology AG, which was incorporated in December 1999 with Highlight holding 95 % of its capital, Netproducer GmbH, in which Highlight Communications AG has held a 60 % stake since its incorporation in April 2001, and the new activities of Highlight Crossmedia AG (formerly Highlight Operations AG).

The central holding-company management activities are shown separately in the segmentation. These primarily comprise management, IT and investor-relations costs which cannot be broken down by segment. Assets are primarily made up of cash and securities holdings. Liabilities refer to bank loans.

Controlling for these segments is undertaken centrally.

Primary segment informations provided on the following page.

Primary segment reporting – business segments

	Film		Sport		New Business		Consolidation	
	2001 CHF	2000 CHF	2001 CHF	2000 CHF	2001 CHF	2000 CHF	2001 2001	2000 CHF
Income								
Income with third parties	88,942,633	105,241,692	71,627,457	65,704,669	281,398	0		
	88,942,633	105,241,692	71,627,457	65,704,669	281,398	0	160,851,488	170,946,361
Earnings								
Segment profit/loss	–110,892,616	11,795,806	–95,572,700	23,124,667	–35,454,794	–890,456	–241,920,110	34,030,017
Central holding-company costs							–12,084,137	–6,379,983
Financial expense/currency losses							–16,199,892	11,048,494
Group loss/profit before tax							**–270,204,139**	**38,698,528**
Taxes							–7,155,595	–6,781,452
Minority interests							3,129,155	–5,847,115
Net loss/profit attributable to Group							**–274,230,579**	**26,069,961**
Segment assets	71,963,030	124,445,328	25,310,564	165,809,197	1,981,286	28,137,537	99,254,880	318,392,062
Holding-company assets							89,436,779	159,614,707
							188,691,659	478,006,769
Segment liabilities	43,255,474	13,326,711	2,931,863	21,373,205	4,694,343	93,469	50,881,680	34,793,385
Holding-company liabilities							32,798,120	48,573,088
							83,679,800	83,366,473
Spending on fixed tangible assets	733,365	643,728	1,542,334	697,106	59,660	274,537	2,335,359	1,615,371
Holding-company spending							792,626	267,646
							3,127,985	**1,883,017**
Spending on film rights	74,704,877	66,222,341	0	0	0	0	74,704,877	66,222,341
Intangible fixed assets	0	0	0	0	254,449	0	254,449	0
Depreciation/amortization								
– Fixed tangible assets	933,660	807,936	866,082	773,792	72,592	136,067	1,872,334	1,717,795
– Holding-company depreciation/amortization							426,762	294,714
							2,299,096	**2,012,509**
– Licences								
– Scheduled amortization	36,705,657	28,191,455	0	0	0	0		
– Non-scheduled amortization	68,698,315	0	0	0	0	0		
	105,403,972	**28,191,455**	**0**	**0**	**0**	**0**	**105,403,972**	**28,191,455**
– Others								
– Scheduled amortization	516,477	515,847	11,269,856	11,269,856	502,463	35,650		
– Non-scheduled amortization	0	0	123,943,998	0	27,906,478	0		
	516,477	**515,847**	**135,213,854**	**11,269,856**	**28,408,941**	**35,650**	**164,139,272**	**11,821,353**
Holding-company depreciation/amortization							55,200	0
							164,194,472	**11,821,353**

Other depreciation and amortization includes goodwill amortization of CHF 136,494,130 and amortization of equity interests of CHF 27,452,328.

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

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 divisions in Switzerland are for recipients in Germany.

	2001 CHF	2000 CHF
Switzerland	135,063,467	143,023,897
Germany	16,539,615	18,273,066
Austria	9,248,406	9,649,398
Total	**160,851,488**	**170,946,361**

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

	Book value of Segment assets		Spending on tangible and intangible fixed assets	
	12/31/2001 CHF	12/31/2000 CHF	2001 CHF	2000 CHF
Switzerland	175,566,708	463,461,249	77,819,625	67,900,998
Germany	10,252,840	11,735,374	157,225	151,306
Austria	2,872,111	2,810,146	110,461	53,054
Total	**188,691,659**	**478,006,769**	**78,087,311**	**68,105,358**

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

4. Other income

	2001 CHF	2000 CHF
Value adjustments	0	445,881
Miscellaneous	832,172	958,296
Total	**832,172**	**1,404,177**

In the previous year, other assets also included investment income. This is now assigned to financial expense on account of the changes to presentation. The previous year's figures have been modified accordingly.

5. Personnel expense

	2001 CHF	2000 CHF
Wages and salaries	29,771,991	25,240,648
Social contributions	2,970,539	2,673,772
Outlays for contribution-based pension plans	1,062,764	795,189
Outlays for performance-based pension plans	163,289	189,744
Miscellaneous personnel expenses	2,602,430	1,447,179
Total	**36,571,013**	**30,346,532**
Number of employees at end of year:		
– Switzerland	294	277
– Germany	15	15
– Austria	8	9
Total	**317**	**301**

Actual expense on performance-based provision plans does not differ materially from that carried. See also notes on valuation principles (provisions for employee benefits).

6. Depreciation/amortization

	2001 CHF	2000 CHF
Fixed tangible assets (see Section 12)	2,299,096	2,012,509
Goodwill (see Section 14)		
– scheduled	12,550,132	11,821,353
– non-scheduled	123,943,998	0
	136,494,130	**11,821,353**
Equity interests (see Section 11)	27,452,328	0
Miscellaneous	248,014	0
Total	**166,493,568**	**13,833,862**

Details of the individual depreciation items are set out in the notes relating to the corresponding asset.

7. Financial expense

	2001 CHF	2000 CHF
Interest expense		
– on short-term bank liabilities	–331,342	–532,092
– on long-term bank liabilities	–2,146,511	–2,443,161
Various forms of interest and expenses	–379,808	–815,504
Securities costs	–16,507,147	–299,924
Total	**–19,364,808**	**–4,090,681**
Interest income		
– from fixed-term deposits and bank accounts	3,367,471	3,535,644
– from bonds	108,833	0
Option income	0	5,578,326
Miscellaneous interest	140,916	87,448
Dividends	144,734	0
Income from securities	49,315	11,478,587
Total	**3,811,269**	**20,680,005**
Total net financial expense	**–15,553,539**	**16,589,324**

Total securities expense includes realized losses of CHF 9,719 and non-realized losses of CHF 16,497,428. The non-realized losses contain loss of CHF 12.6 million as a result of the impairment in the market value of the shares held in media[netCom] AG. The securities are available for sale.

Fixed-term deposits were made in CHF and DEM. The CHF deposits are subject to an average interest rate of 2.97 % and the DEM deposits 4.16 %.

Net financial income was included in other income in the previous year. In the year under review, it is now included under financial expense. The previous year's figures have been modified accordingly.

8. Taxes

	2001 CHF	2000 CHF
Income tax	–7,219,205	–6,677,743
Deferred income tax owing to the creation and reversal of temporary differences	63,610	–103,709
Tax expenses	**–7,155,595**	**–6,781,452**

Expected tax expense is calculated by multiplying the local tax rate with the pre-tax earnings of each individual group company. This expected tax expense differs from effective tax expense as follows:

	2001 CHF	2000 CHF
Earnings before tax	–270,204,139	38,698,528
Tax at applicable rate of 19.69 % (19.41 %)	–53,200,571	7,511,783
Tax losses not included in the balance sheet	32,720,314	219,151
Netted tax losses	–217,160	–664,464
Netting of non-deductible expenses	27,838,295	621,918
Deductions for equity interests	0	–1,006,635
Tax refunds and release of tax accruals for earlier years	–90,757	–246,229
Other	105,474	345,928
Tax expenses	**7,155,595**	**6,781,452**

The effective tax rate of 19.69 % results from summarizing the figures of the individual consolidated companies.

Non-deductible expenses primarily entail goodwill amortization.

9. Earnings per share

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

	2001 CHF	2000 CHF
Group earnings attributable to shareholders	–274,230,579	26,069,961
Weighted average number of shares	4,637,115	4,547,917
Basic earnings per share	–59,138	5.730
Diluted earnings per share	–59,138	5.730
Basic earnings per fractional right	–5,914	0.573
Diluted earnings per fractional right	–5,914	0.573

10. 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 2000 business year. Highlight Communications AG does not plan to distribute a dividend for 2001.

11. Non-consolidated equity interests

	Vidair AG CHF	Radio Edelweiss Nostalgie Betriebs AG CHF	Total CHF
Acquisition costs:			
January 1, 2001	27,397,128	81,300	27,478,428
Purchase	1,711,665	119,200	1,830,865
Sale	0	0	0
December 31, 2001	**29,108,793**	**200,500**	**29,309,293**
Value adjustments:			
January 1, 2001	0	–41,300	–41,300
Value adjustments for year	–27,397,128	–55,200	–27,452,328
December 31, 2001	**–27,397,128**	**–96,500**	**–27,493,628**
Net book values January 1, 2001	**27,397,128**	**40,000**	**27,437,128**
Net book values, December 31, 2001	**1,711,665**	**104,000**	**1.815,665**

As these minority interests are not traded in any active market, no market values are available. Nor can market values be reliably determined in any other way. Accordingly, they are carried at cost less necessary value adjustments with a view to being sold in the future.

In the year under review, a non-scheduled charge of CHF 27,397,128 was taken on the minority interest in Vidair AG in Mönchengladbach and recognized in the income statement (see segment earnings). In addition, a new investment of CHF 1,711,665 was made, as a result of which the share in the company's equity increase from 19.80 % to 44.75 %. The book value of the equity interests on December 31, 2001 equals the new investment of CHF 1,711,665 (12/31/00: CHF 27,397,128).

The equity interest was further increased to 52.94 % after the balance-sheet date. As a strategic partner is currently being sought, Vidair AG is continuing to be held as a non-operative equity interests and is therefore not consolidated in 2001.

In the year under review, Rainbow Video AG (100 % subsidiary) increased its share in Radio Edelweiss Nostalgie Betriebs AG to 23.12 %. The value of the share was written up to CHF 96,500, meaning that it is carried at a book value of CHF 104,000 as of the balance-sheet date.

12. Fixed assets

	Office equipment CHF	Computer equipment CHF	Vehicles CHF	Total CHF
Acquisition costs:				
January 1, 2001	10,329,176	3,099,073	1,666,081	15,094,330
Translation differences	–18,983	–11,279	–11,830	–42,092
Additions	1,575,299	898,930	653,756	3,127,985
Disposals	–234,213	–749,740	–485,126	–1,469,079
December 31, 2001	**11,651,279**	**3,236,984**	**1,822,881**	**16,711,144**
Depreciation:				
January 1, 2001	–7,167,655	-2,019,540	–614,265	–9,801,460
Translation differences	17,324	5,361	5,596	28,281
Depreciation for the year	–975,417	–934,529	–389,150	–2,299,096
Disposals	217,426	748,641	291,377	1,257,444
December 31, 2001	**–7,908,322**	**–2,200,067**	**–706,442**	**–10,814,831**
Net book values January 1, 2001	**3,161,521**	**1,079,533**	**1,051,816**	**5,292,870**
Net book values December 31, 2001	**3,742,957**	**1,036,917**	**1,116,439**	**5,896,313**

Fire insurance values	12/31/2001 CHF	12/31/2000 CHF
Furniture	5,192,130	4,892,400
Computer equipment	2,891,336	2,182,482

In the previous year, individual assets were written down on a sliding-scale basis. This depreciation method was replaced by straight-line depreciation as of January 1, 2001. As the effect on the financial statements for 2001 as well as previous years is minimal, the previous years' figures have not been modified.

13. Film rights

	2001 CHF	2000 CHF
Acquisition costs:		
January 1	229,388,636	163,283,157
Additions	74,704,877	66,222,341
Disposals	–22,799,934	–116,862
December 31	**281,293,579**	**229,388,636**
Amortization:		
January 1	–161,559,525	–133,368,070
Additions (scheduled)	–36,705,657	–28,191,455
Additions (as a result of remeasurement)	–68,698,315	0
Disposals	22,799,934	0
December 31	**–244,163,563**	**–161,559,525**
Net book values January 1	**67,829,111**	**29,915,087**
Net book values December 31	**37,130,016**	**67,829,111**

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

	2001 CHF	2000 CHF
Amortization of licenses (scheduled)	36,705,657	28,191,455
Amortization (as a result of remeasurement)	68,698,315	0
Changes in accruals for license expense (see Section 21)	7,795,537	–608,235
Misc. License expenses/guarantees	2,410,644	406,718
License expense pursuant to income statement	**115,610,153**	**27,989,938**

The market situation for German-language film rights trading changed materially last year. This was due to the concentration of TV stations' purchasing power, lower film prices as a result of reduced advertising revenues on the part of TV stations as well as heightened competition amongst license dealers. As a result, the value of the entire film library was remeasured in autumn 2001.

In this connection, a non-recurring charge of CHF 68.7 million was taken in fiscal 2001 to bring the existing film licenses into line with the prevailing market situation.

As at December 31, 2001, there were off-balance-sheet liabilities of CHF 16.2 million (previous year: CHF 31.5 million) for the acquisition of film licenses.

14. Goodwill

	2001 CHF	2000 CHF
Acquisition values		
January 1	174,834,096	174,869,918
Translation differences	–11,550	–17,905
Additions	254,449	0
December 31	**175,076,995**	**174,852,013**
Amortization		
January 1	–17,969,958	–6,177,460
Translation differences	9,599	10,938
Scheduled amortization for the year	–12,550,132	–11,821,353
Non-scheduled amortization for the year	–123,943,998	0
December 31	**–154,454,489**	**–17,987,875**
Net book values January 1	**156,864,138**	**168,692,458**
Net book values December 31	**20,622,506**	**156,864,138**

Notice of termination for the contract between UEFA and Team for the marketing of the Champions League effective June 30, 2003 was received on June 30, 2001. As a result of this notice of termination by UEFA and an invitation for tenders for a new contract, a non-scheduled charge of CHF 123,943,998 was taken on the Team goodwill over and above the scheduled charge of CHF 11,269,856 in fiscal 2001. This unscheduled charge was calculated in such a way that the goodwill will be written off in full as at June 30, 2003 on the basis of a scheduled charge of approx. CHF 11.3 million per year. The residual value as at December 31, 2001 stood at CHF 16.9 million.

15. Inventories

	12/31/2001 CHF	12/31/2000 CHF
Video cassettes/DVD		
– Retail	3,195,304	3,117,515
– Wholesale	1,833,209	901,177
CDs	237,262	451,828
Games/CD-ROM	392,479	391,994
Capitalized film costs	191,168	2,362,051
Other	80,258	141,548
	5,929,680	**7,366,113**
Value adjustments	–325,462	–47,289
Total	**5,604,218**	**7,318,824**

Used cassettes for hire and sale are already carried at the lower market prices.

16. Receivables (short and long-term)

	12/31/2001 CHF	12/31/2000 CHF
Short-term		
Trade receivables		
– due from third parties	41,102,126	34,893,541
less non-scheduled charges	–20,381,634	0
– due from related parties	27,000	4,012,015
Loans to third parties	287,634	381,939
Prepared expenses	3,108,851	2,271,135
Other receivables		
– due from third parties	2,977,365	7,370,478
– due from related parties	0	826,045
Total short-term receivables	**27,121,342**	**49,755,153**
Long-term		
Trade receivables		
– due from third parties	25,649,351	10,341,216
less cash deductions	–734,178	–415,800
less non-scheduled charges	–24,915,173	0
Total long-term receivables	**0**	**9,925,416**
Total	**27,121,342**	**59,680,569**

The long-term receivables primarily comprise interest-free receivables from the sale of film licenses. As these receivables are discounted at a rate of 4 %, the book value is largely identical to the fair value of these receivables.

Short-term receivables include a sum of CHF 23.3 million and long-term receivables a sum of CHF 24.9 million (CHF 25.6 million less cash reduction of CHF 0.7 million) due from Kirch Media GmbH & Co. KGaA and related companies (ProSieben Media AG). This accounts for roughly 67 % of the short and long-term receivable shown. Of these, CHF 4.9 million was due on the balance-sheet date. As of the date of this report, a sum of CHF 2.9 million of this amount due for payment had been received.

The long-term receivables fall due for payment as follows:

	CHF
1st quarter of 2003	4,978,958
2nd quarter of 2003	7,417,786
3rd quarter of 2003	4,959,077
4th quarter of 2003	2,650,900
1st quarter of 2004	1,022,490
2nd quarter of 2004	4,620,140
Total	**25,649,351**

As a result of the application for insolvency filed by parts of the Kirch Group (see Section 30), the remaining residual receivable of CHF 45.3 million was written off in full in the year under review. The adjustment was directly charged to license income in the income statement.

As a result, license income is now as follows:

	CHF
License income in 2001	49,424,312
less non-scheduled charges	–45,296,807
License income as carried on the income statement	**4,127,505**

17. Cash and cash equivalents

	12/31/2001 CHF	12/31/2000 CHF
Cash holdings	129,036	194,101
Postal giro balances	113,647	53,065
Bank balances	27,105,342	12,992,079
Call money	4,317,990	9,490,435
Term deposits up to 90 days	48,397,269	97,827,495
Total	**80,063,284**	**120,557,175**

See Section 7 for details of interest rates.

18. Securities

	2001 CHF
Securities at begin of period	
Book value January 1, 2001	32,970,405
Additions	2,264.853
Disposals	–8,401,220
Losses/gains	
– non-realized	–16,461,052
– realized	3,220
Translation differences	–2,562
Securities at end of period	
Book value December 31, 2001	**10,373,644**

The figure for the end of the period comprises listed securities of CHF 10,329,164. The book values are equivalent to the market values on the balance-sheet date.

19. Share capital

	Bearer shares Number of shares	CHF
December 31, 1999	4,300,000	43,000,000
Capital increases	425,000	4,250,000
December 31, 2000	**4,725,000**	**47,250,000**
Capital increases	0	0
December 31, 2001	**4,725,000**	**47,250,000**

On May 30, 2000, the Annual General Meeting established authorized share capital of CHF 12,750,000 and empowered the Board of Directors to effect a further capital increase by issuing 1,275,000 bearer shares at CHF 10 each. Such a capital increase has not yet been effect.

In 2001, a total of 38,045 shares were bought back and 3,000 of the Company's own shares resold. 9,377 shares were granted to employees free of charge and simultaneously recorded at their nominal value as personnel expense. 4,663 of the Company's own shares were taken back from employees free of charge following resignations. At the balance sheet date, the Company's treasury stock comprised 113,235 (12/31/00: 82,903) shares. As at December 31, 2001, the authorized share capital totals 6,000,000 (12/31/00: 6,000,000) bearer shares of a nominal value of CHF 10. All shares issued are fully paid.

20. Deferred taxes

Temporary differences:

	12/31/2001 CHF	31/12/2000 CHF
Lower depreciation for tax purpoes on tangible fixed assets	64,671	56,552
Deferred tax assets	**64,671**	**56,552**
Value adjustments	69,121	123,036
Deferred tax liabilities	**69,121**	**123,036**

The Group has tax losses brought forward totaling CHF 162.2 million (2000:19.9 million). The deferred tax assets are not recognized owing to the uncertainty as to whether sufficient taxable income will be generated as well as the absence of group taxation. Tax losses brought forward as at December 31, 2001 expire in the years 2002 to 2008. The tax losses brought forward as at December 31, 2001 contain tax losses of some CHF 0.5 million in Germany, which can be carried forward without any restrictions.

21. Trade payables and other liabilities

	12/31/2001 CHF	12/31/2000 CHF
Trade payables	12,502,181	11,436,265
Liabilities to shareholders and related parties	411,323	0
Other liabilities	4,885,632	5,703,052
Accrued license income	10,546,669	2,751,132
Prepaid expense	11,722,290	5,438,416
Total	**40,068,095**	**25,328,865**

22. Liabilities subject to interest

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

	Maturity	12/31/2001 CHF	12/31/2000 CHF
Short-term			
Bank liabilities		0	230,705
Bank loan (short-term part)	2002	16,000,000	16,000,000
Loans from related parties		0	50,000
Total		**16,000,000**	**16,280,705**
Long-term			
Bank loan	2003	16,000,000	32,000,000
Total		**16,000,000**	**32,000,000**

The short-term current-account bank liabilities are subject to an interest rate of 5.35 % as of the balance-sheet date.

The bank loan is secured by means of liens granted on shares of some Group companies and is subject to interest at a current rate of 5.35 %.

23. Financial instruments

The carrying value of cash and cash equivalents, trade receivables, short-term bank liabilities and trade payables roughly corresponds 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.

	Book value		Market value	
	2001 CHF	2000 CHF	2001 CHF	2000 CHF
Financial liabilities				
Bank loan (long-term)	16,000,000	32,000,000	16,223,290	29,500,000

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. Please refer to Section 16 and 30 for details of the concentration of the risk of default.

24. Accruals

	12/31/2001 CHF	12/31/2000 CHF
Overages	2,648,800	375,000
Other	25,000	0
Total	**2,673,800**	**375,000**

Expected overages are based on the license settlements pursuant to the agreements with the individual licensors. These overages are normally paid in the following year.

25. Acquisition of equity interests (extensions to consolidation perimeter)

In April 2001, Netproducer GmbH, Munich, was incorporated with share capital of EUR 25,000, of which Highlight Communications AG subscribed to 60 %, making a cash contribution. In this connection, it was agreed to pay a maximum of EUR 725,000 (Highlight Communications AG 60 %/ EUR 435,000) into the Company's share premium account at the management's request. Of this, an amount of EUR 357,900 was paid in 2001 (Highlight Communications AG 60 %/ Euro 214,740). The newly established company was consolidated as of its date of incorporation.

Netproducer GmbH (for 60 %)	2001 CHF
Contribution to share capital	23,030
Payment for share premium	235,500
Payment for share premium	90,240
Total capital contributions	**348,770**

In the year under review, the stake in Highlight Intertechnology AG was increased from 70.02 % to 95 % following the acquisition of further shares.

Highlight Intertechnology AG	2001 CHF
Equity capital at acquisition	
Share capital	100,000
Accumulated loss	–1,018,608
Total equity	–918,608
of which 24.98 %	–229,469
Purchase price	–24,980
Goodwill paid (see Section 14) (equal to minority interests assumed)	–254,449

26. List of consolidated companies

	Activity	Country	Share capital	Share in capital
Joe's Multimedia AG Wil	Video rental/sales	Switzerland	CHF 5,000,000	100 %
Highlight Crossmedia AG (formerly Highlight Operations AG)	Services	Switzerland	CHF 100,000	100 %
Team Holding AG	Sports marketing	Switzerland	CHF 200,000	80 %
– Team Football Marketing AG	Marketing of sports rights, particularly football	Switzerland	CHF 6,340,000	76.214 %
– T.E.A.M. Television Event And Media Marketing AG	Marketing of sports and cultural events	Switzerland	CHF 200,000	80 %
Rainbow Video AG	Sales	Switzerland	CHF 200,000	100 %
– Rewag Radio Edelweiss Werbe AG	Sale of radio commercials space and other advertising	Switzerland	CHF 200,000	60 %
Highlight Intertechnology AG	Technology development	Switzerland	CHF 100,000	95 %
Highlight Film und Home Entertainment GmbH	Sales	Germany	DEM 500,000	100 %
Highlight Filmproduktion und Werbeagentur GmbH	Film production	Germany	DEM 200,000	100 %
Netproducer GmbH	Development and implementation of cross-platform programs	Germany	DEM 48,896	60 %
Rainbow Home Entertainment GmbH	Sales	Austria	ATS 5,000,000	100 %

27. Transactions with related parties

The following transactions were conducted with related parties:

	12/31/2001 CHF	12/31/2000 CHF
Trade receivables		
Radio Edelweiss Nostalgie Betriebs AG	0	218,245
A. Ehrat	27,000	0
HLP Management	0	308,145
Total	**27,000**	**526,390**
Other receivables		
R. Camenzind	0	826,045
Total	**0**	**826,045**
Loan		
A. Ehrat	0	50,000
Total	**0**	**50,000**
Trade payables		
Radio Edelweiss Nostalgie Betriebs AG	266,797	0
Jürgen Lenz	72,438	0
Klaus J. Hempel	72,088	0
Total	**411,323**	**0**

	2001 CHF	2000 CHF
Expense		
Commission to Radio Edelweiss Nostalgie Betriebs AG	2,332,188	1,525,115
Total	**2,332,188**	**1,525,115**
Income		
Real. gains with R. Camenzind	0	7,183
Total	**0**	**7,183**

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. Radio Edelweiss Nostalgie Betriebs AG receives sales-based commission for the radio advertising sold by Radio Edelweiss Werbe AG broadcast by the radio station operated by Radio Edelweiss Nostalgie Betriebs AG.

On June 25, 1999, a management agreement was concluded between Team Football Marketing AG and T. E. A. M. Television Event And Media Marketing AG on the one hand and KJP Holding AG with Klaus J. Hempel and Jürgen Lenz on the other; 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. The fee expenditure is included in the total remuneration paid to the Board of Directors.

Pursuant to an earlier agreement, 3,000 shares (30,000 fractional rights) in Highlight Communications AG were bought back by Board member M. Wagner for a price of CHF 1,468,000.

Various securities were sold to Board member R. Camenzind in the year under review at a price of CHF 5,257,153, equivalent to the book value. Payment was made in the form of delivery of 33,045 shares (330,450 fractional rights) in Highlight Communications AG at the corresponding value.

Total ordinary remuneration of CHF 5,674,377 was paid to the ten members of Highlight Communications AG's Board of Directories, of which eight hold operative positions with Group companies.

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

28. Shareholdings of the Board of Directors

Bernhard Burgener, President	2,500,000 fractional rights
Reinhold Camenzind, Member	2,499,999 fractional rights
Marc Conrad, Member	180 fractional rights
Andreas Fallscheer, Vice President	3,111,080 fractional rights
Klaus Hempel, Member	84,250 fractional rights
Jürgen Lenz, Member	104,250 fractional rights
Dr. Ingo Mantzke, Member	63,000 fractional rights
Marco Syfrig, Member	45,000 fractional rights
Martin Wagner, Member	0 fractional rights
Heinz B. Wermelinger, Member	5,000 fractional rights

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

29. Operating leasing contracts

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

	12/31/2001 CHF	12/31/2000 CHF
Up to 1 year	3,658,539	3,223,281
2–5 years	4,800,672	5,333,632
More than 5 years	786,784	1,195,540
Total	**9,245,995**	**9,752,453**

The leasing obligations primarily 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.

Leasing expenditure (including rentals) came to CHF 4,104,673 in the year under view.

30. Events after the balance-sheet date

On January 24, 2002, the UEFA executive committee decided to award TEAM the contract for commercial exploitation of the rights to the UEFA Champions League for the 2003/04, 2004/05 and 2005/06 seasons. Under the terms of this new contract concerning the future marketing of the Champions League, Highlight Communications AG as the TEAM Group's majority shareholder as well as TEAM itself were required to assume the following obligations towards UEFA:

1. UEFA is entitled to terminate the agency agreement for marketing the UEFA Champions League to be entered into between UEFA and TEAM with immediate effect if a third party gains a majority interest in TEAM.

2. UEFA may acquire 80 % of TEAM Group from Highlight Communications AG if a third party acquires shares in Highlight Communications AG representing more than 50 % of the voting rights. The option price is based on 80 % of the TEAM Group's equity plus 80 % of its expected net earnings until the expiry of the agency agreement.

On March 15, 2002, it was announced that the wholly owned subsidiary Highlight Crossmedia AG and the 60 % stake in Net-producer GmbH are to be sold. As a result, Highlight Communications AG will be concentrating on its core business of sports marketing and films. The New Business division, in which the above two companies were engaged, is to be discontinued with the exception of the share held in Vidair AG. The costs associated with this realignment will not exert any pressure in 2002.

Parts of the Kirch Group filed for insolvency on April 8, 2002. The possible consequences of this application for insolvency have been allowed for in the financial statements for 2001 by re-measuring the receivables due from the Kirch Group. The impact of these insolvency proceedings on the scope for marketing films with TV broadcasters cannot be identified at this stage. Pending clarification, Highlight Communications AG will not be including any film sales to TV broadcasters in its forecasts.

Key Company Dates 2002	
Berlin Film Festival	February 6–17, 2002
Academy Awards	March 25, 2002
Presentation of annual financial statements	April 2002
Cannes Film Festival	May 15–26, 2002
UEFA Cup Final	May 8, 2002
UEFA Champions League-Final	May 15, 2002
Annual General Meeting	May 24, 2002
Venice Film Festival	August 29–September 8, 2002
Quarterly reports	May/August/November 2002
Meeting for analysts	Fall 2002

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