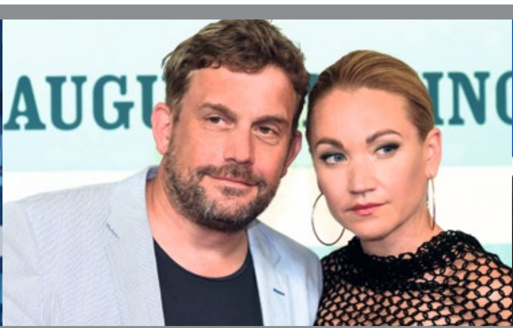
Highlight

Highlight Communications AG



ANNUAL REPORT 2022

KEY FIGURES

	in TCHF	2022	2021 (restated)
CONSOLIDATED BALANCE SHEET	Balance sheet total	**634,248**	674,530
	Film assets	**155,352**	127,066
	Cash and cash equivalents	**29,909**	48,345
	Financial liabilities	**189,325**	197,035
	Equity	**186,022**	196,123
	Equity ratio	**29.33 %**	29.08 %
CONSOLIDATED INCOME STATEMENT	Sales	**523,847**	508,161
	■ Film	**357,409**	331,483
	■ Sports- and Event	**168,922**	176,926
	Profit from operations (EBIT)	**14,574**	28,567
	■ Film	**15,206**	15,863
	■ Sports- and Event	**5,569**	19,550
	Net profit (Highlight shareholders)	**–2,939**	14,800
	Earnings per share (CHF)	**–0.05**	0.26
	Earnings per share (EUR)	**–0.05**	0.25
CONSOLIDATED STATEMENT OF CASH FLOWS	Cash flow from operating activities	**101,258**	59,512
	Cash flow for investing activities	**–107,494**	–73,530
	thereof payments for film assets	**–92,080**	–71,006
	Cash flow for/from financing activities	**–10,805**	15,662
	thereof dividend payments	**–1,050**	–1,116
	Cash flow for/from the reporting period	**–17,041**	1,644
PERSONNEL	Average number of employees	**1,508**	1,541

CONTENTS


DER DEUTSCHE
FERNSEHPREIS
DER DEUTSCHE
FERNSEHPREIS
DER DEUTSCHE
FERNSEHPREIS

EVENTS OF THE YEAR 2022

The Highlight Group

- **“Die Wannseekonferenz”** wins: ROMY, New York Festivals & German Television Award.
- **“Guglhupfgeschwader”** draws 1.4 million moviegoers to theaters after its premiere in August.
- **“Eldorado KaDeWe”** and **“Ferdinand von Schirach – Glauben”** win Blauer Panther.

“Die Wannseekonferenz” wins two awards at the German Television Awards: The TV film wins in the categories “Best TV Film” and “Best Book Fiction”.

EVENTS IN 2022

Q1

JANUARY

The year 2022 is off to a glamorous and spectacular start! The TV event “The Palace” kicks off an exciting TV year and takes TV audiences into the dazzling world of show dancing starting on January 3.

On January 18, the premiere of “Die Wannseekonferenz” will take place at the Zoo Palast in Berlin in the presence of the guest of honor, Federal President Frank-Walter Steinmeier. The film was produced by Constantin Television in co-production with ZDF and directed by Matti Geschonneck. It is being released to mark the 80th anniversary of the most murderous conference in human history.

Premiere “Wannseekonferenz” with Guest of Honor Federal President Frank-Walter Steinmeier

Honorary Bavarian Film Award for director Sönke Wortmann

FEBRUARY

Constantin Television has produced the new series “Another Monday” for ZDFneo in Hamburg and the surrounding area.

Following the completion of a tender process conducted by UEFA and the European Club Association (ECA), UEFA announces that TEAM Marketing AG (TEAM) has been awarded the mandate as global marketing agency for the worldwide marketing of media, sponsorship and licensing rights (excluding the marketing of media rights in the USA) for UEFA’s club competitions for three seasons, from 2024/25 to 2026/27.

MARCH

The Berlin Constantin subsidiary MOOVIE has produced an anthology series for RTL+ based on Ferdinand von Schirach’s bestseller “Strafe,” the author’s successful volume of short stories. In six very different films, staged by six great directors, we look six times into a different abyss.

Constantin Film wins Murmel Clausen for its team. The successful author will participate in projects across the group.

Q2

APRIL

The film “Weil wir Champions sind” (Because We Are Champions), produced by Constantin Television, can be seen on RTL+ with an accompanying documentary. The film tells the story of a Bonn basketball team and its coach – played by Wotan Wilke Möhring – who makes a statement for an inclusive and diverse society with a lot of heart and humor.

Constantin is last year’s “doppelter Branchentiger” (double branch tiger), once again securing the distinction of most successful producer and distributor of German films in the allocation of reference funds by the German Federal Film Board (FFA).

At the New York Festivals, the film “Die Wannseekonferenz,” produced by Constantin Television and ZDF, is awarded gold in the “Feature Films” category.

SPORT1 is the new “Home of Baseball” and accompanies the MLB season with at least 15 live games. On the pay-TV channel SPORT1+, up to 150 live matches will be broadcast and on the multi-sport streaming platform SPORT1 Extra even up to 500 matches.

MAY

“Stasikomödie” by director Leander Haußmann is released in cinemas. The FBW jury (German Film and Media Rating) awards the film the rating “especially valuable”. In addition, producers Werninger, Weigel and Müller receive the Bavarian Film Award in the “Producers” category.

Right in the middle of the Australian Football League (AFL): In the season that has already started, SPORT1+ shows selected matches of the Toyota AFL Premiership live.

From May 10 to 14 the Eurovision Song Contest takes place in Turin. The Ukrainian band Kalush wins with the song “Stefania”.

The IIHF Ice Hockey World Championship takes place in Finland – SPORT1 broadcasts all 64 World Championship matches live on the SPORT1 platforms.

“MIA AND ME – Das Geheimnis von Centopia” enchants premiere audience in Munich. The film opens in German theaters on May 26.

Real Madrid beats Liverpool FC 1:0 in the Champions League final on May 28.

JUNE

SPORT1 and ESL Gaming cooperate on the bevestor Virtual Bundesliga: The VBL Club Championship Final and the VBL Grand Final will be broadcast live on SPORT1 and eSPORTS1.

Doris Dörrie’s new film “Freibad” will celebrate its world premiere at the 39th Munich Film Festival on June 25, 2022. For the public, the film will start in theaters on September 1.

On June 28, successful writer and director Anika Decker and the lead actors Elyas M’Barek, and Lucie Heinze celebrate the world premiere of “Liebesdings” with colleagues and fans at Berlin’s Zoo Palast. The turbulent love story is about a celebrated acting star on the run from the media and his own past, which completely turns his life upside down.

Premiere in Berlin: “Liebesdings” with Elyas M’Barek and Lucie Heinze

Q3

JULY

On July 22, the Sky Original “22. Juli – Die Schüsse von München” will be launched. From different perspectives, the four-part Sky Original true-crime documentary illuminates the background and motives of the Munich OEZ attack of 2016.

AUGUST

The Eberhofer is finally back: After the great successes of the previous films, the cult crime series is now entering its eighth theatrical round with “Guglhupfgeschwader” on August 4. With just under 300,000 visitors, it was the most successful start for a film since the beginning of the pandemic, so “Gugelhupfgeschwader” landed directly at number one in the cinema charts.

“After Forever” took off directly to number one in the theatrical charts. On the first weekend, over 200,000 viewers saw the 4th part of the successful series.

On August 23, Nilam Farooq and Christoph Maria Herbst will be awarded the Ernst Lubitsch Prize in Berlin for their comedic performance in “Contra”. The tragicomedy hit theaters in 2021 and attracted more than 800,000 viewers.

SEPTEMBER

“Freibad” by director Doris Dörrie opens in German cinemas on September 1. The star-studded comedy is set in Germany’s only women’s public swimming pool.

Start of shooting for “SKATERGIRLZ”. The coming-of-age film tells of the ups and downs of growing up – and of skating. It stars twins Lisa and Lena Mantler, two of Germany’s most popular influencers.

Constantin Dokumentation announces a new docu-series for Amazon Prime. Cycling legend Jan Ullrich talks about the highs and lows of his career.

“Die Wannseekonferenz” wins the German Television Award for best television film. In all, there were five awards for three Constantin Film Group productions. “LOL: Last One Laughing” and “Eldorado KaDeWe” were also honored. Iris Berben received the Founders’ Honorary Award.

“Die Heiland – Wir sind Anwalt” is entering its fourth round. On October 25, filming begins on 13 new episodes starring Christina Athenstädt as blind lawyer Romy Heiland.

Q4

OCTOBER

A double success for Constantin productions: Julia von Heinz (“Eldorado KaDeWe – Jetzt ist unsere Zeit”) and Peter Kurth (“Ferdinand von Schirach – Glauben”) are honored with the Blue Panther.

Sönke Wortmann’s comedy “Der Nachname” celebrates its acclaimed theatrical premiere on October 10. In addition to Sönke Wortmann and the producer duo Tom Spieß and Christoph Müller, the leading actors Iris Berben, Christoph Maria Herbst, Florian David Fitz, Caroline Peters, Justus von Dohnányi and Janina Uhse were also on the red carpet.

This weekend, the innovative comedy series “Hübsches Gesicht,” a MOOVIE production for RTL+ around the theme of body acceptance, premiered at the Film Festival Cologne.

Premiere in Munich: the Eberhofer is back with “Guglhupfgeschwader”

NOVEMBER

The ninth part of the Eberhofer series has been shot. Following the huge box-office success of “Guglhupfgeschwader,” “Rehragout- Rendezvous” will hit German theaters in 2023.

The 2022 World Cup in Qatar gets underway. On SPORT1, the “WM Doppelpass” discusses the current matches and events on a weekly basis with changing experts. Furthermore, there is a regular World Cup column by Kevin-Prince Boateng on the digital SPORT1 platforms.

“LOL: Last One Laughing” by Michael Bully Herbig is nominated in the Non-Scripted Entertainment category at the International Emmy Awards.

Blue Panther for actor Peter Kurth in “Ferdinand von Schirach – Glauben”

Blue Panther also for director Julia von Heinz for “Eldorado KaDeWe”

DECEMBER

Milestone on TikTok: SPORT1 becomes the first sports medium in Germany to reach one million followers.

Constantin Film announces the theatrical release of “Manta Manta – Zwoter Teil” in March 2023. Manta fans, Ruhrpott romantics and the whole of cinema Germany have been eagerly awaiting the film starring Til Schweiger as Berti.

Best TV Film: “Die Wannseekonferenz” wins the German Television Award

Premiere: “Der Nachname” by director Sönke Wortmann with star cast

Honorary Prize of the Founders of the German Television Award for Iris Berben

Foreword by the Chairman

Dear shareholders and other interested parties,

A year full of new developments and challenges is behind us. In particular, 2022 was dominated by the consequences of the war in Ukraine, global supply shortages, rising energy prices and a high level of inflation. Despite these challenges, thanks to the hard work of our management and our employees, we are able to report higher sales and a positive operating result, which proves the resilience of our business model. At the same time, owing to macroeconomic conditions, we were able to optimize operating costs and record an increase in financial expenses, so that the consolidated result for the reporting year fell compared to the previous year.

Consolidated sales climbed by CHF 15.7 million to CHF 523.82 million in 2022, with the Film segment benefiting from the ongoing lifting of pandemic restrictions and generating higher external sales than in the previous year, while the Sports and Event segment reported lower external sales. Earnings were affected by the lower external sales in the Sports and Event segment, causing EBIT to decline to CHF 14.6 million. The consolidated net loss attributable to shareholders amounted to CHF –2.9 million, and was lower than in the previous year, correspondingly the loss per share amounts to CHF –0.05, which was also below the previous year's value.

The movie theater market continued to recover thanks to the ongoing lifting of pandemic restrictions, but has not yet returned to pre-COVID levels. The Constantin Film Group released seven productions in theaters in 2022. New releases in Germany included "Stasikomödie" and "Mia and me – Das Geheimnis von Centopia" in June. These were followed by "Liebesdings" and "Guglhupfgeschwader". "After Forever", "Freibad" and "Der Nachname" were released from August to October. Moreover, several successful TV productions were produced, including for ARD and ZDF. The positive trend in digital exploitation formats continued as well.

In the Sports and Event segment, the TEAM Group was commissioned by UEFA to sell the commercial rights for the 2024/25 to 2026/27 season. With the exception of media rights in the USA, it will actively conduct bidding processes for broadcasting and sponsorship rights to the club competitions of the UEFA Champions League, UEFA Europa League and UEFA Conference League worldwide.

Thanks to an extensive cooperation with DAZN, Sport1 GmbH was able to secure the darts rights for free and pay TV and digital distribution until 2026 and thus continue the darts success story at SPORT1 in the coming years. In addition to acquiring a large number of sports rights, SPORT1 was able to secure extensive media rights to the women's Bundesliga for the 2023/24 to 2026/27 season periods.

Once again, Plazamedia was able to demonstrate its expertise in high-quality sports broadcasts. With the order to produce all 64 FIFA World Cup 2022 games for Telekom's MagentaTV, they set new standards with the installation of a 33-meter-wide LED wall. With the construction of an XR LED studio, a milestone was also achieved in the new XR productions business field, which can be used in the future for a large number of studio productions in addition to sports for productions for consumer goods.

The events and concerts in conjunction with the Vienna Philharmonic project were successfully staged, thereby allowing Highlight Event AG to fulfill all its contractual obligations. Highlights include the two major events in Vienna, the New Year's and Summer Night Concerts, and also the sponsored events in Belgium and Germany. The events in China originally planned for 2022 had to be postponed by a further year because of travel restrictions.

After the Eurovision Song Contest was broadcast in Turin in May 2022, we are now focusing on marketing ESC 2023. This year's ESC will be held in Liverpool in the UK.

With the pandemic most likely behind us in 2023, Constantin Film will be focusing on maintaining the high quality and continuous optimization of our productions. Constantin Film is planning to release at least ten productions in movie theaters in fiscal 2023. These include "Sonne und Beton", "Manta Manta – Zwoter Teil", "Rehragout-Rendevouz", "WOW!Nachricht aus dem All" and "Das Beste kommt Noch!".

The TEAM Group will focus on the marketing of the UEFA club competitions for the 2024/25 to 2026/27 seasons together with UEFA. The TEAM Group is continuing to assist UEFA in staging further club matches. Further the TEAM Group also supports UEFA in running the current season from 2021/22 to 2023/24.

SPORT1 will also focus on multimedia content use and distribution in 2023. Besides the exploitation of key sports, it is also still working intensively on expanding its cross-platform media content to push the diversification of the SPORT1 brand. With the start of the women's Bundesliga, the Monday evening belongs to women's football at the start of the 2023/24 season, where, in addition to the live broadcast, other focal points for women's sport are planned.

Plazamedia will open its new briXwoRk.studio in Munich. The 24-meter-wide and 5-meter-high LED wall offers sustainable production options for film and production companies in the advertising industry or for event and creative agencies.

In 2023 as well, Highlight Event AG is concentrating on completing its existing sponsorship agreements for the Eurovision Song Contest and sponsor events of the Vienna Philharmonic.

In conclusion, I would expressly like to thank all the employees of the Highlight Group for their hard work and dedication – both from myself and on behalf of my colleagues on the Board of Directors. Your motivation and your skills make a vital contribution to the successful ongoing development of our company. My special thanks also go to all those people who have faithfully supported our company over the past year, including in particular our shareholders, customers and business partners. Moving forward, we will continue to do everything possible to justify this faith and to continue the Highlight Group's success story.

Yours,

Bernhard Burgener
Chairman and Delegate of the Board of Directors

Members of the Board of Directors

Bernhard Burgener (born 1957) Chairman and Delegate of the Board of Directors
Businessman. Mr. Burgener has worked in the film business since 1982. His professional career began in 1983 with the founding of Rainbow Video AG (today: Rainbow Home Entertainment AG), Pratteln. Mr. Burgener was a shareholder of Highlight Communications AG from 1994 to 2016 and its Delegate of the Board of Directors until 1999. In May 1999, he took the company public and from 1999 to 2008, he was responsible for the activities of the Highlight Group as the Chairman of its Board of Directors.

Since 2008, Mr. Burgener has again acted as Delegate of the Board. Since being elected as the new Chairman of the Board of Directors by the Annual General Meeting of Highlight Communications AG in 2011, he has been performing both functions simultaneously. Mr. Burgener was also the CEO of Constantin Medien (now Sport1 Medien AG) AG from 2008 until 2015. In addition, he was the CEO of Constantin Film AG from 2009 until 2013 and he has been the Chairman of the Supervisory Board of Constantin Film AG since 2014.

Peter von Büren (born 1955) Executive member of the Board of Directors
Businessman. Mr. von Büren exercised various management activities at Highlight Communications AG since 1994. In 1999, he became a member of the Highlight Group's management where he has been Head of IT, Human Resources and Investor Relations as well as CFO. Since 2015, Mr. von Büren has been a member of the Board of Directors of Highlight Communications AG. In addition, he was elected to the Supervisory Board of Constantin Film AG in 2016.

Edda Kraft (born 1957) Non-executive member of the Board of Directors
Managing Director. Edda Kraft began her career as an editor/local director for a German daily newspaper before switching to television. After editorial positions at RTL, Endemol and Sat.1, she became Managing Director of Saxonia Entertainment GmbH in Leipzig in 2012 and Managing Director of rbb media GmbH in Berlin in 2018. She is a supervisory board member of Sport1 Medien AG and Riverside Entertainment GmbH.

Edda Kraft was elected as a non-executive member of the Board of Directors of Highlight Communications AG at the 2022 Annual General Meeting.

Stefan Wehrenberg (born. 1965) Non-executive member of the Board of Directors
Attorney-at-law. Stefan Wehrenberg studied law in Zurich and, after working at the university and in administration, has been practising as an attorney in Zurich since 2000. His area of law includes mainly commercial criminal law, compliance and financial market law, commercial and contract law as well as administrative and public procedural law.

After many years of service with the military justice system, Stefan Wehrenberg has been a judge at the Military Court of Cassation since 2017 and its president since 2022.

Stefan Wehrenberg was elected as a non-executive member of the Board of Directors of Highlight Communications AG at the Annual General Meeting in June 2022.

Corporate governance

INTRODUCTION

The Highlight Group welcomes the corporate governance rules as they heighten transparency for shareholders. As a Swiss company, Highlight Communications AG largely complies with the rules issued by Swiss stock exchange SIX. The organization of our management bodies complies with the leading "Codes of Best Practice".

The articles of incorporation of Highlight Communications AG take into account the statutory requirements and duties of the Annual General Meeting in the areas of corporate governance and remuneration.

1. GROUP STRUCTURE

Highlight Communications AG is a holding company headquartered in Pratteln/BL.

1.1 Operative Group structure

Highlight Communications AG and its Group companies make up the Highlight Group, hereinafter referred to as the "Highlight Group". The operative structure of the Highlight Group consists of the two segments "Film" and "Sports and Event".

1.2 Listed companies

Highlight Communications AG

Highlight Communications AG has its registered offices in Pratteln/BL, Switzerland, and has been listed on the Frankfurt stock exchange since 1999. It is a member of the Prime Standard (ISIN: CH 000 653 9198, German WKN number: 920 299, ticker: HLG). As of December 31, 2022, the market capitalization of the company was around EUR 213.36 million at a closing stock price for the year of EUR 3.76.

1.3 Non-listed companies

Further information on the key subsidiaries and the scope of consolidation of Highlight Communications AG can be found under note 3 in the notes to the consolidated financial statements.

1.4 Principal shareholders

As of December 31, 2022, Highlight Communications AG was aware of the following shareholders with a share of more than 5 % of its subscribed capital:

Highlight Event and Entertainment AG	51.61 %
Stella Finanz AG	11.11 %
Axxion S.A.	9.89 %

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

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

In the year under review no treasury shares were bought back. As of December 31, 2022, treasury stock comprised 6,254,518 shares, equivalent to 9.93 % of the company's subscribed capital.

1.5 Cross-holdings

Sport1 Medien AG holds 9.81 % of the share capital of Highlight Communications AG.

2. CAPITAL STRUCTURE

2.1 Capital

Highlight Communications AG's subscribed capital amounts to CHF 63,000,000 and is divided into 63,000,000 bearer shares with a nominal value of CHF 1 each; all shares subscribed are paid up.

2.2 Authorized capital

On June 29, 2022, the Annual General Meeting extended the authorized share capital of CHF 31,500,000 until June 29, 2024, and thereby authorized the Board of Directors to execute a capital increase by issuing 31,500,000 bearer shares at CHF 1 each within a period of two years. A partial increase is permitted.

2.3 Changes in capital – changes in nominal value

There were no changes in capital in the reporting period.

2.4 Shares, participating and profit-sharing rights

There are no preferential, participating or profit-sharing rights.

2.5 Restrictions on the transferability of shares and registration of nominees

There are no restrictions on the transferability of shares. The bylaws of Highlight Communications AG do not provide for any percentage clauses or conditions for shareholder registration; no nominees are registered.

3. BOARD OF DIRECTORS

The Board of Directors is the company's highest management body, responsible for the strategic orientation of the company and the monitoring of Group management. Each member of the Board of Directors is elected by the shareholders. The Board of Directors proposes the election of the Chairman and the members of the compensation committee for the Annual General Meeting. The Vice Chairman and the members of the audit committee are elected by the Board of Directors.

3.1 Members of the Board of Directors

The Board of Directors currently comprises four members. The list below provides an overview of the composition of the Board of Directors on December 31, 2022, the functions of the individual members within the Highlight Group, their nationality and their significant activities and interests outside the Highlight Group:

Bernhard Burgener
Chairman and Delegate of the Board of Directors, member of the Board of Directors since 1994
Swiss national, businessman, entrepreneur; responsible for the Highlight Group's strategy, executive member.

Other (corporate) activities and interests:
President and Delegate of the Board of Directors of Highlight Event and Entertainment AG, Pratteln, Switzerland
Chairman of the Supervisory Board of Constantin Film AG, Munich, Germany
President of the Board of Directors of Constantin Film und Entertainment AG, Zurich, Switzerland
President of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
President of the Board of Directors of TEAM Holding AG, Lucerne, Switzerland
President of the Board of Directors of TEAM Football Marketing AG, Lucerne, Switzerland
President of the Board of Directors of TEAM Marketing AG, Lucerne, Switzerland
Chairman of the Board of Trustees of TEAM Pension fund, Lucerne, Switzerland
President of the Board of Directors of Highlight Event AG, Lucerne, Switzerland
President of the Board of Directors of World Boxing Super Series AG, Pratteln, Switzerland
President of the Board of Directors of Chameleo AG, Pratteln, Switzerland

President of the Board of Directors of Lechner Marmor AG, Laas, Italy
Member of the Board of Trustees of EurAsia Heart – A Swiss Medical Foundation, Zurich, Switzerland
President of the Board of Directors of Sport1 Medien AG, Munich, Germany

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

Other (corporate) activities and interests:
Member of the Board of Directors of Highlight Event and Entertainment AG, Pratteln, Switzerland
Member of the Supervisory Board of Constantin Film AG, Munich, Germany
Member of the Board of Directors of Constantin Film und Entertainment AG, Zurich, Switzerland
Vice President of the Board of Directors of Rainbow Home Entertainment AG, Pratteln, Switzerland
Member of the Board of Directors of TEAM Holding AG, Lucerne, Switzerland
Member of the Board of Directors of TEAM Football Marketing AG, Lucerne, Switzerland
Member of the Board of Directors of TEAM Marketing AG, Lucerne, Switzerland
Member of the Board of Trustees of TEAM Pension fund, Lucerne, Switzerland
Member of the Board of Directors of Highlight Event AG, Lucerne, Switzerland
Member of the Board of Directors of World Boxing Super Series AG, Pratteln, Switzerland
Member of the Board of Directors of Chameleo AG, Pratteln, Switzerland
President of the Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland
Member of the Board of Directors of FC Basel Holding AG, Basel, Switzerland
Member of the Board of Directors of Sport1 Medien AG, Munich, Germany

Edda Kraft
Member of the Board of Directors since 2022
German national, managing director, non-executive member.

Other (corporate) activities and interests:
Member of the Board of Directors of Sport1 Medien AG, Ismaning/Munich, Germany
Member of the Board of Directors of Riverside Entertainment GmbH, Hamburg, Germany

Stefan Wehrenberg
Member of the Board of Directors since 2022
Swiss national, attorney-at-law, non-executive member.

Other (corporate) activities and interests:
Member of the Board of Directors of Jacot Partners Financial Services AG, Zurich, Switzerland
Member of the Board of Directors of Bristol Hotellerie AG, Speicher, Switzerland
Managing Director of Wehrenberg Rechtsanwälte GmbH, Herrliberg, Switzerland
Member of the Board of Trustees of Rapid Response Team, Zurich, Switzerland

After the American “Office of Foreign Assets” (OFAC) imposed sanctions on Alexander Studhalter on November 14, 2022, he decided to resign from his Board of Directors mandates of Highlight Communications AG (HLC) and its Group companies in Switzerland and from the Supervisory Board mandate of Sport1 Medien AG on November 15, 2022 in order to protect the interests of the Highlight Group.

3.2 Election and tenure

The Board of Directors comprises at least three members who are generally elected at the Annual General Meeting for the period of one year. Re-election is possible at all times.

3.3 Internal organization

3.3.1 Constituent meeting and allocation of duties

The Board of Directors is responsible for supervising, monitoring and overseeing management activities. It is the company's highest body. Apart from the election of the Chairman of the Board of Directors and the compensation committee by the Annual General Meeting, the Board of Directors constitutes itself. It appoints the Vice Chairman and the Secretary.

3.3.2 Meetings of the Board of Directors

The Board of Directors meets at least once a quarter. Resolutions are passed with an absolute majority of the votes present. In the year under review, the Board of Directors met a total of five times.

3.3.3 Committees

By way of resolution dated June 2, 2005, the Board of Directors established an audit committee comprising Bernhard Burgener (Chairman), Edda Kraft and Stefan Wehrenberg. In the year under review, Edda Kraft and Stefan Wehrenberg were elected to the audit committee to replace the outgoing Alexander Studhalter and Martin Hellstern.

At the Annual General Meeting on June 29, 2022, the members of the Board of Directors Edda Kraft and Stefan Wehrenberg were elected to the compensation committee to decide on matters concerning compensation for the Board of Directors and Group management.

3.4 Allocation of duties

Management and representative authorization are based on the law, decisions of the Board of Directors and entries in the commercial register.

3.5 Internal management and supervision instruments

The Highlight Group's management information system is structured as follows: The financial statements (income statement, balance sheet and statement of cash flows) for the individual subsidiaries are prepared on a quarterly basis. These figures are consolidated and condensed per segment and for the Group. At the same time, the figures are compared with the previous year and the budget. The Chief Financial Officer informs the Board of Directors regularly of the company's business performance and trends in the relevant business indicators. A Group-wide internal control system (ICS) was implemented and documented. The Internal Audit ensures the periodic evaluation and maintenance of the ICS in the main Group companies and tests its effectiveness. External controlling instruments are provided by the auditors.

4. MANAGEMENT

The following disclosures reflect the companies position as of December 31, 2022.

4.1 Members of management

4.1.1 Group management

Bernhard Burgener, Chairman and Delegate of the Board of Directors
Swiss national, responsible for Group strategy, established Rainbow Home Entertainment AG (formerly Rainbow Video AG), Pratteln, in 1983. Shareholder from 1994 to 2016, Delegate of the Board of Directors until 2011, Chairman and Delegate of the Board of Directors since 2011.

Peter von Büren, Member of the Board of Directors, CFO, Head of IT, Human Resources and Investor Relations
Swiss national, businessman, various management activities in the Highlight Group since 1994, a member of Group management since 1999, member of the Board of Directors since 2015.

Management of the respective segments

4.1.2 TEAM (Sports and Event segment)

Jamie Graham, Delegate of the TEAM Group Board
British national, Marketing Executive, worked in the media sponsorship and marketing sector in London from 1989 to 2001, and after that was Managing Director at ZenithOptimedia Group London until 2007; since then, he has worked at TEAM initially as Director Marketing and as CEO from 2012. Since April 2022 he has been Delegate of the TEAM Group Board.

Simon Crouch, CEO
British national, chartered accountant, worked at Arthur Anderson Ltd. (now Deloitte) in London from 1996 until 2000; he was Senior Consultant at Spectrum Strategy Consultants in London from 2000 until 2008; since then, he has worked at TEAM initially as Director Strategy and as Managing Director Marketing as well as COO from 2012. Since April 2022 Simon is the CEO of TEAM Marketing AG.

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

Kerstin Lutz, Managing Director Partnerships Management
Swiss national, master's degree in sports administration, International Project Manager at Octagon Birkholz + Jedlicki GmbH in Germany from 1997 to 2000, with TEAM since 2000, first as Marketing Manager, from 2004 to 2012 as Head of Account Management, from 2012 to 2015 as Director Sponsorship, and since 2018 as Managing Director Partnerships Management.

Ian Warbrick, Managing Director Sponsorship and Licensing Sales
British national, postgraduate diploma from Cambridge University, Strategy Consultant at Accenture from 2001 to 2003, Sponsorship Director at Ogilvy Action from 2004 to 2007, then Head of Sponsorship Sales, Executive Director Sponsorship Sales at TEAM and since December 2021 Managing Director Sponsorship and Licensing Sales.

Thomas Höher, Managing Director Media Rights Sales
German national, Sales Executive, worked for various companies in the telecommunications and banking sectors from 1999 to 2002, including VIAG Interkom (now O_2) and Consors AG, at Deutsche Telekom AG from 2002 to 2007, including as project manager for FIFA World Cup 2006 sponsorship for T-Mobile International AG, at TEAM in various positions since 2007 and as Executive Director Media Rights Sales since December 2021.

Oliver Holland, Managing Director Commercial Affairs and Managing Director, TEAM UK
British national, lawyer, legal consultant at Bird & Bird from 2001 to 2005, European Counsel at EA Sports from 2005 to 2007, Senior Legal Counsel at Sky Sports (UK) from 2007 to 2012, then at TEAM as Head of Legal, then Executive Director of Commercial Affairs, and since July 2020 as Managing Director Commercial Affairs and Managing Director, TEAM UK.

Iain Downie, Managing Director of Development and Marketing
British national, research executive before joining TEAM in 2011 as Research Manager. Senior Strategy and Research Manager from 2013 to 2015 and Head of Strategy and Research from 2015–2017. Left TEAM in 2017 to join FIFA as Director of Marketing Sales and Strategy. Returned to TEAM in 2019 as Director of Development and Marketing and since December 2021 as Managing Director of Development and Marketing.

4.1.3 Highlight Event AG (Sports and Event segment)

Ferdinand von Strantz, Chief Executive Officer (CEO), Lawyer/Dipl. Consultant St. Gallen Business School
German and Swiss national, Ferdinand von Strantz has been CEO of Highlight Event AG since 2012. Prior he was a Member of the Executive Board at the group affiliate company TEAM Marketing AG, where he had worked in various areas since 1999. As managing director of Highlight Event AG he is responsible for both strategic development and worldwide marketing and sales activities under mandates for the European Television Union (Eurovision Song Contest) since 2003 and the Vienna Philharmonic Orchestra (including New Year's and Summer Night Concerts) since 2007.

4.1.4 Rainbow Home Entertainment (Film segment)

Franz Woodtli, Managing Director of Rainbow Home Entertainment
Swiss national, businessman, at Rainbow Home Entertainment AG since 1985, Managing Director in charge of home entertainment since 1999, many years of management experience within the Highlight Group.

4.1.5 Constantin Film (Film segment)

Martin Moszkowicz, CEO
German national, producer and Managing Director since 1990, Board member since 1999, CEO since 2014, responsible for corporate governance and strategy, film production, global distribution, film purchasing, marketing and press relations, corporate communications and legal.

Oliver Berben, Board member TV, entertainment and digital media, Deputy Chairman (January 1, 2021)
German national, Board member TV, entertainment and digital media since 2017, responsible for the development and production of all national and international productions for which no theatrical exploitation is planned.

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

Franz Woodtli, Board member cinema and home entertainment
Swiss national, Board member cinema and home entertainment since 2004, responsible for home entertainment, distribution/sales and license sales in german-speaking territories.

4.1.6 Sport1 Medien AG (Sports and Event segment)

Olaf G. Schröder, CEO
German national, Olaf G. Schröder has been the CEO of Sport1 Medien AG (formerly Constantin Medien AG) since 2017. In this function, he coordinates Management Board policy and is responsible for the strategic development of Sport1 Medien AG, M&A activities, communications, HR and the activities of Sport1 Medien's sports subsidiaries with Sport1 GmbH, Magic-Sports Media GmbH, Match IQ GmbH, PLAZAMEDIA GmbH, and LEITMOTIF Creators GmbH. He is also still the Chairman of the Management Board of Sport1 GmbH.

Dr. Matthias Kirschenhofer, Board member
German national, Dr. Matthias Kirschenhofer was appointed to the Management Board of Sport1 Medien AG in 2017. In this function, his responsibilities include Legal, Compliance, Finance and Investor Relations. He is also a member of the management of Sport1 GmbH and Magic Sports Media GmbH, focusing on the marketing operations of both companies.

Robin Seckler, Management Board
German national, Robin Seckler has been the Chief Digital Officer of Sport1 Medien AG since 2022. In this function, he is responsible for all digital activities and projects of the Group. His area of responsibility includes all strategic and operational activities of the SPORT1 MEDIEN-Group that lie in the digital sector and, in particular, PLAZAMEDIA GmbH.

4.2 Further corporate activities and interests

None.

5. COMPENSATION, SHARES AND LOANS

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

The articles of incorporation of Highlight Communications AG take into account the statutory requirements and duties of the Annual General Meeting in the areas of corporate governance and remuneration.

6. SHAREHOLDERS' RIGHTS

6.1 Restrictions on voting rights, voting by proxy

6.1.1 All restrictions on voting rights

There are no restrictions on voting rights. At the Annual General Meeting, there is one vote per share held. All shareholders may vote by proxy at the Annual General Meeting.

6.1.2 Statutory rules on participation in the Annual General Meeting

The provisions of the Swiss law of obligations apply.

6.2 Statutory quorum

The statutory provisions apply.

6.3 Procedure for convening the Annual General Meeting

The provisions of the Swiss law of obligations apply.

6.4 Agenda

The provisions of the Swiss law of obligations apply.

6.5 Registration in the share book

The shares subscribed by Highlight Communications AG are bearer shares and are therefore not registered.

7. CHANGE OF CONTROL AND DEFENSE MEASURES

7.1 Duty to bid

A party acquiring shares in the company is not required to lodge a public bid pursuant to Sections 135 and 163 of the Swiss Financial Market Infrastructure Act.

7.2 Change-of-control clause

The shares of Highlight Communications AG in Team Holding AG and Team Holding AG's shares in other TEAM Group companies are subject to a share transfer restriction declaration under the terms of TEAM's agency agreement with UEFA. Under the terms of this agency agreement, UEFA also has a termination right in the event of a change in control of Highlight Communications AG.

8. AUDITORS

8.1 Duration of auditor mandate

The statutory auditor for Highlight Communications AG is elected for a period of one year subject to a resolution passed by the Annual General Meeting. Mazars AG in Zurich will audit the annual financial statements for the year ending December 31, 2022 for the first time (previous year: PricewaterhouseCoopers AG in Lucerne). Mr. Cyprian Bumann has been the auditor in charge for the audit mandate since fiscal year 2022.

8.2 Auditing fees

A sum of TCHF 180 was paid for auditing services of Mazars AG in fiscal year 2022. Additional fees of TCHF 20 were invoiced by Mazars AG for further auditing services relating to corporate entities.

9. INFORMATION POLICY

As a listed company and a member of the Prime Standard, the Highlight Group is subject to the strict stock market rules issued by Deutsche Börse AG. This includes compulsory quarterly reporting, the issue of an annual report as well as the publication of ad-hoc disclosures.

These documents are distributed via defined channels and issued on demand. In addition, the website at www.highlight-communications.ch is kept continuously updated and includes all key information about the company.

Publications are available from the IR department, which will also accept requests for inclusion in the distribution list. This is also possible via the company's website.

Remuneration report

This remuneration report for fiscal year 2022 sets out the remuneration system and remuneration to members of the Board of Directors and the management team of Highlight Communications AG. The content and scope of the details comply with the regulations of the Ordinance Against Excessive Compensation in Stock-Exchange Companies (VegüV), passed by the Swiss Federal Council, which came into force on January 1, 2014, and the Corporate Governance Directive (RCGL) of the SIX Swiss Exchange. Remuneration is posted in accordance with the "accrual principle".

The remuneration report of March 31, 2023 of Highlight Communications AG for the fiscal year ending December 31, 2022 has been audited by the statutory auditor. The audit was limited to the disclosures in accordance with Art. 14–16 VegüV.

As part of implementation of VegüV, the compensation committee devised proposals for overall remuneration of the Board of Directors, the Chairman of the Board of Directors, the individual members of the Board of Directors, overall remuneration of the management team as well as the individual members of the management team and the members of the committees. The corresponding proposals were submitted by the compensation committee to the full Board of Directors for a resolution. In accordance with the articles of incorporation, the General Meeting once a year, usually at the ordinary Annual General Meeting, separately approves the maximum total amounts of fixed remuneration for the members of the Board of Directors and of the management team for the fiscal year following the Annual General Meeting and the maximum total amounts of variable remuneration of the members of the Board of Directors and of the management team for the past fiscal year. The company's articles of incorporation make a provision for members of the management team who are appointed after approval of the maximum total amount to be allowed to receive additional remuneration.

1. RESPONSIBILITIES AND AUTHORIZATIONS FOR REMUNERATION

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

The main tasks of the full Board of Directors are:

a. Determining the principles of the remuneration strategy
b. Determining the level and composition of overall remuneration for the Chairman of the Board of Directors
c. Determining the level and composition of individual overall remuneration for the Vice Chairman and the other members of the Board of Directors
d. Remuneration of committee members
e. Determining the level and composition of overall remuneration and individual remuneration for the Delegate as well as the individual members of the management team

As two of four members of the Board of Directors were also members of the compensation committee, they implicitly performed the tasks mentioned in points a – e in the meetings of the Board of Directors in the year under review.

2. REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

2.1 Principles

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

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

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

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

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

2.1.1 Directors' fee

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

The Directors' fee also includes remuneration for work in the compensation committee, comprising the Directors Edda Kraft and Stefan Wehrenberg, and in the audit committee, comprising the Directors Bernhard Burgener (Chairman), Edda Kraft, and Stefan Wehrenberg.

2.1.2 Pension benefits

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

2.2 Remuneration to the individual members of the Board of Directors

Fiscal year 2022

In 2022, the executive and non-executive members of the Board of Directors received overall remuneration of TCHF 152.5 (2021: TCHF 153.2). Compensation for the various activities at the subsidiaries is set out in section 3 "Remuneration to members of the management team".

audited

Total remuneration for the members of the Board of Directors for their work on the Board of Directors decreased slightly compared to the previous year. The individual members of the Board of Directors received the following remuneration (in TCHF):

(TCHF) Name/role	Directors' fee, gross	Pension benefits	Total remuneration as a member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10.0	0.4	10.4
Peter von Büren, executive member	10.0	–	10.0
Alexander Studhalter[1], executive member	50.0	4.0	54.0
Martin Hellstern[2], non-executive member	25.0	1.1	26.1
Edda Kraft[3], non-executive member	25.0	0.0	25.0
Stefan Wehrenberg[3], non-executive member	25.0	2.0	27.0
Total	**145.0**	**7.5**	**152.5**

audited

Fiscal year 2021

(TCHF) Name/role	Directors' fee, gross	Pension benefits	Total remuneration as a member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10.0	0.8	10.8
Peter von Büren, executive member	10.0	–	10.0
Alexander Studhalter, non-executive member	50.0	4.0	54.0
René Camenzind[4], non-executive member	25.0	1.1	26.1
Martin Hellstern, non-executive member	50.0	2.3	52.3
Total	**145.0**	**8.2**	**153.2**

[1] *Alexander Studhalter was elected as an executive member of the Board of Directors of Highlight Communications AG by the Annual General Meeting on June 29, 2022. He resigned from the Board of Directors on November 15, 2022.*

[2] *Member of the Board of Directors Martin Hellstern did not stand for re-election and left the Board of Directors as of the date of the 2022 Annual General Meeting.*

[3] *Edda Kraft and Stefan Wehrenberg were elected as non-executive members of the Board of Directors of Highlight Communications AG by the Annual General Meeting on June 29, 2022.*

[4] *Member of the Board of Directors René Camenzind did not stand for re-election and left the Board of Directors as of the date of the 2021 Annual General Meeting.*

No remuneration not in line with the market was granted to current or former members of the Board of Directors or related parties either in the year under review or in fiscal year 2021, and no such remuneration is outstanding.

3. REMUNERATION TO MEMBERS OF THE MANAGEMENT TEAM

3.1 Principles

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

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

At the request of the compensation committee, the full Board of Directors usually decides on the level of overall compensation at its discretion once a year, taking account of the maximum amount approved by the Annual General Meeting, and also decides on variable remuneration and the underlying company-specific targets once a year.

3.1.1 Basic remuneration

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

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

3.1.2 Variable remuneration

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

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

3.1.3 Indirect remuneration for activities at subsidiaries

In addition to the fixed Directors' fee as described in section 2.1.1, various members of the Board of Directors and management team of Highlight Communications AG receive further remuneration for their activities on the Board of Directors or Supervisory Board and/or operating or advisory activities at (direct or indirect) subsidiaries of Highlight Communications AG. This essentially involves fixed basic remuneration, with the exception of remuneration for the Supervisory Board members of Constantin Film AG, where variable remuneration is possible.

3.1.4 Pension benefits

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

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

Fiscal year 2022

In 2022, the members of the management team (including executive members of the Board of Directors, BoD) received total remuneration of TCHF 2,779 (2021: TCHF 3,231). The total remuneration of the members of the management team thus decreased slightly compared to the previous year.

audited

(TCHF) Name/role	Basic remuneration, gross[1]	Variable remuneration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as a member of the management team	Total remuneration as a member of the Board of Directors[2]	Total remuneration
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	837	379	177	208	1,601	10	1,611
Peter von Büren, executive member of the BoD	408	241	33	110	792	10	802
Alexander Studhalter[3], executive member of VR	125	100	31	56	312	54	366
Total	**1,370**	**720**	**241**	**374**	**2,705**	**74**	**2,779**

[1] *Basic remuneration also includes flat-rate expenses.*

[2] *Details of remuneration as a member of the Board of Directors are set out in section 2.*

[3] *Alexander Studhalter was elected as an executive member of the Board of Directors of Highlight Communications AG by the Annual General Meeting on June 29, 2022. He resigned from the Board of Directors on November 15, 2022.*

audited

Fiscal year 2021

(TCHF) Name/role	Basic remu- neration, gross[1]	Variable remu- neration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as a member of the manage- ment team	Total remu- neration as a member of the Board of Directors[2]	Total remu- neration
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	833	427	161	234	1,655	11	1,666
Peter von Büren, executive member of the BoD	406	271	41	114	832	10	842
Other member of the management team[3]	328	188	108	99	723	–	723
Total	**1,567**	**886**	**310**	**447**	**3,210**	**21**	**3,231**

[1] *Basic remuneration also includes flat-rate expenses.*

[2] *Details of remuneration as a member of the Board of Directors are set out in section 2.*

[3] *Other member of the management team retired as of December 31, 2021 and was employed part-time for management tasks.*

No remuneration not in line with the market was granted to current or former members of the management team or related parties either in the year under review or in fiscal year 2021, and no such remuneration was outstanding.

4. ADVISORY BOARD

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

5. BENEFITS AND CONTRACTUAL AGREEMENTS ON LEAVING HIGHLIGHT COMMUNICATIONS AG

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

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

6. LOANS AND CREDITS TO EXECUTIVE BODIES

As of December 31, 2022 and December 31, 2021, there were no outstanding loans or credits granted by Highlight Communications AG to current or former members of the Board of Directors, the management team or related parties.

7. REMUNERATION TO RELATED PARTIES

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

As of December 31, 2022 and December 31, 2021, there were no outstanding loans or credits granted by Highlight Communications AG to related parties.

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

As of December 31, 2022 and December 31, 2021, the company had not paid any non-market-compliant remuneration to related parties.

8. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

In the reporting year, no compensation was paid to former members of executive bodies, nor is any such compensation outstanding.

9. MANAGEMENT CONTRACTS

There are no management contracts with third parties.

10. SHAREHOLDINGS IN HIGHLIGHT COMMUNICATIONS AG

As of December 31, 2022, the members of the Board of Directors and the management team (including related parties) held a total of 0.08 % of the outstanding bearer shares in Highlight Communications AG (previous year: 0.40 %).

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

	2022		2021	
	Number of shares	Share in capital	Number of shares	Share in capital
Bernhard Burgener	–	–	–	–
René Camenzind[4]	–	–	–	–
Martin Hellstern[2]	–	–	200,000	0.32 %
Alexander Studhalter[1]	–	–	–	–
Peter von Büren	–	–	–	–
Edda Kraft[3]	–	–	–	–
Stefan Wehrenberg[3]	–	–	–	–
Dr. Paul Graf	50,000	0.08 %	50,000	0.08 %

[1]Alexander Studhalter was elected as an executive member of the Board of Directors of Highlight Communications AG by the Annual General Meeting on June 29, 2022. He resigned from the Board of Directors on November 15, 2022.

[2]Member of the Board of Directors Martin Hellstern did not stand for re-election and left the Board of Directors as of the date of the 2022 Annual General Meeting.

[3]Edda Kraft and Stefan Wehrenberg were elected as non-executive members of the Board of Directors of Highlight Communications AG by the Annual General Meeting on June 29, 2022.

[4]Member of the Board of Directors René Camenzind did not stand for re-election and left the Board of Directors as of the date of the 2021 Annual General Meeting.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Report of the statutory auditor to the General Meeting of Highlight Communications AG, Pratteln

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Highlight Communications AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" on page 19 and pages 21 to 22 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Remuneration Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other matters

The Remuneration Report of the Company for the year ended 31 December 2021, was audited by another auditor whose report, dated 25 May 2022, expressed an unmodified opinion on the Remuneration Report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the Remuneration Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Mazars AG
Herostrasse 12
CH-8048 Zurich
Tel: +41 44 384 84 44
www.mazars.ch

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Remuneration Report

The Board of Directors is responsible for the preparation of a Remuneration Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Zurich, 19 April 2023

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
(Auditor in Charge)

Roger Leu
Licensed Audit Expert


DER DEUTSCHE
FERNSEHPREIS

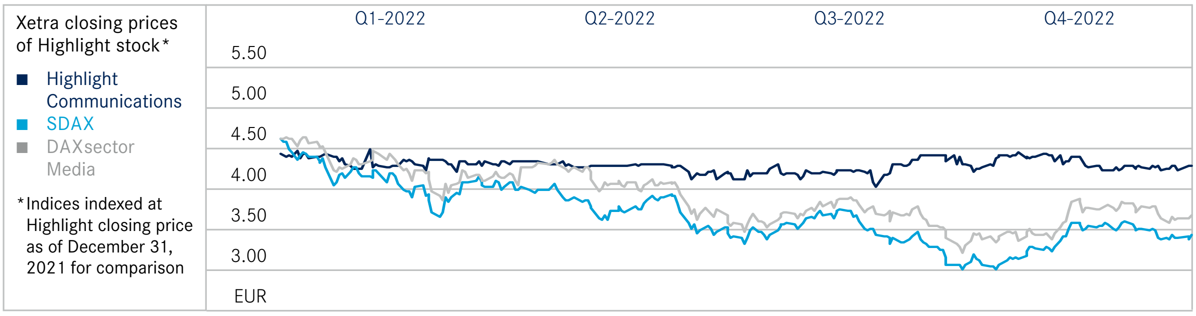
2022

HIGHLIGHT STOCK

Performance of the Highlight Group stock in the year 2022

- **Year-end quotation:** At EUR 3.76, slightly below the previous year figure (EUR 4.0).
- **Market capitalization:** EUR 213.2 million based on shares outstanding.
- **Turnover per trading day:** Decrease from around 3,150 to around 2,150 units.

Otto Steiner (left) and Volker Neuhoff (2nd from right) accept the award in the category “Best Comedy/Late Night” for “LOL – Last One Laughing” with their team.



Stock markets develop negatively in 2022

Having enjoyed an extremely positive year in 2021, the global markets were unable to continue this development in 2022. Although the year started very brightly, the Russian war on Ukraine dominated the markets from February 24, 2022 onward. The remainder of the year was characterized by raw material shortages, inflation, and interest rate hikes. The result was a downturn across almost all asset classes, especially equities.

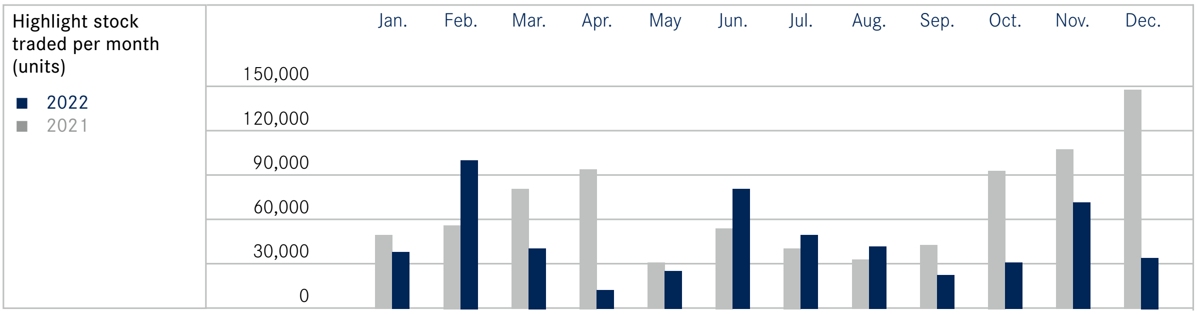
The US benchmark index, the Dow Jones Industrial Average, declined by 9.4 % to 33,147 points in the reporting year, having fallen to as low as 28,726 points at the end of September. The Japanese Nikkei 225 saw similar performance, falling by 9.85 % and closing the year at 26,095 points.

Many European share prices were also unable to escape this negative development. The EURO STOXX 50 closed the year at 3,794 points, down 12.4 % year-on-year.

The Swiss Market Index (SMI) was even harder hit, closing at 10,729 points and thus losing 17.1 % compared with the previous year.

The DAX ended 2022 at 13,924 points, a decrease of 13.1 %. The SDAX small cap index fell by 28.8 % to close 2022 at 11,926 points.

German media stocks also bore the brunt of this development and were not favored by investors in 2022. This was reflected in the performance of the DAXsector Media index, which was considerably weaker between January and December 2022 than in the previous year. The sector index closed the year at 347 points, down 23.2 % on the start of the year.



Highlight stock with slightly negative performance in 2022

Highlight's stock was able to positively stand out from the general trend on the sector index in the reporting period. After a good start to the year, which saw the stock rise from EUR 3.90 to its high for the year of EUR 3.96 by early February, the price trended downwards until mid-2022, remaining in a relatively narrow corridor between EUR 3.84 and EUR 3.60. The share price bottomed out at EUR 3.50 on August 26 before recovering throughout the remainder of the year. Highlight's stock closed the year at EUR 3.76, down 3.59 % on the start of the year.

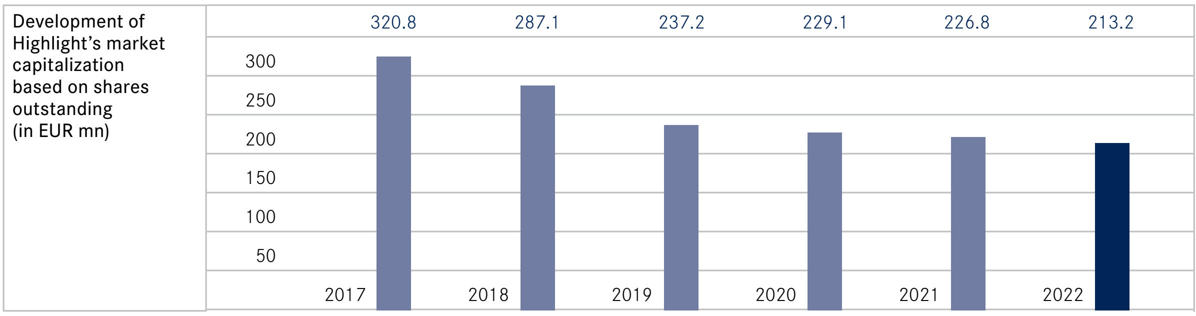
Trading volume down slightly

In the period from January to December 2022, around 0.55 million Highlight shares were traded on Deutsche Börse AG's Xetra trading system, a decline of around one-third as against the previous year (around 0.8 million). The average number of shares traded per day thus fell from around 3,150 to around 2,150.

No changes in shareholder structure

As of December 31, 2022, the issued capital of Highlight Communications AG was unchanged at CHF 63.0 million, divided into 63.0 million bearer shares with a notional value of CHF 1.00 per share. The number of treasury shares declined very slightly in the 2022 reporting year and account for around 9.9 % of issued capital. Not including these shares, there were 56.75 million shares outstanding as of December 31, 2022.

Our company's principal shareholders are still Highlight Event and Entertainment AG (51.61 %), Stella Finanz AG (11.11 %) and Axxion S.A. (9.89 %). Further significant share packages are held by members of the Board of Directors and by private investors. As of December 31, 2022, the free float amounted to 18.21 % as per Deutsche Börse AG's index weighting.



Investor relations activities focusing on direct communications

One of the priorities of our investor relations work is to provide investors, analysts and the financial press with information that is as detailed and comprehensive as possible. The basis for this is primarily our promptly published annual and interim reports, which give a detailed insight into the current performance of our company. In addition, we inform capital market players about all significant events within the Highlight Group in the form of press releases and ad-hoc disclosures.

However, the core element of our investor relations work is and will remain personal communication through active and open dialog. During the reporting year, face-to-face meetings gradually became possible again as Covid-19 measures were eased. In 2022, we were therefore available to field questions from market players in person once again at the German Equity Forum, Europe's leading investor fair for small and medium-sized stock corporations. Our stated aim is to use this type of PR work to achieve a fair valuation of Highlight's stock and to convince potential shareholders of the intrinsic value of an investment in our company.

In addition to direct communication, our website (www.highlight-communications.ch) is the main information tool for all interested parties. It offers all relevant facts on the history and the current development of the Highlight Group in a clearly laid-out format. To ensure equal treatment of all market participants, new documents and information are always published promptly on this medium. In addition to annual and interim reports, press releases and ad-hoc disclosures, this primarily relates to transactions with treasury shares. The dates for the most important events and publications have been clearly compiled in our financial calendar.

Information on Highlight stock as of December 31, 2022

Issued capital	CHF 63.0 million
Number of shares	63,000,000
Stock class	Ordinary bearer shares
Shares outstanding	56.75 million
Market capitalization (based on shares outstanding)	EUR 213.36 million
Year-end price	EUR 3.76
52-week high (January 3 & October 24)	EUR 4.00
52-week low (June 16)	EUR 3.46
Earnings per share	EUR –0.05

Key data for Highlight stock

WKN	920 299
ISIN	CH 000 653 9198
Ticker	HLG
Reuters identification code	HLGZ.DE
Index	DAXsector Media
Trading venues	Berlin, Düsseldorf, Frankfurt, Hamburg, Hanover, Munich, Stuttgart, Xetra

REPORT ON THE HIGHLIGHT GROUP'S SITUATION 2022

Very positive development of operations, net assets and financial position in 2022

- **Group sales:** Up CHF 3.1 million year-on-year to CHF 523.8 million.
- **Net profit for the period:** Is at CHF –2.9 million.
- **Equity ratio:** At 29.3 % at year-end (December 31, 2021: 29.1 %).

Nilam Farooq and Christoph Maria Herbst are awarded the Ernst Lubitsch Prize for their work in "Contra".

“Guglhupfgeschwader” attracts over one million moviegoers

BASIC INFORMATION ON THE GROUP

GROUP STRUCTURE AND OPERATING ACTIVITIES

Highlight Communications AG, listed on the Frankfurt stock exchange since May 1999, is an internationally oriented strategic and financial holding company based in Pratteln near Basel. It operates through its subsidiaries in the Film segment and Sports and Event segment.

Film segment

In its Film segment, Highlight Communications AG wholly owns Constantin Film AG, Munich, which, together with its German and foreign subsidiaries, is Germany’s leading producer and exploiter of productions in the entire fictional and non-fictional audiovisual sector. Its activities comprise the development, production and exploitation of the fictional and non-fictional audiovisual rights that it produces and acquires. Self-produced works are marketed both in Germany and worldwide, while third-party productions are essentially exploited in German-speaking countries. All stages of the exploitation chain – from the theatrical distribution of movies and home entertainment releases down to TV broadcasting on conventional TV stations and streaming services – are fully utilized in exploitation.

Highlight Communications AG operates its own distribution organizations to best exploit its home entertainment rights for in-house and licensed films. Rights are distributed in Switzerland by Rainbow Home Entertainment AG, which is wholly owned by the company. On the German market, digital distribution is handled by Highlight Communications (Deutschland) GmbH, while physical products are distributed in cooperation with Paramount Home Entertainment/Universal Home Entertainment.

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



Sports and Event segment

In the Sports and Event segment, Highlight Communications AG wholly owns TEAM Holding AG (TEAM). Based in Lucerne, the TEAM Group specializes in global marketing of major international sports events and is one of the world's leading agencies in this field. TEAM has been the marketing partner of the European Football Association, UEFA, for over 30 years. The current agency agreement with UEFA covers the UEFA club competitions for the 2021/22 to 2023/24 seasons.

Following a tender process conducted by UEFA and the European Club Association (ECA), UEFA announced on February 7, 2022 that TEAM has been reawarded the mandate as global marketing agency for the worldwide marketing of media, sponsorship and licensing rights (with the exception of the marketing of media rights in the USA).

The mandate covers the UEFA Champions League, UEFA Super Cup, UEFA Europa League, UEFA Europa Conference League, UEFA Youth League and UEFA Futsal Champions League finals for three seasons, from 2024/25 to 2026/27.

The main source of income in the Sports and Event segment is the agency commission associated with the marketing of TV and sponsorship rights, while personnel expenses account for the largest share of expenses.

As of January 1, 2020, Highlight Event AG was acquired by Highlight Communications AG from Highlight Event and Entertainment AG. Since then, it has been a wholly owned subsidiary assigned to the Sports and Event segment.

Highlight Event AG is a Lucerne-based agency specializing in the marketing of international music, culture, and entertainment projects. Originating from the Music division of TEAM Marketing AG that was formed in 2003, the company was established in 2012.

Highlight Event is responsible for the global marketing of the Vienna Philharmonic Orchestra and – on behalf of the European Broadcasting Union (EBU) – the marketing of the Eurovision Song Contest. With regard to the Vienna Philharmonic Orchestra project, marketing activities focus on the orchestra's annual TV highlights: the New Year's Day Concert, the Summer Night Concert, and a special concert that is held in a different location each year.

Sport1 Medien AG (until December 31, 2019: Constantin Medien AG), Ismaning, is 95.32 % owned by Highlight Communications AG.

The main sources of income are advertising and sponsorship sales in the free TV and digital areas, while in pay TV they particularly include contractually agreed guarantee payments and subscription-based feed-in agreements with operators of pay TV platforms. In production, marketing, and consulting operations, this includes long-term production framework agreements and agreements with partners and customers in addition to corresponding distribution agreements in the new digital business areas. The main expense items consist of costs for license rights, production and distribution costs, staff costs, and costs of office space.

Successful sequel by Sönke Wortmann: "Der Nachname"

CONTROL SYSTEM AND PERFORMANCE INDICATORS

Group management

Highlight Communications AG's Board of Directors is responsible for the strategic orientation and management of the Highlight Group. By contrast, responsibility for operating activities lies with the management body of the relevant subsidiary. At Constantin Film AG, this body is the Management Board, which consists of four members, at TEAM Holding AG it is the Board of Directors, which is made up of three people, and at Sport1 Medien AG it is the three-member Management Board. Management of all activities within the Highlight Group is based on short-term and medium-term planning and on regular reporting.

Financial performance indicators

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

Non-financial performance indicators

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

- In theatrical distribution, the audience generated by a film is one of the key factors, as theatrical success usually also affects the subsequent stages of exploitation, particularly in the home entertainment area.
- In home entertainment business, the results generated from digital distribution and the sale of DVDs and Blu-rays is a performance indicator for the success of the Highlight Group.
- In license trading/TV exploitation and service production for TV broadcasters and streaming providers, ratings, market share, and viewing figures are key parameters for the success of a broadcast format with the public. These figures are often the basis for future commissioning decisions by customers of the Constantin Film Group.
- The Constantin Film Group is exposed to strong competition with regard to the purchase of rights to literary works and screenplays, and for contracts with successful directors, actors, and film studios. It therefore has decades of experience working closely with renowned and experienced screenwriters, directors, and producers with extensive expertise in producing theatrical movies and TV formats at home and abroad, and attempts to secure them with appropriate contracts.
- Other major indicators for the success of the Group are a highly-developed network of contacts in addition to close, trusting relationships with business partners. Technical and content-related expertise are crucial factors, not only in view of the increasingly digital and convergent media use of cross-platform offerings. Accordingly, the recruitment, fostering, and retention of well-trained, skilled, committed, and creative employees are of great importance.
- In the Sports and Event segment, trusting business relationships with rights-holders as well as existing and potential sponsors are crucial to the marketing of international major sports events. The same applies to persistently high ratings to be achieved by TV broadcasting.

- Access to and the availability of attractive sports rights are extremely important to the various platforms of the Sports and Event segment. In free TV, these rights are essential to the ability to maintain and increase market share, as indicated by daily ratings. By contrast, a key performance indicator in pay TV is the number of subscribers.
- Success in the online and mobile sector is measured mainly on the basis of visits, while the success of the video platform is measured by video views.

LEGAL INFLUENCING FACTORS

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

Film segment

In the Film segment, the Highlight Group is also subject to statutory regulations with particular significance. These include the regulations of the Copyright Protection Act. Furthermore, it must comply with the German Youth Protection Act, which regulates the commitment to age classifications for movies and video films in association with the FSF – a German organization for the voluntary self-regulation of television.

On May 20, 2021, the German parliament adopted the revised version of the Filmförderungsgesetz (FFG – German Film Subsidies Act), which governs the main criteria for awarding film subsidies. It comes into effect as of January 1, 2022.

Sports and Event segment

Defining legal influencing factors for the free TV broadcaster SPORT1 and the pay TV broadcasters SPORT1+ and eSPORTS1, not to mention the Internet TV offer of the SPORT1 Livestream and the multimedia streaming platform SPORT1 Extra, are the German Interstate Broadcasting Treaty and the state media laws, compliance with which is monitored by the respective media institutions of the German federal states. SPORT1, SPORT1+, eSPORTS1, SPORT1 Livestream and SPORT1 Extra are under the responsibility of the Bavarian Regulatory Authority for New Media (BLM).

The German Interstate Broadcasting Treaty contains various regulatory requirements regarding the placement of advertising.

As a private broadcaster, the SPORT1 MEDIEN Group is also subject to the provisions of the German Interstate Treaty on the Protection of Children and Young People. This stipulates that care must be taken to ensure that children and young people are not exposed to content likely to impair their development as a responsible and socially competent person.

The fourth part "After Forever" continues the success of the forerunners

MARKET RESEARCH AND DEVELOPMENT

Both nationally and internationally, the collection and analysis of market data in the areas of audience, user, and customer research is important to the development and enhancement of the business areas in which the Group operates so that trends in the respective industry segments and changes in patterns of consumer behavior can be anticipated or responded to quickly. Furthermore, the data and findings obtained are used by the companies of the Highlight Group to provide customers, business partners and the advertising industry with authoritative and sound information for assessing their investment decisions.

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

In addition to these purely quantitative performance measures, qualitative data – relating to research of advertising effectiveness, for example – is also an important basis for assessing, classifying, and aligning the production, exploitation, and marketing activities within the various segments. Wide-ranging studies and research work on the development of the media industry are also used here, as are surveys, screenings, and audience tests relating to the Group's products. The level of market acceptance of elaborate source material is tested even prior to their respective production.

ECONOMIC REPORT

GENERAL ECONOMIC ENVIRONMENT

According to the calculations published by the International Monetary Fund (IMF) in January 2023, global economic performance fell to 3.4 % in 2022 (2021: 6.2 %). This is one of the worst growth profiles since 2001 – only during the global financial crisis and the acute Covid-19 pandemic was economic growth weaker.

The organization cites three factors as the main reasons for this low economic growth: First, Russia's war of aggression against Ukraine, which drastically destabilized the global economy and led to a severe energy crisis in Europe. The second factor, which is also influenced by the war, is the persistently high inflation causing an enormous increase in the cost of living. Global inflation rose from 4.7 % in 2021 to 8.8 % in 2022. The third factor cited is the economic slowdown in China in view of the continued acute Covid-19 situation there.

Emerging and developing countries posted growth of 3.9 % for 2022, which was a significant decrease in comparison to the previous year (2021: 6.7 %).

The economies of the industrialized nations recorded a growth rate of 2.7 % in 2022, likewise representing a significant year-on-year decrease (2021: 5.4 %). For the euro area, the IMF calculated an increase of 3.5 % in 2022 (2021: 5.3 %). The US economy also grew much more slowly in 2022 at 2.0 % than in the previous year (2021: 5.9 %).

“Mia And Me – Das Geheimnis von Centopia”, is a fantasy adventure for the whole family

Switzerland’s economic output likewise did not match the 2021 level. According to projections by the State Secretariat for Economic Affairs (SECO) published in mid-December 2022, gross domestic product (GDP) increased by 2.0 % in 2022. In the previous year, it had grown by 3.3 %. This was chiefly due to the energy shortages and the generally below-average development of the global economy.

According to calculations published by the German Federal Statistical Office (Destatis), the German economy grew by 1.9 % in 2022 despite the difficult conditions (2021: 2.6 %). The general economic situation in Germany was impacted by the effects of the Ukraine war, particularly the extreme increase in energy prices, material and supply shortages, and rising food prices.

In Austria, the economy continued to grow in 2022. According to provisional calculations released in December 2022, the Austrian Institute of Economic Research (WIFO) is forecasting GDP growth of 4.7 % for 2022 (2021: 4.6 %). However, the global economic downturn has had a dampening effect since the second half of 2022.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

The development of the media and entertainment industry in Germany is closely linked to that of the economy as a whole. However, companies generally respond to economic changes in their spending on advertising more directly and more promptly than consumers. In recent years, the market in Germany has been characterized by moderate but steady growth, which was recently ultimately due to the increasingly widespread use of digital devices such as smartphones and tablets, and the expansion of broadband technologies and infrastructure.

According to estimates from August 2022, the audit company PricewaterhouseCoopers (PwC) expected sales throughout the media and entertainment industry in Germany to increase by 7.3 % to around EUR 68.2 billion in 2022. In the previous year, there had been growth of 10.7 % to EUR 63.5 billion following the decline in 2020 due to the Covid pandemic.

As a result of the measures to contain the pandemic, the existing trend toward digital media content was accelerated at an unprecedented pace. After all segments had developed positively in 2021, their development varied in 2022. For example, books and magazines were unable to maintain the positive growth from 2021 and decreased by -0.5 % and -0.1 % respectively. Television likewise could not continue its positive development in 2022. By contrast, the movie theater segment saw one of the highest growth rates at 103.3 %, but nonetheless did not yet reach its pre-Covid level. Digital segments such as online videos, online advertising, and e-sports had developed particularly well in 2021 already, and built on this development in 2022.

PwC expects the media and entertainment industry to grow by an average of 3.4 % per year up to 2026, with individual segments developing very differently. The clear winners are those that make their content available online.


UST IM KINO
GES
AB
NEU START ULTUR
dtv
Constan
LHUPF
WADER
UST IM KINO
stantin Film
GU
GES
AB

MANAGEMENT REPORT: FILM SEGMENT 2022

Report on business performance and the situation

Mathäser Filmpalast: The cast around Sebastian Bezzel and Simon Schwarz celebrates the premiere of “Guglhupfgeschwader”, the eighth part of the Eberhofer series.

Romantic comedy starring Elyas M'Barek: "Liebesdings"

INDUSTRY CONDITIONS

Preliminary remarks

At the beginning of 2022, movie theaters still had to maintain strict hygiene concepts, which meant that they could not be filled to capacity and ticket sales were therefore limited. At the same time, the individual federal states had stipulated different criteria for going to the movies (relating to vaccination, recovery or test status).

All Covid-related restrictions and thus all hygiene regulations and access restrictions for movie theaters were lifted on April 2, 2022. However, use of movie theaters has picked up only very slowly since then and has by no means reached the level from before the pandemic in 2019. The prospects of success of individual movies will suffer due to excess supply, as many movies that were not released during lockdown or during access restrictions are coming out now. Movie theaters will also have to compete against other consumer and leisure options for attention and sales.

The Default Fund I financed by the German Federal Government (EUR 50 million for theatrical movie and TV productions) was extended to March 31, 2023. It is intended to mitigate the effects of production disruptions due to Covid-19 and allow production of theatrical movies and high-end series to proceed with reduced risks in Germany. The default fund is part of the RESTART CULTURE program, which is planned to provide EUR 165 million in total to support the film industry.

Additional production assistance can be applied for under the "Default Fund II" (TV and streaming productions), which has been launched by the German federal states and TV stations. The fund provides production companies with financial support for the duration of filming if they incur financial losses as a result of coronavirus-related disruptions to production that are not covered by their standard insurance. This arrangement currently applies until December 31, 2022.

The costs of producing and promoting productions are rising at an unprecedented pace primarily due to the general financing costs and is weighing on both the profitability of the individual productions and the margins of the company as a whole.

At the same time, the international market for audiovisual content contracted as a result of the political development and the Ukraine war.

Theatrical distribution

Compared to 2019, the last corona-free year, the number of moviegoers in the German theatrical market in 2022 were 78.0 million, a decline of 34.2 %, while revenues were EUR 722.0 million, down by 29.5 %. Compared to 2021, the number of moviegoers increased by 85.4 % and revenue increased by 93.5 %.

The most successful releases in 2022 were "Avatar: The Way of Water" with an audience of around 4.5 million, "Minions: The Rise of Gru" with an audience of around 4.16 million and "Top Gun Maverick" with about 3.7 million viewers.

Socially critical comedy by Doris Dörrie: "Freibad"

Home entertainment

As in the previous years, the SVoD (Subscription-Video-on-Demand) platforms of the German home entertainment market as a whole continued their rising trend in the past year with sales of EUR 2.329 billion, an increase of 11.2 % as against the previous year (EUR 2.071 billion). In parallel with the SVoD market, digital exploitation (Electronic-Sell-Through and Transactional-Video-on-Demand) also posted growth in sales, which rose from EUR 0.414 billion in 2021 to EUR 0.431 billion (+4.0 %).

The decline in physical media is continuing on account of the replacement of old formats and decreasing sales space in retail, with sales down 15.0 % last year at EUR 0.399 billion (previous year: EUR 0.399 billion). Including digital proceeds, sales amounted to EUR 0.779 billion in 2022, down 5.9 % on the previous year's figure (EUR 0.825 billion).

The growth in sales from SVoD compensated for the decline in physical media in the reporting year, resulting in an increase of 7.0 % for the market as a whole (2022: EUR 3.108 billion; 2021: EUR 2.896 billion).

OPERATIONAL DEVELOPMENT

Theatrical production and distribution

There were eight in-house and co-productions in total in the period from January to December 2022. For example, filming on the in-house production "Manta Manta – Zwoter Teil" starring and directed by Til Schweiger took place in 2022. Another installment of the Eberhofer series, "Rehragout-Rendezvous," was also filmed. In addition to the international projects "Perfect Addiction" and "In the Lost Lands," filming on "Hagen" began and will continue into 2023. This visually stunning fantasy epic is a reinterpretation of the Nibelungenlied that is being lavishly produced both for the big screen and as a six-part series for RTL+.

Home entertainment market share maintained

The Constantin Film Group released a total of seven films in German theaters in 2022, including "Guglhupfgeschwader" from the Eberhofer series, "Der Nachname" with Christoph Maria Herbst, "Mia and Me – Das Geheimnis von Centopia" and "Liebesdings". The above-mentioned titles are all in the top 20 most successful German films in 2022.

As expected, the market share in home entertainment was lower than in the previous year due to the reduced portfolio. The highlights included the German hit comedy "Contra" and the major international production "Resident Evil – Welcome to Raccoon City." Among the licensed products, the theatrical hit "After We Fell" performed impressively. With the in-house productions, the good position on the home entertainment market for German film was maintained. Shortly before the end of the year, the movies "Liebesdings," "Guglhupfgeschwader," and "After Forever" were released on digital. Consistently strong catalog business also contributed to this success.

"Stasikomödie": a comedy film by Leander Haußmann

Major license launches in TV exploitation/license trading

In 2022 as well, licenses were sold for several national and international in-house and co-productions, and for third-party productions, with established and also new partners.

In view of the changing market circumstances, new distribution methods and strategies were introduced for current productions. Constantin Film and RTL Deutschland further expanded their successful collaboration as well. The two companies agreed a multi-year framework contract for the licensing of exclusive free TV and the downstream SVoD rights for up to eight theatrical productions in Germany. This covers the licensing for all German-language and English-language in-house and co-productions by Constantin Film with theatrical exploitation that begin filming after January 1, 2022.

As usual, the conventional exploitation stages of free TV and pay TV accounted for the transactions relevant to sales in this business area. The SVoD market also posted strong growth.

In free TV, sales were generated in particular by the initial licenses for "Ostwind – Aris Ankunft" (ARD), "Das perfekte Geheimnis" (Sat.1) and "Kaiserschmarrndrama" (ARD). In the pay TV sector (PPC), there were also the initial sales of "Dragon Rider" and "Ostwind – Der große Orkan" (both Sky).

Further expansion of service production (TV channels and streaming providers)

The establishment and expansion of the business area for productions not intended for primary theatrical exploitation continued successfully in 2022. Particular highlights here include the major productions "Silver" (Amazon Prime), based on the first novel in Kerstin Gier's bestselling trilogy, and the Second World War action film "Blood and Gold" (Netflix), as well as the ten-part series "Die drei Ausrufezeichen" (Disney+), based on a series of children's detective books, and the six-part mini-series "Liebeskind" (Netflix), an adaptation of Romy Hausmann's debut novel that was one of Germany's top thrillers in 2019, reaching No. 1 on the SPIEGEL bestseller list.

In the non-fiction segment, not only was a fourth season of "LOL: Last One Laughing" produced for Amazon Prime Video in Germany in fiscal 2022, but "LOL" was also produced for Amazon in Poland for the first time. "LOL" won the German Comedy Award and was the only German show to be nominated for the International Emmys.

In addition to "Shopping Queen" in its 14th season on VOX, "Richter Ulrich Wetzel – Das Strafgericht" also established itself as a daily show on RTL. At Constantin Dokumentation, the two series "Die Schüsse von München" (Sky) and "Schickeria – Als München noch sexy war" (Amazon) were launched very successfully, and filming began on the documentary series "Jan Ullrich – Der Gejagte" (Amazon) and "50 Jahre Greenpeace" (Sky).

Moritz Bleibtreu and Laura Tonke delight in the comedy "Caveman"

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Audience figures in theatrical distribution

On the overall market for German movies released in 2022, Constantin took fourth place with "Guglhupfgeschwader" (more than 1.37 million moviegoers), sixth place with "Der Nachname" (around 785 thousand moviegoers) and 16th place with "Mia and Me – Das Geheimnis von Centopia" (approximately 315 thousand moviegoers).

The Constantin Film Group in Germany was able to secure seventh place in the ranking of all distributors in terms of sales and viewers in 2022, as well as second place among studio-independent distributors.

New releases achieve good sales figures in home entertainment

Of the past year's new releases, the Constantin Film in-house productions "Contra" and "Guglhupfgeschwader" and the international production "Resident Evil – Welcome to Raccoon City" particularly lived up to sales expectations. "Contra" performed very well with 210,000 Video-on-Demand and Electronic-Sell-Through transactions. Shortly before the end of the year, "Guglhupfgeschwader" was near the top of the list for in-house productions with 150,000 Electronic-Sell-Through transactions.

TV exploitation still at good level

The premiere broadcast of the eighth Eberhofer murder mystery "Kaiserschmarrndrama" on ARD achieved an overall market share of 20 % (4.8 million viewers), making it the most successful movie in ARD's summer movie series "Sommerkino im Ersten" in five years. Another ARD summer movie highlight was the repeat broadcast of the Sönke Wortmann comedy "Der Vorname" with a market share of 15.9 % (3.9 million viewers), as well as around 770,000 views in the ARD media library. The co-production "Narziss und Goldmund" achieved a 12.7 % market share (3.2 million viewers) in its premiere broadcast.

Strong ratings for TV service productions

Several productions performed particularly well on the market as a whole. "Hartwig Seeler – Im Labyrinth der Rache" achieved a strong market share of 23.4 % (5.9 million viewers), while the TV films "Auf dem Grund" and "Die Toten am Meer" posted market shares of 21.6 % (6.2 million viewers) and 20.2 % (5.6 million viewers) respectively. The episodes of "Lauchhammer – Tod in der Lausitz" achieved market shares of up to 21.7 % (5.6 million viewers) and were viewed more than 7 million times in the media libraries within a few weeks. The award-winning new adaptation of "Die Wannseekonferenz" drew 5.6 million viewers, corresponding to an 18.6 % market share. On average, the premiere broadcasts of new episodes of "Kommissarin Lucas," "Ein Krimi aus Passau," "Tatort," "Breisgau," and "Der Kroatien-Krimi," as well as the series event "Der Palast," brought in a strong overall market share of 20 %. The daily show "Dahoam is Dahoam" on BR, which has already racked up more than 3,000 episodes, drew an average of 700,000 viewers per episode in the overall German market.

The "Resident Evil" series from the eponymous franchise achieved 18 million views on Netflix in Germany. "LOL: Last One Laughing" recorded almost 60 million views on Prime Video in 2022. In addition, the direct-to-streamer productions "Schickeria – Als München noch sexy war" (Sky), "Damaged Goods" (Prime Video), "22. Juli – Die Schüsse von München" (Sky) and "Old People" (Netflix) achieved high viewing figures. The "online first" strategy brought the BR and ARD media libraries well over 2 million views across all seasons of "Servus Baby" before and after the premiere broadcast of its third season.


PARIS FINAL 2022
adidas

MANAGEMENT REPORT: SPORTS AND EVENT

2022

Report on business performance and the situation

Real Madrid celebrates Champions League victory after the club beat Liverpool 1:0.

Triple top class football: UEFA Champions League, UEFA Europa Conference League and UEFA Europa League

INDUSTRY CONDITIONS

TEAM Group

In July 2022, the media planning and purchasing company ZenithOptimedia estimated that global advertising expenditure had grown by 7.8 %, to around USD 823 billion, in 2022. This increase demonstrates continued recovery of the market following contraction in 2020 amid the Covid-19 pandemic. The forecasts for the economy and the advertising market in 2023 are positive, however the consequences of the Russian invasion of Ukraine, continue to create economic uncertainty.

Sport1 Medien AG

According to Nielsen, gross advertising spending by German media and marketers came to just under EUR 36.7 billion in 2022, a decline of 3.4 % compared to the previous year.

Due to the economic consequences of the pandemic, the outbreak of the Ukraine war, and extremely high inflation, companies were short of advertising budget in 2022.

The greatest losses were recorded by television, with a decline of 5.5 % to EUR 17.1 billion. Compared to the other categories, TV remains the medium with the largest share of sales. Here, the competition from streaming services such as Netflix, which are increasingly opening up to advertisers are notable. In the categories print (–3.8 %, EUR 7.9 billion), online (–3.9 %, EUR 4.5 billion) and radio (–0.6 %, EUR 1.9 billion), gross advertising budgets are also declining. On the winning side, despite significantly higher paper prices, are advertising mailings (+3.4 %, EUR 2.6 billion). Outdoor advertising (+2.1 %, EUR 2.6 billion) and cinema advertising (+119 %, EUR 96 million) can also claim an increase in gross advertising expenditure. Cinema is catching up after months of closures due to the pandemic.

The Nielsen figures listed are gross revenues, which do not provide information about actual expenditures and revenues, but nevertheless give a good picture of advertising pressure and the development of the individual industries and segments.

In its Ad Spend Report for 2023, Dentsu predicts a 3.3 % decline in net advertising investment in Germany by mid-2022 after a strong start. High inflation, the rapid rise in energy costs, and a decline in consumers' willingness to buy are cited as the main causes.

The Central Association of the German Advertising Industry (Zentralverband der deutschen Werbewirtschaft, ZAW) forecasts net advertising revenues to grow by 1.9 % to EUR 26.37 billion in 2022. The final figures are to be published in May 2023.

Highlight Event AG

In the area of classical music and entertainment marketing, the return to normality after the pandemic has been well achieved. In particular, the successfully staged Eurovision Song Contest 2022 in Turin (Italy) proved that audiences are returning to the world of events and that there is great demand for top events in this area. The concerts of the Vienna Philharmonic Orchestra on tour are also – after a restrained start from the crisis due to continued great caution on the part of the public – again largely sold out or very well attended.


OPERATIONAL DEVELOPMENT

TEAM Group

In 2022, a major development in the Sports- and Event-Marketing industry was the increasing attention on sustainability among brands and rightsholders. In cooperation with broadcasters BT Sport (United Kingdom) and RTL (Germany), TEAM Group piloted new technologies to reduce the carbon footprint generated by the match production process by 25 %. The matches between Tottenham Hotspur and Sporting Clube de Portugal (UEFA Youth League), SC Braga and FC Union Berlin, and SC Freiburg and Olympiacos FC (both UEFA Europa League) were produced under UEFA's "Greener Games" banner. Further matches could now be added with the aim of including more cloud productions in the future and encouraging host broadcasters to get involved in making their on-site productions significantly greener.

Successful start of sales for the 2024/25 – 2026/27 commercial cycle

With the approval of the new 2024/25 – 2026/27 competition format and marketing concept in May 2022, TEAM Group shifted its focus to the start of the new sales cycle. The tender process for the media and sponsorship rights of UEFA's Men's Club Competitions of some key markets, including France, United Kingdom, the Balkan countries and Netherlands, yielded positive results. The outcomes give an early indication that the change in format has been received positively by broadcasters. In sponsorship, TEAM Group initiated conversations with potential partners around 2024/25 – 2026/27 rights. In addition, for the 2022/23 and 2023/24 seasons, it signed Turkish Airlines as a sponsor for the UEFA Champions League (replacing Gazprom).

Implementation of the new cycle's finals and congested group stage

The TEAM Group's other focus in 2022 was on supporting UEFA in concluding the first season of the 2021/22 to 2023/24 commercial cycle. The Russian invasion of Ukraine – and subsequent ban of all Russian teams from UEFA competitions – required a short notice venue change for the UEFA Champions League Final for the third season in a row. Consequently, the final took place in Saint-Denis, France as opposed to in Saint Petersburg, Russia.

The UEFA Champions League Final between Liverpool and Real Madrid was held on May 28, 2022 at the Stade de France in Saint-Denis. Real Madrid won the game 1:0 extending its record number of UEFA Champions League titles to fourteen.

In the final of the UEFA Europa League, Eintracht Frankfurt took on Rangers in the Ramón Sánchez Pizjuán, Seville, on May 18, 2022. Eintracht Frankfurt won the game 5:4 on penalties (1:1 after extra time).

The season of the newly launched UEFA Europa Conference League was won by AS Roma with a 1:0 win over Feyenoord. The final took place in Tirana, Albania on May 25, 2022.

In the UEFA Super Cup Final on August 10, 2022, Real Madrid then beat Eintracht Frankfurt 2:0 at the Olympic Stadium in Helsinki, Finland.

The group stage was shortened by a month due to the inaugural winter FIFA World Cup 2022, scheduled in November and December. Despite this tight schedule, it was successfully completed.

Duel of the winners: The UEFA Super Cup

Sport1 Medien AG

In 2022, Sport1 GmbH continued to focus on cross-platform content exploitation, distribution, and capitalization, on optimizing its portfolio of rights, and on improving and creating new digital content and marketing environments.

SPORT1 continues darts success story and acquires media rights to the Women's Bundesliga from 2023 onwards

Sport1 GmbH acquired further rights for its free and pay TV, digital, audio and social media channels in 2022:

Thanks to an extensive cooperation with DAZN, SPORT1 is continuing its darts success story for a further five years to 2026. The rights cover numerous Professional Darts Corporation (PDC) tournaments: In addition to the World Darts Championship and the Premier League Darts, the second most important tournament, these also include the UK Open, the World Grand Prix, the European Championship, the World Series of Darts Finals and the Grand Slam of Darts, as well as four prestigious PDC Europe events every year. Having begun broadcasting darts in 2004, SPORT1 is thus showing more darts than ever before.

Another major success for SPORT1 was being awarded the media rights for the Women's Bundesliga by the DFB: Germany's leading multichannel sports platform acquired an extensive package of rights for the 2023/2024 to 2026/2027 seasons for exploitation in Germany. The core element of the package is 22 live games per season at prime time on Monday evenings. In addition, SPORT1 will accompany the league, clubs and players with all-round reporting on its platforms.

In the year under review, SPORT1 also acquired rights to the FIFA Club World Cup, the BMW International Open golf tournament in Eichenried near Munich, the World Games 2022 and, in eSports, the bevestor Virtual Bundesliga, which is hosted by the DFL Deutsche Fussball Liga together with ESL Gaming, and the Rocket League Championship Series in cooperation with Psyonix.

In addition to the existing live sport highlights – including Major League Baseball and the German Women's Volleyball League – the new "24/7 Sports Pack" was launched on the multisport streaming platform SPORT1 Extra. This package of channels includes SPORT1+, Sportdigital FUSSBALL, Motorvision.TV, fight24 HD, EDGEsport and More Than Sports TV.

SPORT1 launched new formats with shows such as "Fussball für Besserwisser" and "Bundesliga History," as well as "Eastside Motors" and "Deals 4 Wheels" in the docutainment segment. "Fantalk," one of SPORT1's hit shows, celebrated its ten-year anniversary.

Launch smart-TV-app sport1TV

In December 2022, SPORT1 presented its new smart-TV-app sport1TV. This free TV app can be used to experience highlights such as the Darts World Championship and plenty of other exciting content on smart TV – whether in livestreams or on demand. After its launch, the new TV app was initially available on Android TV, Apple tvOS, and Amazon Fire TV in the first step.

"SPORT1 Akademie" range expanded further

Following the successful launch with "SPORT1 Akademie – Darts" in 2020, SPORT1 further expanded its new e-learning range, starting the next "SPORT1 Akademie – Darts" with three-time world champion Michael van Gerwen in 2022.

Baseball at its best: The Houston Astros in the MLB World Series

"Doppelpass on Tour – powered by AvD" event series continued

The stage show launched in summer 2021 to accompany Germany's best-known soccer talk show was continued in the year under review in cooperation with the event agency S-Promotion, featuring a large number of events in various German cities.

Premiere for Darts World Championship in the metaverse

In cooperation with the agency 42Meta, SPORT1 also presented the Darts World Championship in the metaverse for the first time. At this innovative virtual sports event in one of the most popular metaverses right now, darts fans were offered an extensive program featuring highlights, talk formats, a darts challenge and a competition at the "Ally Pally" event location in the "Decentraland" metaverse. SPORT1 Business, the marketing unit of Sport1 GmbH, gained Falken Tyre Europe as an advertising partner for this World Championship premiere in "Decentraland."

SPORT1 Business and MAGIC SPORTS MEDIA enter into advertising and sponsorship cooperations

In marketing, the partnership with STAHLWERK Schweißgeräte GmbH as the title sponsor for "Doppelpass" was expanded further. For Germany's No. 1 soccer talk show, a cooperation has also been agreed with Das Örtliche as the official partner of the DFB referees and the new sponsor of the section "Da fragen wir doch mal den Schiri!"

SPORT1 Business also gained SsangYong as a presenter for soccer and related areas and SCHÖNER WOHNEN Polarweiss as a sponsor in the soccer and ice hockey environment. In the Ice Hockey World Championship, PENNY was also integrated as a co-presenter. For the Darts World Championship, SPORT1 Business and MAGIC SPORTS MEDIA agreed partnerships with Tipico, star, ELTEN, GGPoker, Bike-Mailorder.de and McDart.

The cooperation with Automobilclub von Deutschland e.V. (AvD) was also expanded, making it the new mobility partner for the stage show "Doppelpass on Tour – powered by AvD" in addition to its role as title sponsor for "AvD Motor & Sport Magazin."

SPORT1 Business entered into a cooperation with IP Österreich covering the TV marketing of SPORT1 advertising spaces in Austria from 2023 onward.

LEITMOTIF expands service range and gains several new customers

LEITMOTIF, the consulting unit of Sport1 Medien AG belonging to Sport1 GmbH, expanded its service portfolio in 2022 with consultancy and creation in the areas of social media and influencer marketing and management. In addition, several new customers were gained in the form of Life Fitness (ICG), DHZ Fitness Europe, Big Hug Nutrition (THE FRED), and The Pearl. Cooperation with existing customers such as Automobilclub von Deutschland (AvD) was also expanded further.

Finland wins the Ice Hockey IIHF World Championship

PLAZAMEDIA expands studio business and puts high-tech in the spotlight

Despite continued difficult conditions due to the effects of the pandemic on event business and the huge increase in energy prices, PLAZAMEDIA implemented technologically ambitious projects and gained additional serial studio productions in the year under review. In addition to increased post-production orders, various cookery formats were implemented, as well as the VR production of the political satire magazine show “Quer” for Bayerischer Rundfunk since September 2022.

Among other things, Constantin Entertainment commissioned PLAZAMEDIA with 100 episodes of the format “Doppelt kocht besser” to be broadcast on Sat.1. PLAZAMEDIA also implemented the technical operation of the SPORT1, DAZN and Magenta Sport TV channels on the basis of state-of-the-art IP technology.

The high point of the year was the production of the 2022 FIFA World Cup for Telekom’s MagentaTV with all 64 games and an extensive supporting program. The XR LED World Cup studio set new standards here, with a 33-meter-wide LED wall in a studio measuring 690 square meters. Production took place at PLAZAMEDIA in Ismaning in a space covering 2,600 square meters including the main World Cup studio, with six UHD/HDR playouts and AR and XR graphics. At the same time, the XR LED studio for the World Cup represented another milestone in the new business area of XR productions, where the XR pilot project at the end of 2021 was followed in the year under review by a campaign for AlphaTauri, the premium fashion brand from Red Bull.

Match IQ delivers international football events

In 2022, the events and sports consultancy entered into a cooperation with FC Bayern Munich that relates to the FC Bayern Campus and covers the planning of training camps and test games for the youth teams. In addition, the partnership with Ajax Amsterdam was extended by two years.

The subsidiaries of Sport1 Medien AG – SPORT1, PLAZAMEDIA, MAGIC SPORTS MEDIA, Match IQ and Jackpot50 – continued to focus in general on maintaining and expanding existing customer relationships and building new ones in the year under review.

Highlight Event AG

Highlight Event AG’s activities during the financial year in connection with the Eurovision Song Contest and the Vienna Philharmonic Orchestra focused primarily on the sale of marketing and media rights, contract fulfillment and on-site event management, as well as preparations for negotiations to extend agency contracts.

Particularly with regard to the sale of sponsorship rights for the Eurovision Song Contest, very good results were achieved that considerably exceeded expectations. This accordingly had a positive impact on the financial result. However, the key factor was the successful on-site and TV implementation of the contract with the longstanding principal sponsor, which was able to exercise its rights for the first time after the pandemic.

With regard to the Vienna Philharmonic Orchestra project, all events were successfully arranged again, thus fully meeting the contractual obligations. This particularly applied to the two major events in Vienna (New Year’s Day Concert and Summer Night Concert), but also to other sponsored events with the orchestra in Belgium and Germany. Events in China had to be postponed by another year until 2024 due to the travel restrictions in place.

Furthermore, the Vienna Philharmonic Orchestra’s 2022 TV events – the New Year’s Concert (Musikverein in Vienna) and the Summer Night Concert (open-air in the Schönbrunn Palace Gardens) – as well as the Eurovision Song Contest were very successfully realized. The Vienna Philharmonic’s Summer Night Concert attracted an audience of around 50,000 listeners again for the first time.

The DHB Women's Cup goes to Bietigheim in 2022

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

TEAM Group

UEFA Champions League in the lead for sports rights on social media/Viewer figures for UEFA Club Competitions remain high

The official social media accounts of the UEFA Champions League extended their leading position among sports rights holders. The UEFA Champions League Instagram account is still the most-followed sports rights holder account on the platform and surpassed 100 million followers in November 2022. Additionally, the UEFA Champions League TikTok account became the most-followed sports right holder on the platform in December 2022. This development strengthens UEFA's digital presence and creates a connection with a younger audience.

The 2022 Final of the UEFA Champions League was broadcast in more than 200 countries and seen by 166 million live TV, streaming and out-of-home viewers – up by 68 % compared to the previous commercial cycle average. The main reason behind the increase was the higher viewing figures in the top five European markets – France, Germany, Italy, Spain and United Kingdom. The UEFA Champions League final returned to being the most-watched annual TV event, beating the Super Bowl LVI.

The global live viewership for the UEFA Europa League final stood at 44.2 million, which is a slight increase on last year's figure. The inaugural final of the UEFA Europa Conference League also attracted a large viewership, with 34.6 million live TV, streaming and out-of-home viewers. The UEFA Super Cup attracted a viewership of 31.4 million, which was the highest audience average in five years.

Sport1 Medien AG

Free TV distribution consistently high

The free TV broadcaster SPORT1 was available in 31.97 million (2021: 32.79 million) of all reachable households in Germany in 2022 (82.5 %; 2021: 84.6 %) – and therefore almost nationwide.

With its free TV channels, SPORT1 achieved market shares of 0.5 % among viewers aged three and over in 2022 (2021: 0.6 %) and 1.0 % in the core target group of men aged 14 to 59 (2021: 0.9 %).

In particular, ratings highlights included live football broadcasts of the top match in Bundesliga 2 on Saturday evenings, the familiar SPORT1 formats such as "Der STAHLWERK Doppelpass" and "Fantalk," and the darts and ice hockey world championships.

Pay TV distribution still at high level

The pay TV broadcaster SPORT1+ had around 1.83 million subscribers in total as of December 31, 2022 (December 31, 2021: 2.33 million). eSPORTS1 had around 2.13 million subscribers as of December 31, 2022 (December 31, 2021: 2.22 million). The lower subscriber figures compared to the previous year are the result of adjustments in reporting by the pay TV platform partner, which in contrast to 2021 partly no longer includes pay TV subscribers of the SD station packages in its reporting.

The ADAC GT Masters season finale takes place at the Hockenheimring

New visit and video records set in digital business

SPORT1's digital content was extremely popular with sports fans again in the year under review – particularly thanks to its extensive video content. Desktop visits to SPORT1 were up 9 % year-on-year while mobile visits were up 8 % – with news relevance on search engines showing a positive impact in the second half of the year in particular. A new record of 82 million visits was achieved in the fourth quarter, primarily thanks to the extensive reporting on the Football World Cup and the Darts World Championship. The figures are based on internal measurements, as IVW no longer carries out a full survey for data privacy reasons.

Video views on its own platforms, i.e. not including its YouTube channels, were up 18 % in the year under review as against the previous year. In December 2022, SPORT1 set a new monthly record of 23.4 million video views – primarily due to video content relating to the Darts World Championship. The previous record of 19.2 million video views was set in May 2022. As in the previous year, the large number of livestreams contributed to the positive development again. For example, livestream views during the Darts World Championship in December doubled in comparison to December 2021.

On its YouTube channels, SPORT1 posted a 21 % increase in video views compared to the previous year. This boost in reach was also due in particular to the newly introduced YouTube Shorts. An all-time high of 26.7 million views was achieved in May 2022.

Podcast range at high level, leading social media position consolidated, and one-million mark reached on TikTok

SPORT1 launched its own podcast family in September 2019. This was expanded further in the year under review and comprised around 30 podcasts at the end of December 2022. These podcasts are available on the usual streaming platforms, Spotify, Apple Podcasts, Google Podcast, Amazon Music, Deezer and Podigee, and on SPORT1.de and the SPORT1 apps.

On its social media channels – Facebook, Instagram, Twitter, TikTok and YouTube – SPORT1 had around 7 million fans and followers in total at the end of December 2022 (December 2021: 6.6 million).

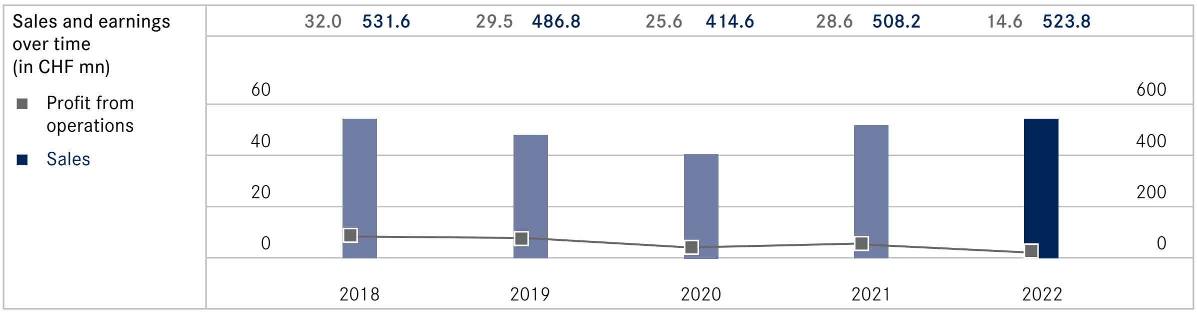
A record was achieved on TikTok at the end of 2022, when SPORT1 became the first German sports medium with German-language content to break past the barrier of one million followers. On its channel launched in 2019, the target group of young entertainment and sports fans is offered high-quality entertainment, including highlights of current football games from the Bundesliga. Darts also plays a major role on TikTok. During the Darts World Championship, SPORT1 stepped up its activities and offered 100 exclusive videos from the "Ally Pally" on its channel.

Spectacular shows: Eurovision Song Contest in Turin and Vienna Philharmonic

Highlight Event AG

Eurovision Song Contest (ESC), New Year's Day Concert and Summer Night Concert: TV audience figures remain at stable level

The Vienna Philharmonic Orchestra's New Year's Day Concert and Summer Night Concert were again broadcast in around 90 countries – almost exclusively via public broadcasters – and were also available in all other countries worldwide for the first time on the streaming platform medici.tv. The global audience figures for the events were relatively stable at around 40 million and 5 million respectively. The ESC was broadcast live in 42 countries and achieved excellent figures again with around 160 million TV viewers in total – for all three shows – and around 50 million TV viewers for the grand final alone (average market share of around 40 %). The fact that the events were not broadcast in Russia had a corresponding negative impact on the TV audience figures. Social media figures for the ESC remained at a high level. The nine events were watched in the arena by more than 50,000 fans. Kalush Orchestra from Ukraine was crowned the winner. However, the ESC 2023 will be held in Liverpool.



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

OVERALL ASSESSMENT OF THE REPORTING PERIOD

In the opinion of the company, the business performance of the Highlight Group was satisfactory overall in 2022. At CHF 523.8 million, consolidated sales were up 3.1 % on the prior-year figure of CHF 508.2 million.

EBIT declined by 49.0 % to CHF 14.6 million, while the consolidated net loss of CHF –2.5 million was also lower than the previous year's profit of CHF 15.4 million.

With a consolidated net loss attributable to shareholders of CHF 2.9 million after a profit of CHF 14.8 million in the previous year, earnings per share declined from CHF 0.26 in the previous year to CHF –0.05.

RESULTS OF GROUP OPERATIONS

Increase in consolidated sales

The Highlight Group generated consolidated sales of CHF 523.8 million in the past fiscal year, an increase of CHF 15.6 million as against the previous year (CHF 508.2 million). The Film segment generated higher external sales than in the previous year, while external sales in the Sports and Event segment decreased.

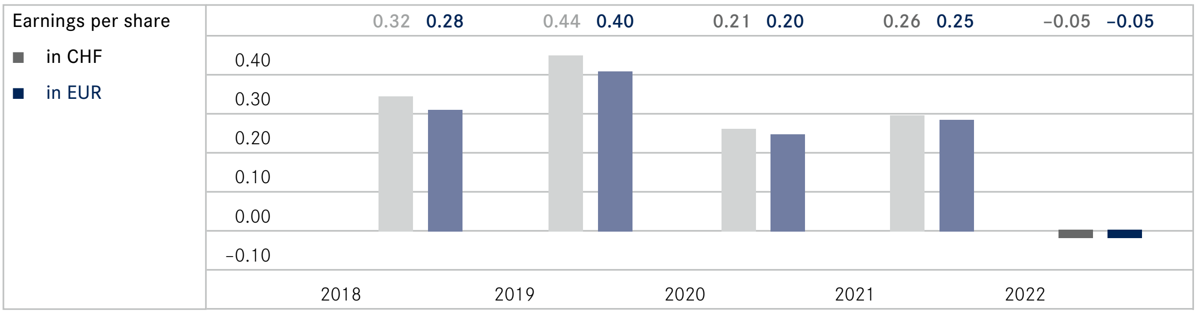
At CHF 64.6 million, capitalized film production costs and other own work capitalized were down significantly by CHF 58.4 million on the figure for 2021 (CHF 123.0 million).

Other operating income declined to CHF 25.6 million (previous year: CHF 34.3 million).

EBIT down on previous year

At CHF 599.4 million in total, consolidated operating expenses were down CHF 37.5 million or 5.9 % on the figure for 2021 (CHF 636.9 million). The cost of materials and licenses climbed by CHF 25.5 million to CHF 285.7 million (previous year: CHF 260.2 million) due to production, while staff costs declined by CHF 20.9 million to CHF 175.1 million (previous year: CHF 196.0 million) and amortization as well was down by CHF 43.9 million mainly production-related in film assets year-on-year at CHF 79.7 million (previous year: CHF 123.6 million).

Overall, EBIT fell by CHF 14.0 million or 49.0 % to CHF 14.6 million (previous year: CHF 28.6 million).



Consolidated result down

The financial result fell by CHF 2.8 million to CHF –10.1 million (previous year: CHF –7.3 million). Financial income rose by CHF 2.8 million to CHF 8.4 million (previous year: CHF 5.6 million), while financial expenses increased due to currency effects by CHF 5.5 million to CHF 18.5 million (previous year: CHF 13.0 million). Taking into account tax expenses (income taxes and deferred taxes) of CHF 5.5 million (previous year: CHF 5.9 million), the Highlight Group reported a consolidated net loss for fiscal 2022 of CHF 2.5 million (previous year: consolidated profit of CHF 15.4 million). CHF 0.4 million (previous year: CHF 0.6 million) of this result is attributable to non-controlling interests. The share of results attributable to Highlight's shareholders is therefore down at CHF –2.9 million after CHF 14.8 million in the previous year. Based on an average of 56.7 million shares outstanding in the reporting year, which was unchanged as against the previous year, this resulted in earnings per share of CHF –0.05 (previous year: CHF 0.26).

RESULTS OF SEGMENT OPERATIONS

Film: Earnings up

There were eight in-house and co-productions in total in theatrical production. For example, shooting took place on the in-house productions "Manta Manta – Zwoter Teil" and "Rehragout-Rendezvous" in 2022. In addition to the international projects "Perfect Addiction" and "In the Lost Lands," filming on "Hagen" began and will continue into 2023. Last currently scheduled day of shooting of "Hagen" is April 29.

In theatrical distribution, seven films were released in German theaters during the fiscal year, including "Guglhupfgeschwader" from the Eberhofer series, "Der Nachname" starring Florian David Fitz, "After Forever" from the successful After series, and Leander Haußmann's "Stasikomödie".

Home entertainment exploitation retained a strong market position thanks to a balanced portfolio, now also including last year's new releases such as "Contra" and "Guglhupfgeschwader" as well as the international production "Resident Evil: Welcome to Raccoon City".

In TV exploitation/license trading, numerous license sales of in-house and third-party productions took place with established and new partners in 2022. The premiere broadcasts of "Kaiserschmarrndrama" and "Der Vorname" scored the usual high market share.

Sales in the Film segment climbed by 7.8% to CHF 357.4 million in the year under review (previous year: CHF 331.5 million). Other segment income, which is largely influenced by capitalized film production costs, fell significantly by 45.5% to CHF 77.1 million (previous year: CHF 141.5 million). At the same time, segment expenses were down – in particular on account of a significant reduction in amortization – by 8.3% in total at CHF 419.3 million (previous year: CHF 457.1 million), resulting in segment earnings remaining stable year-on-year at CHF 15.2 million (previous year: CHF 15.9 million).

Awarded Gold at the New York Festivals: “Wannseekonferenz”

Sports and Events: Earnings down

The TEAM Group successfully completed the development of commercial concepts and rights packages for the 2023/24 to 2025/26 cycle of the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League in the reporting year.

As a result, TEAM was able to start selling the commercial rights in the second half of the year.

TEAM experienced a strong start to its sales operations on both the media and the sponsorship sides, closing several key deals early on.

Highlight Event was able to return to normal in the music, classical music and entertainment marketing segment after the pandemic. In particular, this is demonstrated by the success of the 2022 Eurovision Song Contest in Turin (Italy).

In the reporting year, Sport1 Medien AG focused on optimizing its portfolio of rights, improving and creating new digital content and marketing environments in addition to cross-platform content exploitation, networking and capitalization.

At CHF 166.4 million, external sales in the Sports and Event segment were down by 5.8 % on the previous year’s level (CHF 176.7 million). Segment expenses rose by CHF 174.6 million to CHF 176.6 million, while other income decreased by CHF 17.2 million to CHF 13.3 million.

As a result, segment earnings were down year-on-year at CHF 5.6 million (previous year: CHF 19.6 million).

Holding costs above prior-year level

The costs of holding activities decreased by CHF 0.6 million in fiscal 2022 to CHF 6.2 million (previous year: CHF 6.8 million).

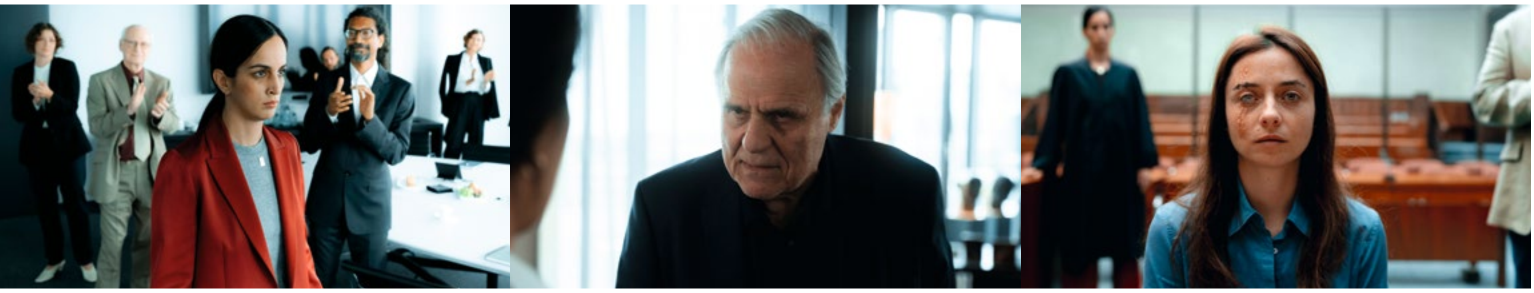
NET ASSETS SITUATION

Total assets up year-on-year

As of December 31, 2022, the total assets of the Highlight Group amounted to CHF 634.2 million, a reduction of CHF 40.3 million as against the end of 2021 (CHF 674.5 million).

On the assets side of the statement of financial position, the decrease was exclusively due to current assets, which fell by CHF 62.5 million to CHF 220.1 million (December 31, 2021: CHF 282.6 million). This development was due to production largely influenced by inventories of CHF 11.5 million (December 31, 2021: CHF 69.3 million), which decreased by a total of CHF 57.8 million. At the same time, cash and cash equivalents declined by CHF 18.4 million at CHF 29.9 million (December 31, 2021: CHF 48.3 million), while trade receivables and other receivables climbed by CHF 14.4 million from CHF 133.1 million to CHF 147.5 million.

Total non-current assets rose by CHF 22.2 million to CHF 414.1 million (December 31, 2021: CHF 391.9 million), essentially as a result of the increase in film assets of CHF 28.3 million to CHF 155.4 million, while the biggest offsetting effect was the decline of CHF 5.0 million in right-of-use assets to CHF 35.4 million (December 31, 2021: CHF 40.4 million). The share of non-current assets in total assets therefore rose to 65.3 % (previous year: 58.1 %).



Film adaptation of the short story bestseller: "Ferdinand von Schirach: Strafe"

Film assets

The value of film assets was CHF 155.4 million as of the end of the reporting period, an increase of CHF 28.3 million as against the end of 2021 (CHF 127.1 million). CHF 148.4 million of this total related to in-house productions (December 31, 2021: CHF 117.1 million) and CHF 7.0 million to third-party productions (December 31, 2021: CHF 10.0 million).

Non-current liabilities up, current liabilities down

On the equity and liabilities side of the statement of financial position, non-current liabilities rose by CHF 68.4 million to CHF 138.3 million (December 31, 2021: CHF 69.9 million), largely as a result of the reclassification of financial liabilities to non-current liabilities.

Current liabilities fell by CHF 98.5 million to CHF 310.0 million (December 31, 2021: CHF 408.5 million). This resulted mainly from the reclassification of financial liabilities. In particular, this was offset by contract liabilities (up CHF 8.0 million at CHF 21.6 million).

Equity ratio down slightly year-on-year

Consolidated equity (including non-controlling interests) decreased by CHF 10.1 million from CHF 196.1 million as of the end of the previous year to CHF 186.0 million. Equity was reduced mainly by the consolidated net loss for the period of CHF –2.5 million and foreign currency effects (CHF –9.1 million).

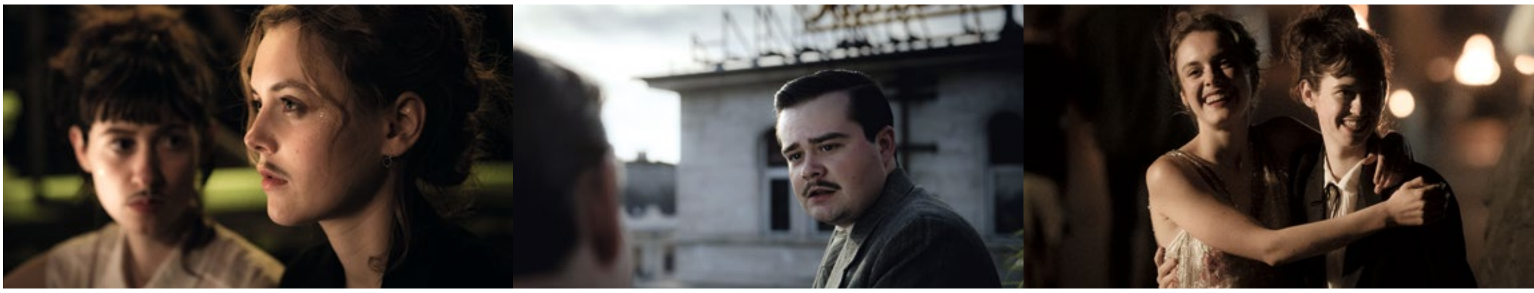
Relative to total assets, this equity corresponds to a notional equity ratio of 29.3 % – an increase of 0.2 percentage points as against December 31, 2021 (29.1 %). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and film assets against advance payments received) was 32.8 % as of the end of 2022 (December 31, 2021: 33.5 %).

For detailed information on the development of consolidated equity, please see the consolidated financial statements (pages 94 and 95).

FINANCIAL SITUATION

Current net debt of CHF 89.1 million

Cash and cash equivalents amounted to CHF 29.9 million as of December 31, 2022, down CHF 18.4 million as against the end of fiscal 2021 (CHF 48.3 million). At the same time, current financial liabilities fell by CHF 80.9 million to CHF 112.3 million (December 31, 2021: CHF 193.2 million). Taking current lease liabilities into account, current net debt amounted to CHF 89.1 million as of the end of the reporting period (December 31, 2021: CHF 151.8 million), equivalent to gearing of 47.9 % (previous year: 77.4 %). Including non-current financial and lease liabilities, net debt amounted to CHF 197.3 million (previous year: CHF 191.2 million).



Major TV event: "Eldorado KaDeWe"

Operating activities generated a net cash inflow of CHF 101.3 million in the year under review – an increase of CHF 41.7 million as against fiscal 2021 (CHF 59.5 million), due in part to changes in net working capital.

Net cash used in investing activities increased by CHF 34.0 million as against the previous year (CHF 73.5 million) to CHF 107.5 million. This development was mainly due to the CHF 21.1 million increase in payments for film assets to CHF 92.1 million (previous year: CHF 71.0 million), due to production.

The cash used by the Highlight Group's financing activities amounted to CHF 10.8 million in fiscal 2022 (previous year: cash generated of CHF 15.7 million). There were repayments of current financial liabilities of CHF 48.2 million (previous year: CHF 40.9 million), while dividend distributions were largely unchanged at CHF 1.1 million (previous year: CHF 1.1 million). There were proceeds of CHF 43.7 million from taking up current financial liabilities (previous year: CHF 49.6 million).

External and internal financing sources ensure liquidity

The Highlight Group has access to credit facilities, mostly with floating interest rates, as external sources of financing that have been partially utilized. These facilities are loans that usually have a remaining term of one month. The corresponding interest rates were between 1 % and 8 % in the euro area in the year under review. For other foreign currencies, especially USD and CAD, interest rates were between 2.25 % and 2.95 %. In general, the only internal sources of financing are the returns on operating activities. Given the level of cash funds and credit facilities available, the Highlight Group was able to meet its payment obligations at all times in the period under review.

PERSONNEL REPORT

In fiscal 2022, the Highlight Group employed an average of 1,508 people (previous year: 1,541), including freelance staff. 148 of these (previous year: 143) worked in Switzerland and 1,360 (previous year: 1,398) in Germany.

"Der Parfumeur", a gripping thriller with Emilia Schüle

REPORT ON RISKS AND OPPORTUNITIES

Business activity and leveraging opportunities always entail risk. To protect the existence of the Highlight Group as a going concern, and to support the company in achieving its goals, an integrated, company-wide opportunity and risk management system (RMS) has been implemented.

RISK MANAGEMENT SYSTEM

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

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

The Highlight Group's risk management system comprises risks and opportunities in equal measure. In line with the decentralized Group structure, operational responsibility for dealing with risks lies with the respective risk officers. These are mainly the directors and committee members, or the management members and department managers of the individual subsidiaries. The factors underlying the risks and opportunities are identified and assessed on a quarterly basis and approved by the risk officers. At Group level, the reported factors are standardized and consolidated where appropriate.

Potential risks to the company as a going concern are required to be reported immediately. Please also refer to the reports on risks and opportunities of Sport1 Medien AG and the Constantin Film AG.

A comedy with heart: “Weil wir Champions sind”

In the periodic report, the cause and effects of the factors are described, as well as possible early warning indicators and measures that are planned or have already been taken. If a loss or a measure can be quantified meaningfully, this value is determined and stated. If quantification is not reasonably possible, the possible loss is described verbally and classified in one of the categories “immaterial”, “limited”, “high” or “serious”. The same applies to the probability of occurrence with the categories “low”, “medium”, “high” and “very high”.

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

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

The net risk is derived from the potential gross loss, the probability of occurrence and the effect of the measures. To improve the structure, risks are divided into the categories of regulatory risks, business and market risks, operational risks, financial risks, legal risks and compliance risks.

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

INFORMATION ON INDIVIDUAL RISKS

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

Regulatory risks

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

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

- The German film and movie theater industry is still feeling the effects of the Covid-19 pandemic. In order to mitigate the impact of the Covid-19 crisis for the German film and movie theater industry, the Executive Committee and Administrative Council of the German Federal Film Board adopted a comprehensive package of measures in the past, some of which have also continued beyond 2022.
- The default fund to mitigate pandemic-driven financial risks to theatrical and high-end series productions has been extended until March 1, 2023. The default fund is part of the RESTART CULTURE program, which is planned to provide EUR 165 million in total to support the film industry.
- Additional production assistance can be applied for under the "Default Fund II" (TV and streaming productions), which has been launched by the German federal states and TV stations. The fund provides production companies with financial support for the duration of filming if they incur financial losses as a result of coronavirus-related disruptions to production that are not covered by their standard insurance. This arrangement ended as of December 31, 2022. A further extension is not foreseeable.
- The financial success of theatrical production and distribution is still largely dependent on the German film subsidy framework, hence there is a risk of such subsidies being reduced. The Constantin Film Group is constantly monitoring developments in the area of film subsidies in order to satisfy the relevant criteria for its productions and to participate in subsidies.

- In addition to the above proceedings, a number of other legislative proceedings are underway at national and EU level that could affect the Constantin Film Group, such as regulations to modify copyright contract law at national level of the amendment of the geo-blocking regulation at EU level.
- The sale of advertising time to providers of products such as sports betting, online casinos, lotteries or poker schools is heavily regulated. Regulatory measures such as concessions, prohibitions, or other restrictions could change the economic conditions for providers of these products, which could have an indirect effect on the planned sales.
- In this context, possible administrative proceedings or antitrust proceedings against companies of the Group in terms of the advertising of these products could also have a direct negative effect on the recognition of sales and possibly lead to increased costs.
- The amendment of the German Telecommunications Act (TKG) largely came into force on December 1, 2021. The ancillary cost privilege for cable TV costs will be dropped – immediately in the case of newly built building distribution networks. There is a transition period of existing properties until mid-2024. The ancillary cost privilege allows landlords to bill their tenants for cable connections at a flat rate via ancillary costs. Between 8 and 11 million households in Germany are supplied with television in this way. The loss of this privilege could lead to customers abandoning traditional cable network providers and possibly instead switching to distribution channels not monitored by AGF or consuming less linear television. While it is difficult to make a clear forecast, there is the risk that up to 10% of technical range could be lost. This could lead to lower market share and thus a decline in sales. The German Act Regulating Data Protection and Privacy in Telecommunications and Telemedia also came into force at the same time. This Telecommunications/Telemedia Data Protection Act is intended to anticipate some important aspects of the e-Privacy Regulation so as not to be dependent on the far-off EU solution still.
- With a new law on digital content and services that came into force in 2022, consumers now have extensive warranty rights. An update requirement for companies has also been introduced. The new regulations apply to all consumer contracts – i.e. contracts between companies and consumers – irrespective of the type of contract. They relate to the provision of digital content such as software and e-books, as well as digital services such as video streaming and social networks.
- The draft e-Privacy Regulation, which is intended to regulate the use of cookies and similar technologies, the admissibility of creating user profiles (tracking, profiling, retargeting) or measures on the use of personal data, is still pending the EU legislative procedure.

The reform of copyright contract law is also relevant. The new statutory regulations contain vague legal terms and unclear wording. More legal security in this regard can be gained only from case law and business practice in the sector over the coming years. Accordingly, the effects on the SPORT1 MEDIEN Group are not yet conclusively foreseeable at present.

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

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

Business and market risks

The Highlight Group requires access to licenses and source material

The Highlight Group requires access to exploitation rights for its product portfolio. The following factors have a notable effect on this risk:

- In the Film segment, access to and acquisition of rights to literary works, exploitation rights and screenplays, as well as the conclusion of contracts with successful directors, actors and licensors are important factors for the production of TV and theatrical movies. The Constantin Film Group therefore has decades of experience working closely with renowned and experienced screenwriters, directors and producers with extensive expertise in producing theatrical movies and TV formats at home and abroad.
- In the Film segment, third-party productions are generally acquired on individual film markets. Various prices are paid here depending on the particular project and the specific market. Usually, the film has not yet been made at this point, but the rights are sold in advance for financing. Nonetheless, films bought at a high price can adversely affect the Group’s net assets, financial position and results of operations if they are a complete failure. Third-party productions are typically acquired on individual film markets. All film markets are currently virtual on account of the coronavirus pandemic. As Covid-19 has delayed many movie productions, the competition for new projects and movies already completed has increased further. As a movie has usually not yet been completed when it is sold, and instead the rights are sold in advance for financing, movies bought at a high price can adversely affect the Group’s financial position and financial performance if they are an utter failure.
- In order to operate its platforms, the SPORT1 MEDIEN Group is dependent on attractive broadcast rights to sports events and programming formats. The relicensing of exploitation rights for sports events or programming formats can entail an increase in the planned license costs. The unavailability of broadcast rights to sports events, including on account of greater competition such as OTT platforms, or an increase in license costs in the future could lead to the SPORT1 MEDIEN Group lacking attractive content for its TV stations or other platforms. This would mean lower market share, lower advertising or sponsorship revenue and lower pay TV revenue.

These risks are monitored by experienced employees responsible for purchasing rights and licenses at the relevant subsidiaries. Firstly, source material, films and rights are acquired on a long-term basis where possible in order to build up an inventory of material that reduces uncertainty in the planning period. Secondly, the development of alternative formats and in-house productions is being continuously expanded so as to create a certain degree of independence from third-party rights. In the Film segment, the “Constantin Film” brand plays an important role as the leading independent German film producer and distributor.

Overall, this risk continues to be classified as significant.

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

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

- Market changes in the movie-theater or the home entertainment sector, such as falling audience and sales figures or growing competition, could be linked with a drop in prices for productions and licensed products. The expiry of framework agreements or a deterioration in the economic situation of licensees can lead to falling sale prices for licenses and thus threaten the intrinsic value of the film assets.
- Increasing production and distribution activities by relevant/competing independents and majors and by distributors on the German-language market could lead to falling margins in theatrical distribution. The effects of the Covid-19 pandemic will influence the movie theater market for a long time. The regulatory closures and restrictions imposed in the past have a negative impact on theatrical distribution. The market will take a long time to recover. It can also be assumed that consumers' patterns of use have changed. Only when the markets have been working over a certain period again will a more detailed analysis be possible. Due to the pandemic-related restrictions, some movie theater operators have encountered financial difficulties. There is a risk that in some individual cases businesses may no longer be solvent after the subsidies cease to apply. It is difficult to assess what effects will arise from the tense economic situation, including in relation to the Ukraine war, the rise in energy and food prices, the cost of living, the shortage of skilled workers, etc. Persistently high inflation could lead consumers to reduce their entertainment budgets, which in turn is likely to result in fewer trips to the movies.
- New streaming providers could increase the fight for end customers and the pressure on television stations. Reach and revenue power could fall for private stations in particular, leading to a decline in market share. Moreover, a potential economic slump due partly to the Covid-19 pandemic could result in declining advertising revenue and accompanying budget reductions for the private free TV stations. There is a risk that both public broadcasters due to stagnating broadcasting fees and private broadcasters due to shrinking advertising revenue could have considerably decreasing budgets for the acquisition and licensing of transmission rights. This could result in a decline in commissions.
- A strong competitive environment could result in decreasing margins in theatrical distribution business.
- There is not inconsiderable competition for advertisers' limited budgets, coupled with a rising number of TV broadcasters and other potential advertising platforms. Declining advertising investment and falling prices in the marketing of airtime and ad space could have a material impact on the Group's sales and earnings performance.
- General economic fluctuations have a direct impact on the advertising market. This could lead to decreasing advertising budgets and spending by advertisers and thus lower sales at Sport1 GmbH.

- The changes or adjustments to AGF Videoforschung GmbH's television panel weighting model can lead to an unplanned loss of market share for the free-TV broadcaster SPORT1, and as a consequence of this possibly to declining prices in the marketing of airtime and ad space.
- Because reach, market shares and subscriber numbers in particular are key factors for the amount of advertising revenue and sales that can be generated, the SPORT1 MEDIEN Group endeavors to expand its market shares via targeted, sought-after program content for its TV stations and other platforms in order to increase its competitiveness and to raise the profile and enhance the image of products through expenses for marketing them.
- SPORT1 is working very actively to expand and acquire new target groups via digital distribution channels and alternative digital formats in order to compensate for the corresponding risk and to create the opportunity to acquire new advertising inventory.

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

Accordingly, this risk continues to be classified as significant.

The Highlight Group is dependent on customers and business partners

Like any other enterprise, the Highlight Group is dependent on customers, suppliers and other business partners. The media and entertainment industry involves specific requirements. If contracts with key customers or business partners expire, are not extended or are terminated during their term, this could have a significant negative impact on sales and earnings in subsequent periods. The following factors are significant in this context:

- In the Sports- and Event-Marketing segment, the TEAM Group is dependent on the major client UEFA.
- With regard to the exploitation of theatrical productions, the Group is dependent on Sky Deutschland Fernsehen GmbH & Co. KG at the pay TV exploitation stage, as a considerable portion of its pay TV license sales is generated with this partner. If framework agreements are not extended, or are extended only at considerably worse terms, this could result in declining sales for the Highlight Group.
- There is a dependence on the major German free TV and pay TV stations, as a considerable part of production costs is covered by sublicensing TV transmission rights to theatrical movies. If contracts with key customers or business partners expire, are not extended or are terminated during their term, this could have a significant negative impact on sales and earnings in subsequent periods.

- In the case of TV service productions, the Constantin Film Group relies on continuous commissions. At some subsidiaries, there remains a dependence on a few major projects with a correspondingly high sales share. In the German TV station market, there is a small number of customers for a large number of producers. The individual TV stations therefore have a strong market position that can have an adverse effect on the margins that the Constantin Film Group can achieve.
- The market for TV ad time is defined by concentrated structures on both the supply and the demand sides. On the demand side, there are essentially seven large associations of media agencies that, in turn, typically consist of a number of smaller agencies. Their counterparts on the supply side are mainly the two private broadcast groups RTL and ProSiebenSat.1 and the public broadcasters, along with independent marketing companies, which include Sport1 Media GmbH and Magic Sports Media GmbH, which market SPORT1's platforms and content. If advertising budgets diminish, the price level for airspace marketing falls or customers cease to operate, this could have significant consequences for the company's sales and earnings performance. A further increase in competitive intensity on the German advertising market can currently be observed.

There are long-term relationships with technical service providers, which are necessary for uninterrupted broadcasting. Early termination or non-renewal of certain supplier agreements could result in higher costs due to the search for new partners and the establishment of new structures.

Overall, this risk continues to be classified as a significant risk.

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

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

- Due to technical possibilities for producing illegal copies of movies, the difficulties involved in taking down pages on relevant streaming/movie portals to prevent copyright violations, and insufficient legal protection of lawful copyright exploitation, there is a risk of lost sales.
- In the already changing market environment for in-home viewing, both the provider structure and in particular consumer behavior have changed further as a result of the Covid-19 pandemic. The constantly growing digital market, and particularly SVoD exploitation, are continuing to develop positively. The decline in sales of physical audiovisual storage media is continuing. Analyzing the opportunities and risks for content producers as a result of this development, which is driven chiefly by IP-based offers such as SVoD, is a central topic of Constantin Film's strategic discussions.

- There are contracts in place with the key cable network, satellite and platform operators in Germany to secure the digital distribution of the channels operated by Sport1 GmbH in the medium term. However, contractual termination rights or changing legal requirements and competitor conduct on other channels could have a negative impact on the cable distribution of SPORT1 and the distribution of pay TV programming in general.
- The SPORT1 MEDIEN Group's strategy is to maintain or extend the maximum possible reach via long-term contracts with the cable network, satellite and platform operators based in the broadcasting area. In addition, the actively pursued media policy ensures access and findability for stations such as SPORT1 free of discrimination and above all with the same opportunities as other providers, especially the large broadcasting groups. The Group also attaches great importance to auspicious channel planning, which is an important decision-making criterion when it comes to assigning cable channels and especially findability in the digital environment.
- Analog cable distribution is gradually being discontinued in Germany. Since the middle of 2019, the relevant cable network operators will halt analog TV broadcasts, relying instead on digital channels. Media institutions do not currently assign capacity on digital cable for private broadcasters.
- As only digital broadcasts will be available in the future, the free TV channel SPORT1 will no longer be just one of 30 analog programs, but rather one of several hundred digital programs. The ability to find channels will therefore be essential to them.

By means of targeted market research and analyses of use, the Highlight Group is attempting to anticipate future trends in terms of both content and technological developments, as is also reflected in the Film segment's digitalization strategy. The appeal of the products is enhanced by developing consumer-friendly programming and source material. The effects of piracy are reduced by means of lobbying, awareness campaigns and systematic prosecution of violations.

Overall, this risk continues to be classified as a significant risk.

Legal risks

The Highlight Group is subject to risks from legal disputes

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

As part of the legal support for operating activities, legal risks are identified and assessed qualitatively and quantitatively in terms of their probability of occurrence and potential impact.

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

Operational risks

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

Production costs for a German theatrical movie with an average budget are between EUR 3 million and EUR 7 million, while major international productions can be many times this amount. The period from the initial idea to the final marketing stage may last several years. The following factors have a notable effect on this risk:

- In TV service productions, the cost risk can be high due to development costs. In the event of non-commissioning, these costs are often only partially borne by the respective broadcaster. Even in the case of an order, there is no requirement for these costs to be added as initial costs to the budget of the respective TV provider.
- For TV broadcasters, in terms of tying up big-spending advertising partners, successful coverage and market share performance are important when buying and producing program content. This is why program providers are increasingly reserving the option to back out of a format commissioned in their contracts with producers if it fails to meet ratings expectations. Therefore, producers increasingly face the risk of having productions canceled at short notice.
- In the unlikely event of a delay or cancellation of a theatrical or TV service production due to unforeseeable market or project developments, it is possible that already delivered or commissioned services may no longer be usable and additional costs may arise from renewed commissioning of the services.
- The lack of budget discipline in terms of release expenses can cause an overspend on film-related marketing costs and reduce a film's contribution margin.
- Unlike theatrical movies, international TV series cannot be financed largely by way of advance sales based on the script. Sales cannot generally be made until at least one completed pilot episode has been presented. As a result, production costs have already reached an advanced stage by the time any sales take place.

If budget overruns occur in the course of a production, this can then negatively affect a movie's planned gross and therefore its earnings. In addition to the regular monitoring of production costs, movie insurance and completion bonds in particular are agreed to help ensure the completion of a movie.

Constantin Film AG is applying for formats at various broadcasters and program providers/distribution platforms in Germany and abroad and has entered into development contracts for series and non-series formats. Thanks to its long-term experience in producing movies, Constantin Film AG has usually managed to fully cover production costs with the exploitation sales in the past.

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

Overall, this risk continues to be classified as a medium risk.

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

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

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

The risks with regard to unauthorized access to company data are largely eliminated by using virus scanners and firewall systems. In addition, the Group has taken measures to keep the existing IT service landscape in line with the current technological standard and to counteract the obsolescence process in device and program technology, which was also examined as part of a cyber risk assessment. Training courses are also provided to raise awareness of security among the employees.

Taking into account the effects of the countermeasures, this risk continues to be classified in the medium risk level.

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

The future success of the Highlight Group depends to a significant extent on the performance of its managers and employees. There is intense and increasing competition for staff with the relevant qualifications and knowledge of the industry.

The Highlight Group therefore cannot guarantee that it will be able to retain its highly qualified and committed staff and gain new employees with the relevant qualifications in future.

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

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

Overall, this risk continues to be classified in the small risk level.

The Highlight Group could have insufficient insurance against damages and claims

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

If the Highlight Group suffers material damages for which there is no insurance cover, or only insufficient insurance cover, this could have negative effects on earnings. In the event of damages, third-party claims or replacement investments would have to be financed from own resources.

Overall, this risk continues to be classified in the small risk level.

Compliance risks

Despite the existing control and monitoring systems in the Highlight Group, these may prove insufficient to prevent violations of the law by employees, representatives, external service providers or partners, and to detect violations of the law that have already taken place

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

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

Overall, this risk continues to be classified in the small risk level.

Financial risks

The Group is exposed to various financial risks resulting from its operating and financing activities. Financial risks can be broken down into the categories liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks).

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

The Highlight Group is subject to the credit risk

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

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

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

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

The Highlight Group is subject to liquidity risks

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

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

Overall, this risk continues to be classified in the small risk level.

The Highlight Group is exposed to currency risks

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

In significant transactions, the Group attempts to reduce currency risks by using suitable derivative financial instruments. However, it cannot be ensured that the currency hedging measures taken by the Group are sufficient, and that fluctuations in exchange rates will not have a negative impact on earnings.

In view of the fact that the EUR/CHF exchange rate recovered in the past reporting period compared to the previous years, this risk is currently still assessed as a medium risk.

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

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

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

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

Overall, this risk continues to be classified in the small risk level.

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

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

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

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

Overall, this risk continues to be classified in the medium risk level.

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

Highlight Communications AG believes that the tax returns and details for the social security agencies prepared within the Group were submitted completely and correctly. Nonetheless, there is a risk that additional tax claims could be made, particularly in light of the complex regulations on sales tax and withholding tax in the media industry. In the event of a social security audit within the Highlight Group, it also cannot be ruled out that the social security agency may arrive at a different perception of the social security contributions, resulting in additional claims against the Highlight Group.

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

Overall, this risk continues to be classified in the small risk level

OPPORTUNITY MANAGEMENT SYSTEM

Similarly to risk management, the Highlight Group's opportunity management has the objective of implementing the strategic and operational goals rapidly and efficiently by means of specific activities. Opportunities may arise in any area. Identifying opportunities and taking advantage of them in a target-oriented way is a management task that is involved in day-to-day decision-making.

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

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

INFORMATION ON INDIVIDUAL OPPORTUNITIES

Individual opportunities, their factors and their effects are set out below. The opportunities are presented in groups in line with the RMS opportunity categories. The presentation in the opportunity report has a higher level of aggregation than in the RMS itself.

Business and market opportunities

The Highlight Group sees opportunities in implementing the digital transformation strategy

Advancing digitization is changing the individual patterns of media use. For some time, the Highlight Group has been vigorously developing its business models, thus actively promoting digital transformation within the Group, for example by way of licensing agreements with digital distribution providers, new forms of digital marketing or productions for international and national providers such as Netflix. The broad operational positioning that covers the categories of Sports- and Event-Marketing and Film and Entertainment, the excellent and in several cases leading market positions of the Group's business, and its strong, well-known brands represent clear advantages in a media world that is undergoing massive upheaval. The coronavirus pandemic could accelerate the trend emerging on the market even before the pandemic of a shift towards digital exploitation channels. In times of crisis, streaming in particular could benefit greatly from people's growing need for variety and entertainment, and from increased leisure time – with the result of stronger than anticipated content demand among streaming providers. In addition to this "added effect", the exclusively digital exploitation by streaming services of movies originally intended to be released in theaters first could enable a kind of "substitute business". The company is therefore increasingly monitoring the advantages and disadvantages of the possible forms of exploitation, and has suitable structures to respond relatively flexibly to the lessons learned.

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

This opportunity continues to be classified as medium.

Operational opportunities

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

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

Attractive film rights and source material for films that have already been secured could lead to higher sales than planned along the entire exploitation chain if they suit customers' tastes better than expected. In particular, there is the option of international relaunches of existing established intellectual property/brands belonging to the Constantin Film Group.

Advancing digitalization is changing the individual patterns of media use. Therefore, the SPORT1 MEDIEN Group's strategy includes identifying relevant trends and deriving promising business models from them. The following factors are decisive for the management:

The expansion and establishment of existing and new mobile offerings in the sports and entertainment sector with the aim of benefiting as much as possible from the increasing use of mobile devices. In light of the potential reach on all mobile devices, this creates an opportunity for increasing revenue through new responsive marketing products and cooperations with new platforms and partner networks.

Another clear trend in consumers' media use is the sharp rise in the use of video content on all digital platforms. In order to benefit from this development, the Group continues to enhance its digital video infrastructure on the basis of data in order to increase the amount of content available, reduce editorial processing times and enable individual user recommendations for further video content. In order to maintain the relevant quantity and quality of content, SPORT1 acquired the clip rights for the Bundesliga and Bundesliga 2 in 2021 and can editorially expand the content portfolio in line with the trend from the second half of 2022. There is an opportunity to generate additional, unplanned sales through the exclusive marketing of these digital rights.

This opportunity continues to be classified as medium.

The Highlight Group sees opportunities in the cooperation with UEFA

Based on the TEAM Group's long-term collaboration with UEFA for marketing the commercial rights to the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup until the 2023/24 season, the prospects for continuation of the close cooperation with the Union of European Football Associations are – subject to TEAM's ongoing performance – very strong. Following the conclusion of a tender process conducted by UEFA and the European Club Association (ECA), UEFA announced on February 7, 2022, that TEAM Marketing AG (TEAM) had been successful in securing a mandate to act as the global marketing agency for the worldwide marketing of the media, sponsorship and licensing rights (excluding the marketing of media rights in the USA) relating to the UEFA Champions League, the UEFA Super Cup, the UEFA Europa League, the UEFA Europa Conference League, the UEFA Youth League and the UEFA Futsal Champions League Finals for three seasons, from 2024/25 to 2026/27.

This opportunity continues to be classified as medium.

SUMMARY OF THE OPPORTUNITY AND RISK SITUATION

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

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

In summary, three risk clusters can be identified: The first category comprises risks originating externally, which arise in particular from regulatory interventions and legal requirements and are difficult to influence. These topics are monitored closely in order to identify unfavorable developments at an early stage. In general, the effect of these topics is inherently not short-term, meaning that it is possible to respond to them with adjustments in the planning process. The second category covers topics that the Group management knowingly accepts for reasons relating to the implementation of the business strategy. These include in particular risks arising from film and TV production, access to license rights and source material, sales-, taste- and consumer-related risks.

The Group management believes that the effects of these risks are manageable in relation to the income opportunities arising from the business areas concerned. By monitoring key indicators, it is possible to identify whether this relationship between risk and opportunity is worsening on a long-term basis in individual areas. If so, this can be addressed by adapting the strategy.

The last group comprises operational risks and particularly includes business risks, safety and security plans, contractual/financial obligations, safeguarding liquidity and legal risks. These are controlled by the Group management by way of guidelines and process checks and by consulting external advisors, thereby ensuring that the residual risk remains at an economically acceptable level.

The Group management continues to see the biggest opportunities in the rigorous expansion of the digital strategy and the potential afforded by a transformation of the media world. There are further opportunities arising from the continuous maintenance of existing business relationships, the establishment of new partnerships and the diversification of business activities in the two established segments.

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

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

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

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

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

The specific control activities performed at Group level to ensure proper and reliable Group accounting comprise the analysis and, where necessary, the correction of the separate financial statements presented by the Group companies. Clear delimitations of responsibilities and process-integrated controls such as the use of the dual control principle constitute additional control measures. The correctness and effectiveness of the internal control system is ensured on an annual basis by process-independent auditing activities by the Internal Audit department and is regularly reported to the Group management and the Board of Directors.

RISKS AND OPPORTUNITIES OF HIGHLIGHT COMMUNICATIONS AG

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

The risks and opportunities may impact Highlight Communications AG at a different time from when they impact the operating subsidiaries.

FORECAST

GENERAL ECONOMIC ENVIRONMENT

In its latest World Economic Outlook published on January 31, 2023, the International Monetary Fund (IMF) is forecasting a slowdown in global economic growth and a strained overall economic situation in 2023. The main factors are the high interest rates imposed by central banks in an attempt to combat inflation, the Russian war of aggression against Ukraine, and the continued difficulties concerning the Covid-19 situation in China – although China is expected to see a rapid recovery as it reopens its borders. According to the IMF experts, the growth rate for global economic output will be 2.9 % in 2023 compared with 3.4 % in the previous year. This means a global recession is not anticipated.

The latest January forecast for global economic growth in 2023 is 0.2 percentage points higher than in October 2022, which shows that many economies are proving to be extremely resilient. This slight upward trend is mainly due to the fact that inflation has not risen as sharply as feared, thereby offering scope for stronger growth.

According to IMF estimates, the economy in the euro area will expand by 0.7 % in 2023, which equates to significantly lower growth than in the previous year (3.5 %). For Germany, the IMF is forecasting growth of just 0.1 % in 2023 compared with 1.9 % in 2022.

According to its December forecasts, the Swiss State Secretariat for Economic Affairs (SECO) expects growth of just 1.0 % for Switzerland in 2023 following a growth rate of 2.0 % in 2022. Although this represents weak performance, it means the Swiss economy would avoid slipping into a recession. The economic slowdown is likely to also be felt on the employment market, with unemployment set to rise slightly.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

The audit company PricewaterhouseCoopers (PwC) expects the German entertainment and media industry to see average annual growth of 3.4 % between now and 2026, with total sales set to rise to EUR 75.0 billion in 2026. Although non-digital areas will continue to account for the highest proportion of this figure, growth in the industry is being driven by digital sales, which are expected to increase by an average of 6.4 % per year to EUR 31.2 billion in 2026.

FOCUS IN FISCAL YEAR 2023

Film segment

Industry conditions

It remains generally difficult to make forecasts for the development of the movie theater market following the lifting of Covid-19 restrictions. This is because a large number of movies that were postponed due to the pandemic are being released and vying for audiences' favor. Movie theaters are also having to compete against other consumer and leisure options for attention and sales. However, the PwC German Entertainment and Media Outlook is extremely optimistic, forecasting that – after the pandemic years – the German movie theater market will grow by an average of 21.8 % per year until 2026.

Changing consumer preferences during the pandemic are causing the physical product market to shrink in favor of digital options. Sales will therefore grow more dynamically in streaming than in the physical segment.

Although the recent negative trend on the physical home entertainment market will continue, the growth prospects for digital home entertainment are still very positive.

Following a downward trend, the number of German TV households is now expected to increase slightly by an average of 0.3 % until 2026. All in all, the number of TV households is forecast to rise by around 499,000 between 2021 and 2026. However, sales generated by TV subscriptions (including commission fees) are expected to see average growth of around 0.1 % per year until 2026. The German TV advertising market is forecast to grow by 3.3 % in 2023 (after 3.5 % in 2022). The proportion of online TV advertising sales is set to rise to 6.1 % by 2026. Despite the forecast sales growth, total sales on the TV advertising market will not quite return to the pre-crisis level of 2019 by 2026.

Key areas

In theatrical production/acquisition of rights, the Constantin Film Group focuses on continuously optimizing the consistently high commercial quality of its national and international in-house productions. The goal is to produce titles that are heavily geared towards the audience's emotional needs and that are ideally based on well-known brands or are of an event nature. However, productions with smaller budgets and a correspondingly manageable box office risk are attractive if they have a convincing concept. Each production is centered around an analysis of the audience segment to be addressed and the commercial quality of the production.

In the area of theatrical distribution in German-speaking territories, the Constantin Film Group is continuing to implement its proven strategy of combining national and international in-house and co-productions with high-quality third-party productions and releasing these titles in theaters with a suitable press and marketing strategy at the most favorable time even in the foreseeably difficult year of 2023. However, it may be even harder to identify the right time than in previous years given the large volume of releases anticipated after the end of the pandemic. This year, too, estimating the potential success of movies with theatrical exploitation is more difficult than in previous years due to the impact of the pandemic and the war.

As things currently stand, at least eleven new theatrical releases are scheduled for 2023. This includes "Manta Manta – Zwoter Teil", a sequel to the successful "Manta Manta" comedy movie from 1991, and productions such as „Sonne und Beton", "Caveman", "Perfect Addiction", "Rehragout-Rendezvous" and "Das Beste kommt noch".

The Constantin Film Group is again excellently positioned for home entertainment exploitation in 2023 with its German in-house theatrical productions “Manta Manta – Zwoter Teil”, “Der Nachname” and “Caveman” and international in-house and co-productions like “Perfect Addiction” and “The Three Musketeers – D’Artagnan”, to name just a few. Consequently, the market position in the home entertainment sector in the current fiscal year is expected to be unchanged from the previous year. The good prospects for 2023 are also based on the Constantin Film Group’s own digital distribution operations and consistently good sales figures for catalog products.

In 2023, sales in free TV exploitation will be generated by “Dragon Rider” (based on the novel by Cornelia Funke), “After Love” (part three of the “After” series) and “Contra” (a Sönke Wortmann movie).

Titles expected to generate sales on pay TV (PPC) include “Mia and Me”, Leander Haußmann’s “Stasikomödie”, “Liebesdings” (an Anika Decker movie starring Elyas M’Barek), and “Freibad” (written and directed by Doris Dörrie).

The subsidiaries of Constantin Film AG are constantly working to develop innovative TV formats in the TV service production business area. In addition to conventional service production for German TV networks and digital platforms, key areas include the generation of rights through in-house productions and concept developments and the expansion of international TV production.

Constantin Film AG anticipates a stable to rising order situation for TV service, licensed and co-productions and for streaming services in the coming months, which will be positively influenced by the sustained to rising demand for content. Accordingly, Constantin Film’s subsidiaries are preparing a number of projects for 2023, including more seasons of the daily soap opera “Dahoam is Dahoam” (BR), more seasons of the TV series “Kroatien-Krimi” (ARD) and “Passau Krimi” (Degeto), and additional major projects/premium series like “Smilla’s Sense of Snow” and “Achtsam morden”.

With its TV service productions and the TV exploitation of its theatrical productions, the Constantin Film Group is also assuming ratings above the respective network’s average for the current year.

Sports and Event segment

Industry conditions

In its Ad Spend Report 2023, the Dentsu agency group does not anticipate any significant upturn in advertising expenditure in Germany in 2023, with high inflation, the rapid increase in energy costs, and consumers’ reduced willingness to spend all working against growth. Dentsu expects the situation to be stable in 2023 at –0.1%.

Group M expects advertising spending in Germany to increase by 6.7% to EUR 33.65 billion in 2023. At 11%, the biggest growth driver is digital advertising. In addition to search advertising, retail advertising is expected to see significant growth. The picture for traditional media is mixed. Out-of-Home is set to grow by 5%, radio will remain essentially unchanged at 1 %, while television is expected to see falling media budgets (–2.4%). Increased spending on TV channels’ digital offerings will not be enough to fully offset the substantial losses in linear TV. Print media is also expected to see a fall in advertising revenue (physical newspapers –7%, printed magazines –5%).

The audit company PricewaterhouseCoopers expects the German entertainment and media industry to see average annual growth of 3.4% between 2021 and 2026. Total sales are set to amount to EUR 75.0 billion in 2026. As previously, digital is the growth driver within the industry, so the creation of digital revenue models should be prioritized.

The positive development of advertising revenue is expected to continue, with PwC forecasting an average annual growth rate of 5.4 % to EUR 30.0 billion in 2026. Digital advertising will account for the biggest share of revenue at EUR 16.6 billion.

Analysis of the individual segments:

- Newspapers and magazines: Revenue is expected to fall by an average of 1.5 % per year to EUR 8.7 billion in 2026. The magazine market will contract to a considerably greater extent than the newspaper market. This is due to the downturn in print products, with only digital publications having the potential for growth.
- Music, radio and podcasts: Further positive development is anticipated with average annual growth of 8.0 % between 2021 and 2026. The catch-up effects from 2021 and 2022 are slowing. Music streaming remains the main driver with average growth of 9.7 % per year.
- Cinema: Catch-up effects are expected in 2022 and 2023 in particular. Average annual growth of 21.8 % is forecast for the period from 2021 to 2026. Sales in 2026 will be just below the pre-crisis level of 2019.
- Television: Traditional television is being consumed less intensively as competition from a growing number of free platforms and platforms from various streaming providers continues to grow. Many younger households now only use OTT services and no longer possess a conventional television connection. Average annual growth of 0.1 % to EUR 6.6 billion is forecast for the period from 2021 to 2026.
- Internet video: For over-the-top (OTT) services, total revenues are composed of SVoD and TVoD revenues. SVoD means “Subscription Video-on-Demand”: In this subscription-based model, videos are accessed via streaming for a monthly or annual fee. TVoD means “Transactional-Video-on-Demand”: In contrast to SVoD, this principle involves paying individually for each piece of content used. Germany remains the second-largest OTT market after the United Kingdom in the forecast period. Growth for total revenue between 2021 and 2026 is forecast to average 6.7 % per year and reach EUR 3.3 billion in 2026. Subscriber services play a significantly larger role than the transactional VoD segment, which is estimated to decline slightly.
- TV advertising: The next few years are expected to see varying development, with sales stagnating at EUR 4.7 billion in 2026. Advertising revenue from TV broadcasting is set to fall slightly, whereas online TV advertising revenue will see annual growth of 2.3 % to EUR 283 million between 2021 and 2026.
- Online advertising: Average growth of 6.1 % to EUR 16.1 billion in 2026. The growth rate for mobile will be three times higher than for desktop online advertising. Revenue from display advertising will continue to increase compared with paid search advertising.

Key areas

TEAM Group

In the first half of 2023, the TEAM Group will support UEFA in delivering a successful knock-out stage in its three club competitions, the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League in the second season of the three-year rights cycle from 2021/22 to 2023/24. This includes the finals, which will take place in Istanbul (Turkey, after being originally appointed to host the 2020 Final which had been subsequently moved twice due to the Covid-19 pandemic), Budapest (Hungary) and Prague (Czech Republic) respectively.

Sport1 Medien AG

In fiscal 2023, the focus will again be on the systematic use, distribution and capitalization of multimedia content. In addition to augmenting the SPORT1 portfolio by acquiring new rights, extending existing partnerships and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central. In particular, these include the core sports of football, darts, motorsports, ice hockey, basketball, volleyball, tennis, US sports and e-sports. Furthermore, the digital diversification of the SPORT1 brand will continue to be promoted and new content and marketing environments will be created in view of the continued massive growth in the digital and cross-platform use of media content – for example, using the Bundesliga and Bundesliga 2 highlight and archive clips acquired in the DFL rights tender for exploitation on digital platforms. Another focal point is the planning and implementation of promising crypto projects.

In addition to complex live and non-live productions, PLAZAMEDIA will continue to focus on developing innovative production technologies, content management solutions and technical content distribution in 2023.

The main priorities for sports at the other subsidiaries of Sport1 Medien AG will also be maintaining and expanding existing customer relationships and developing new ones.

There will be a particular focus on making the best possible use of synergies in the sports sector, where the subsidiaries cover the entire value chain and hence provide integrated services for partners and customers.

Highlight Event AG

Among other things, Highlight Event AG's activities are focused on preparations for extending the existing agency agreements with the Vienna Philharmonic and with the European Broadcasting Union (EBU) for the Eurovision Song Contest. The current agreements have a term until 2027 for the Vienna Philharmonic and 2025 for the Eurovision Song Contest. A basic prerequisite for any extension is the successful performance and fulfillment of the existing media and marketing agreements, which has gone extremely well in recent years. The Eurovision Song Contest 2023 will be held in Liverpool. In addition to the two major events in Vienna, events for the Vienna Philharmonic will be realized in Hamburg, Prague and Tokyo. Activities will also concentrate on negotiations and preparations for the orchestra's events in 2024–2025, including in New York, Berlin, Seoul, Beijing and Madrid, while the second half of 2023 will see a focus on the sale of the sponsorship rights for the Eurovision Song Contest 2024. Both partners also need to be provided with expert advice on the ramifications of the crisis in the media and marketing sector.

Financial targets of the Highlight Group

It should be noted that the actual results may differ significantly from the expectations for future developments if the underlying assumptions for the forward-looking statements prove to be incorrect.

As described in the report on risks and opportunities, inflation, consumer behavior and the Ukraine crisis are generating increased planning uncertainty for fiscal 2023.

All COVID-related restrictions, and thus all hygiene regulations and access restrictions for movie theaters, were lifted on April 2, 2022. Although movie theaters can now operate as normal, the medium-term and long-term consequences of the coronavirus pandemic are still extremely present in many areas. In addition to the reduction in production capacity, especially in 2020 and 2021, this is due in particular to the significant restrictions up to and including the partial closure of movie theaters in the period from 2020 to early 2022. Both these factors meant that considerably fewer movies entered theatrical exploitation in these two years compared with the long-term average. Due to the holdback periods for subsequent stages of exploitation (especially home entertainment, pay TV and free TV), proceeds from downstream exploitation are typically not realized until between six and 32 months after the respective theatrical release. In other words, 2023 is expected to see the most pronounced impact in terms of a significant reduction in proceeds from subsequent exploitation in the wake of the closure of movie theaters during the critical phase of the coronavirus pandemic. Assuming that movie theaters remain open without restrictions in the future and confidence among moviegoers gradually returns to pre-pandemic levels, the effects of the coronavirus pandemic in terms of reduced proceeds from downstream exploitation stages are expected to already be less pronounced in 2024 before becoming all but negligible from a Group perspective in 2025.

The Constantin Film Group expects to release successful movies in German theaters once again in fiscal 2023. Overall, the Board of Directors therefore expects sales from German theatrical exploitation to be slightly above the previous year's level. Candidates with particular commercial potential at the box office include "Rehragout-Rendezvous", "WOW – Nachricht aus dem All", and the two Til Schweiger movies "Manta Manta – Zwoter Teil" and "Das Beste kommt noch".

In license trading/TV exploitation (pay TV and free TV), sales generated in Germany from fictional productions are expected to be lower than in the previous year. Key movies with high sales in 2023 will include "Contra", "Guglhupfgeschwader", "Der Nachname", "After Forever" and "After Love," which were all successful in theatrical exploitation.

Sales from the international exploitation of in-house and co-productions are expected to be lower in 2023 than in the previous year. The main sales drivers in this area will be the international productions "Perfect Addiction", "Wir Kinder vom Bahnhof Zoo", "Tides", "Wrong Turn – The Foundation" and "Monster Hunter".

In service production, the commissioning situation can be considered positive overall. This is thanks in particular to the extremely high sales of the English-language "Resident Evil" series productions in fiscal 2022. The exploitation of major projects/high-end series such as "Smilla's Sense of Snow" and the visually stunning fantasy epic "Hagen" (a lavish production for the big screen and as a six-part series for RTL+) is expected to help generate increased sales in this area in 2024. The main new projects that will already lead to significant sales in 2023 include season 20 of "Dahoam is Dahoam", "Cassandra", season 4 of "Die Heiland," and the lavish series production "Gennat". In the non-fiction segment, the Constantin Entertainment Group expects to generate slightly lower sales than in the previous year.

Home entertainment sales in Germany are expected to be slightly lower than in the previous year. Top titles for exploitation in 2023 are set to include "Der Nachname", "After Forever", "Guglhupfgeschwader" and "Manta Manta – Zwoter Teil". Movies that are released in theaters in the first half of the year usually already generate significant sales from initial exploitation in the home entertainment segment in the second half of the year following the expiry of the corresponding holdback period, which typically lasts six months.

Revenue from TV production and productions for streaming services remains the main pillar of the sales forecasts. In addition, higher revenues are expected from theatrical exploitation in Germany, while lower revenues are expected from the TV exploitation/license trading business area and national and international exploitation in the home entertainment business area.

License exploitation, particularly internationally, could result in positive potential if additional profit participation is realized; however, this potential cannot currently be quantified.

The TEAM Group will focus on the marketing of the UEFA club competitions for the 2024–25 to 2026–27 seasons together with UEFA. The TEAM Group is also assisting UEFA in staging the current seasons in the period from 2021–22 to 2023–24.

SPORT1 will also focus on multimedia content use and distribution in 2023. Besides the exploitation of key sports, it is also still working intensively on expanding its cross-platform media content in order to advance the diversification of the SPORT1 brand. With the start of the Women's Bundesliga, Monday evenings will be dedicated to women's soccer from the beginning of the 2023-24 season, including live matches and additional content focusing on women's sport.

Plazamedia will open its new briXwoRk.studio at its location in Munich. The LED wall with a width of 24 meters and a height of five meters will provide long-term production opportunities for media and production companies in the advertising industry, as well as for event and creative agencies.

In 2023, Highlight Event AG will again concentrate on fulfilling its existing sponsorship agreements for the Eurovision Song Contest and sponsor events of the Vienna Philharmonic.

Pratteln, April 2023

The Board of Directors

Notes and forward-looking statements

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

Forward-looking statements are not historical facts. These are subject to risks, uncertainty, and factors that are mostly difficult to assess and, in general, beyond the control of the Group management. If one or more of these risks or uncertainties materializes, or if underlying expectations do not occur or assumptions prove to be incorrect, the actual results, performance, or achievements of the Highlight Group may differ significantly from those described explicitly or implicitly in the forward-looking statements. Highlight Communications AG does not intend to update the forward-looking statements contained in this document on an ongoing basis.

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

The information within our annual report is originally published in German. Discrepancies or differences created in the translation are not binding and have no legal effect for compliance or enforcement purposes.

If any questions arise related to the accuracy of the information contained in the translation, please refer to the German version of our annual report, which is the official and only binding version.


BLICKPUNKT:FILM

2022

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2022 of Highlight Communications AG, Pratteln

Julia Koschitz and Peter Kurth at the Blue Panther award ceremony. Peter Kurth was awarded the prize for his role in “Ferdinand von Schirach – Glauben”.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2022

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2022	Dec. 31, 2021 restated	Jan. 01, 2021 restated
Non-current assets				
In-house productions		148,381	117,051	146,242
Third-party productions		6,971	10,015	15,733
Film assets	6.1	155,352	127,066	161,975
Other intangible assets	6.2	55,351	58,151	62,259
Goodwill	6.2	114,207	119,162	124,014
Property, plant and equipment (restated)	6.3	19,879	20,675	21,699
Right-of-use assets (restated)	6.4	35,391	40,362	30,251
Investments in associates and joint ventures	6.6	1,963	49	54
Non-current receivables	6.7	18,861	13,726	13,116
Other assets	6.9	4,527	1,560	1,993
Deferred tax assets	6.8	8,610	11,189	13,034
		414,141	391,940	428,395
Current assets				
Inventories	6.10	11,546	69,301	24,114
Trade receivables and other receivables	6.11	147,490	133,068	118,080
Contract assets	6.12	28,992	31,155	32,680
Receivables from associates and joint ventures	12	65	201	-
Other financial assets	6.9	–	–	23
Income tax receivables	6.13	2,105	520	758
Cash and cash equivalents	6.14	29,909	48,345	48,178
		220,107	282,590	223,833
Assets		634,248	674,530	652,228

This consolidated balance sheet is to be read in conjunction with the following notes.

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2022	Dec. 31, 2021 restated	Jan. 01, 2021 restated
Equity	6.15			
Issued capital		63,000	63,000	63,000
Treasury shares		–6,255	–6,300	–6,300
Capital reserves		–104,458	–104,686	–99,973
Other reserves		–66,049	–57,726	-47,636
Profit carryforward		296,846	298,022	280,714
Equity attributable to shareholders		183,084	192,310	189,805
Non-controlling interests		2,938	3,813	8,157
		186,022	**196,123**	**197,962**
Non-current liabilities				
Financial liabilities (restated)	6.18	77,058	3,851	108,189
Lease liabilities (restated)	6.4	31,154	35,520	24,458
Other liabilities		168	90	94
Pension liabilities	6.16	2,942	4,108	6,570
Deferred tax liabilities	6.17	26,943	26,325	34,124
		138,265	**69,894**	**173,435**
Current liabilities				
Financial liabilities (restated)	6.18	112,267	193,184	71,528
Lease liabilities (restated)	6.4	6,725	6,959	7,776
Advance payments received	6.19	36,381	40,015	52,147
Trade payables and other liabilities	6.20	121,108	138,247	129,967
Contract liabilities	6.21	21,633	13,654	9,900
Provisions	6.22	1,375	2,089	2,835
Income tax liabilities	6.23	10,472	14,365	6,678
		309,961	**408,513**	**280,831**
Equity and liabilities		**634,248**	**674,530**	**652,228**

This consolidated balance sheet is to be read in conjunction with the following notes.

CONSOLIDATED INCOME STATEMENT 2022

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021 restated
Sales		**523,847**	**508,161**
Capitalized film production costs and other own work capitalized	7.2	**64,579**	**123,020**
Other operating income	7.3	**25,563**	**34,294**
Costs for licenses, commissions and materials		–59,462	–56,293
Cost of purchased services		–226,247	–203,946
Cost of materials and licenses	7.4	**–285,709**	**–260,239**
Salaries		–154,007	–172,279
Social security, pension costs		–21,095	–23,770
Staff costs	7.5	**–175,102**	**–196,049**
Amortization and impairment on film assets	6.1	–57,858	–102,064
Amortization, depreciation and impairment on intangible assets and property, plant and equipment (restated)	6.2/6.3	–14,542	–14,041
Amortization, depreciation and impairment on right-of-use assets (restated)	6.4	–7,052	–7,481
Amortization and impairment on goodwill	6.2	–249	–
Amortization, depreciation and impairment		**–79,701**	**–123,586**
Other operating expenses	7.6	**–58,782**	**–57,173**
Impairment/reversals of impairment on financial assets	7.7	**–111**	**145**
Gains/losses from the derecognition of financial assets at amortized cost		**–10**	**–6**
Profit from operations		**14,574**	**28,567**
Net income equity investments in associates and joint ventures	6.6	**–1,456**	**–14**
Financial income	7.8	8,416	5,648
Financial expenses	7.9	–18,549	–12,987
Financial result		**–10,133**	**–7,339**
Profit before taxes		**2,985**	**21,214**
Income taxes		–1,998	–11,143
Deferred taxes		–3,486	5,286
Taxes	7.10	**–5,484**	**–5,857**
Net profit for the period		**–2,499**	**15,357**
thereof shareholders' interests		–2,939	14,800
thereof non-controlling interests		440	557

Earnings per share (CHF)			
Earnings per share attributable to shareholders (basic)		–0.05	0.26
Earnings per share attributable to shareholders (diluted)		–0.05	0.26
Average number of shares outstanding (basic)		56,711,344	56,700,499
Average number of shares outstanding (diluted)		56,711,344	56,700,499

This consolidated income statement is to be read in conjunction with the following notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS 2022

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Net profit for the period		**–2,499**	**15,357**
Unrealized gains/losses from currency translation		–9,124	–9,666
Reclassification of realized gains/losses through profit or loss		–	–
Currency translation differences	6.15	–9,124	–9,666
Gains/losses from cash flow hedges	6.15	536	–646
Items that can be reclassified to profit or loss		**–8,588**	**–10,312**
Actuarial gains/losses of defined benefit pension plans	6.15	1,646	2,508
Gains/losses from financial assets at fair value through other comprehensive income	6.15	–	–
Items that cannot be reclassified to profit or loss		**1,646**	**2,508**
Total other comprehensive income/loss, net of tax		**–6,942**	**–7,804**
Total comprehensive income/loss		**–9,441**	**7,553**
thereof shareholders’ interests		–9,616	7,218
thereof non-controlling interests		175	335

This consolidated statement of comprehensive income/loss is to be read in conjunction with the following notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2022

Highlight Communications AG, Pratteln

(TCHF)	Note	Equity Issued capital	Treasury shares
Balance as of January 1, 2022		63,000	–6,300
Currency translation differences		–	–
Gains/losses from cash flow hedges		–	–
Items that can be reclassified to profit or loss		–	–
Actuarial gains/losses of defined benefit pension plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income		–	–
Items that cannot be reclassified to profit or loss		–	–
Total other comprehensive income/loss, net of tax		–	–
Net profit for the period		–	–
Total comprehensive income/loss		–	–
Sale of treasury stock		–	45
Dividend payments		–	–
Personnel expenses from share-based payment		–	–
Balance as of December 31, 2022	6.15	63,000	–6,255
Balance as of January 1, 2021		63,000	–6,300
Currency translation differences		–	–
Gains/losses from cash flow hedges		–	–
Items that can be reclassified to profit or loss		–	–
Actuarial gains/losses of defined benefit pension plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income		–	–
Items that cannot be reclassified to profit or loss		–	–
Total other comprehensive income/loss, net of tax		–	–
Net profit for the period		–	–
Total comprehensive income/loss		–	–
Dividend payments		–	–
Personnel expenses from share-based payment		–	–
Change in non-controlling interests		–	–
Squeeze-out obligation		–	–
Balance as of December 31, 2021	6.15	63,000	–6,300

This consolidated statement of changes in equity is to be read in conjunction with the following notes.

attributable to shareholders

	Capital reserves	Other reserves	Profit carryforward	Total	Non-controlling interests	Total equity
	–104,686	**–57,726**	**298,022**	**192,310**	**3,813**	**196,123**
	–	–8,859	–	–8,859	–265	–9,124
	–	536	–	536	–	536
	–	**–8,323**	**–**	**–8,323**	**–265**	**–8,588**
	–	–	1,646	1,646	–	1,646
	–	–	–	–	–	–
	–	**–**	**1,646**	**1,646**	**–**	**1,646**
	–	**–8,323**	**1,646**	**–6,677**	**–265**	**–6,942**
	–	–	–2,939	–2,939	440	–2,499
	–	**–8,323**	**–1,293**	**–9,616**	**175**	**–9,441**
	–	–	117	162	–	162
	–	–	–	–	–1,050	–1,050
	228	–	–	228	–	228
	–104,458	**–66,049**	**296,846**	**183,084**	**2,938**	**186,022**
	–99,973	**–47,636**	**280,714**	**189,805**	**8,157**	**197,962**
	–	–9,444	–	–9,444	–222	–9,666
	–	–646	–	–646	–	–646
	–	**–10,090**	**–**	**–10,090**	**–222**	**–10,312**
	–	–	2,508	2,508	–	2,508
	–	–	–	–	–	–
	–	**–**	**2,508**	**2,508**	**–**	**2,508**
	–	**–10,090**	**2,508**	**–7,582**	**–222**	**–7,804**
	–	–	14,800	14,800	557	15,357
	–	**–10,090**	**17,308**	**7,218**	**335**	**7,553**
	–	–	–	–	–1,116	–1,116
	96	–	–	96	–	96
	2,356	–	–	2,356	–294	2,062
	–7,165	–	–	–7,165	–3,269	–10,434
	–104,686	**–57,726**	**298,022**	**192,310**	**3,813**	**196,123**

CONSOLIDATED STATEMENT OF CASH FLOWS 2022

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021 restated
Net profit for the period		**–2,499**	**15,357**
Deferred taxes		3,486	–5,286
Income taxes		1,998	11,143
Financial result (without currency result)		8,205	4,799
Net income equity investments in associates and joint ventures	6.6	1,456	14
Amortization, depreciation and impairment on non-current assets	6.1/6.2/ 6.3/6.4	79,701	123,586
Gain (-)/loss (+) from disposal of non-current assets	7.3/7.6	–7,041	–7,512
Other non-cash items		–1,756	–2,101
Increase (-)/decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities		41,305	–67,719
Decrease (-)/increase (+) in trade payables and other liabilities not classified as investing or financing activities		–7,437	–4,205
Dividends received from associated companies and joint ventures	6.6	4	8
Interest paid (restated)		–8,430	–6,268
Interest received		172	271
Income taxes paid		–8,189	–3,116
Income taxes received		283	541
Cash flow from operating activities (restated)		**101,258**	**59,512**

This consolidated statement of cash flows is to be read in conjunction with the following notes.

(TCHF)	Note	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021 restated
Payments for intangible assets	6.2	–6,416	–4,071
Payments for film assets		–92,080	–71,006
Payments for property, plant and equipment (restated)	6.3	–5,772	–6,190
Payment for acquisition of equity investments in associates and joint ventures	6.6	–3,342	–20
Proceeds from disposals of intangible assets and film assets		–	7,569
Proceeds from disposal of property, plant and equipment		116	130
Proceeds from disposals of financial assets		–	58
Cash flow for investing activities (restated)		**–107,494**	**–73,530**
Payments for purchase of non-controlling interests	6.15	–	–1,044
Proceeds from sale of non-controlling interests	6.15	–	3,106
Repayment of current financial liabilities (restated)	6.18	–48,170	–40,929
Repayment of lease liabilities (restated)	6.4	–6,719	–7,280
Proceeds from receipt of non-current financial liabilities (restated)	6.18	1,439	13,342
Proceeds from receipt of current financial liabilities (restated)	6.18	43,695	49,583
Dividend payments	6.15	–1,050	–1,116
Cash flow for/from financing activities (restated)		**–10,805**	**15,662**
Cash flow for the reporting period		**–17,041**	**1,644**
Cash and cash equivalents at the beginning of the reporting period	6.14	48,345	48,178
Effects of currency differences		–1,395	–1,477
Cash and cash equivalents at the end of the reporting period	6.14	29,909	48,345
Change in cash and cash equivalents		**–17,041**	**1,644**
thereof cash earmarked for squeeze-out		–	11,390

This consolidated statement of cash flows is to be read in conjunction with the following notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

Highlight Communications AG, Pratteln

1. GENERAL INFORMATION

The consolidated financial statements of the Highlight Group were adopted by the Board of Directors of Highlight Communications AG on April 18, 2023 and require the approval of the Annual General Meeting to be held in June 2023.

1.1 General information on the Group

The parent company Highlight Communications AG is based at Netzibodenstrasse 23b, Pratteln, Switzerland. Highlight Communications AG is included in the consolidated financial statements of Highlight Event and Entertainment AG, Pratteln, Switzerland.

The company is listed on the regulated market (Prime Standard) of the Frankfurt stock exchange.

The operating activities of Highlight Communications AG comprise the Film and Sports and Event segments. Please see note 10 for further information on segment reporting.

1.2 Basis of presentation

The consolidated financial statements of Highlight Communications AG were prepared in accordance with the International Financial Reporting Standards (IFRS) and the additional provisions of Swiss Commercial law. All IFRSs/IASs and SICs/IFRICs applicable as of December 31, 2022, were complied with.

A list of the subsidiaries, associated companies and joint ventures included in the consolidated financial statements can be found in these notes. The effects of the first-time consolidation and deconsolidation of subsidiaries, joint ventures and associated companies are shown in the section "Consolidated group" (see note 3).

The consolidated income statement was prepared in line with the nature of expense method. The annual financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies in line with their respective business activities. The consolidated financial statements are prepared based on historical cost; exceptions to this are described in the accounting policies (see note 4).

In preparing the consolidated financial statements in accordance with IFRS, the management is required to make estimates and assumptions influencing the income, expenses, assets, liabilities as well as contingent liabilities and assets reported as of the end of the reporting period. These estimates and assumptions are based on the management's best possible assessment based on past experience and other factors including estimates of future events. Estimates and judgments are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based have changed or new or additional information has become available. Such changes are recognized in the reporting period in which the estimate is modified. Further information on estimates can be found separately under the respective balance sheet item (see note 5).

The financial statements have been prepared in Swiss francs, which is the functional and reporting currency of the Group's parent company. Amounts are reported in thousands of Swiss francs (TCHF) unless stated otherwise. For calculation-related reasons, rounding differences of +/- one unit (TCHF) may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

2. ACCOUNTING

2.1 Relevant standards and interpretations applied for the first time

A small number of amendments to standards became effective in the reporting period but did not affect the Group's accounting policies or necessitate any retroactive amendments.

2.2 Relevant standards, revised standards and interpretations published but not yet adopted

The Highlight Group waived early adoption of the new and revised standards and interpretations whose adoption is not yet required for Highlight Communications AG. The Group considers the impact of these new standards and interpretations on current or future reporting periods and foreseeable future transactions to be immaterial.

2.3 Change in accounting for leases with purchase options

In preparing the consolidated financial statements, the Board of Directors and management have determined that, in the case of leases with buy-back options, no sale has taken place in the sale-and-leaseback transactions due to the lack of a transfer of control as defined by IFRS 15, and that the previous year's assessment contains an error.

As there is no transfer of control or sale, the accounting treatment of these transactions is the same as for a financing transaction. This means that the underlying asset must be reported under property, plant and equipment and not under right-of-use assets, and the financial liability must be recognized in accordance with IFRS 9 (financial liabilities instead of lease liabilities). In the statement of cash flows, payments for the acquisition of property, plant and equipment are reported in cash flow from investing activities and payments from the lessor in cash flow from financing activities. The prior-year period has been adjusted accordingly, resulting in the following changes.

Consolidated balance sheet as of January 1, 2021

(TCHF)	Jan. 01, 2021	Restatement	Jan. 01, 2021 restated
Non-current assets			
Property, plant and equipment	13,674	8,025	21,699
Right-of-use assets	38,276	–8,025	30,251
	428,395	**–**	**428,395**
Assets	**652,228**	**–**	**652,228**
Non-current liabilities			
Financial liabilities	103,319	4,870	108,189
Lease liabilities	29,328	–4,870	24,458
	173,435	**–**	**173,435**
Current liabilities			
Financial liabilities	69,416	2,112	71,528
Lease liabilities	9,888	–2,112	7,776
	280,831	**–**	**280,831**
Equity and liabilities	**652,228**	**–**	**652,228**

Consolidated balance sheet as of December 31, 2021

(TCHF)	Dec. 31, 2021	Restatement	Dec. 31, 2021 restated
Non-current assets			
Property, plant and equipment	12,711	7,964	20,675
Right-of-use assets	48,326	–7,964	40,362
	391,940	**–**	**391,940**
Aktiva	**674,530**	**–**	**674,530**
Non-current liabilities			
Financial liabilities	–	3,851	3,851
Lease liabilities	39,371	–3,851	35,520
	69,894	**–**	**69,894**
Lease liabilities			
Financial liabilities	190,647	2,537	193,184
Lease liabilities	9,496	–2,537	6,959
	408,513	**–**	**408,513**
Equity and liabilities	**674,530**	**–**	**674,530**

Consolidated income statement 2021

(TCHF)	Jan. 01 to Dec. 31, 2021	Restatement	Jan. 01 to Dec. 31, 2021 restated
Amortization and impairment on film assets	–102,064	–	–102,064
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	–12,301	–1,740	–14,041
Amortization, depreciation and impairment on right-of-use assets	–9,221	1,740	–7,481
Amortization and impairment on goodwill	–	–	–
Amortization, depreciation and impairment	**–123,586**	**–**	**–123,586**
Profit from operations	**28,567**	**–**	**28,567**
Net profit for the period	**15,357**	**–**	**15,357**
thereof shareholders' interests	14,800	–	14,800
thereof non-controlling interests	557	–	557

Consolidated statement of cash flows 2021

(TCHF)	Jan. 01 to Dec. 31, 2021	Restatement	Jan. 01 to Dec. 31, 2021 restated
Net profit for the period	15,357	–	15,357
Financial expenses	–6,444	176	–6,268
Cash flow from operating activities	**59,336**	**176**	**59,512**
Payments for property, plant and equipment	–4,150	–2,040	–6,190
Cash flow for investing activities	**–71,490**	**–2,040**	**–73,530**
Repayment of current financial liabilities	–38,410	–2,519	–40,929
Repayment of lease liabilities	–9,623	2,343	–7,280
Proceeds from receipt of non-current financial liabilities	11,781	1,561	13,342
Proceeds from receipt of current financial liabilities	49,104	479	49,583
Cash flow for investing activities	**13,798**	**1,864**	**15,662**
Cash flow for/from the reporting period	**1,644**	**–**	**1,644**

3. SCOPE OF CONSOLIDATION

3.1 Acquisitions

Constantin Holding Inc., Delaware, a wholly owned subsidiary of Constantin Television, Munich, was founded by way of contract dated January 4, 2022. The company is included in consolidation. The effect of this transaction on these consolidated financial statements is insignificant.

Upgrade Productions LLC, Delaware, was founded on February 2, 2022. Constantin Holding Inc., Delaware, holds 25% of the shares in the company. The company is included in the consolidated financial statements of Highlight Communications AG using the equity method.

VERA contracts GmbH, Munich, a wholly owned subsidiary of Constantin Film Vertriebs GmbH, was founded by way of contract dated March 29, 2022. The company is included in consolidation. The effects of this transaction on these consolidated financial statements are insignificant.

High-end Productions Germany GmbH, Munich, was founded on August 24, 2022. High-end productions GmbH, Vienna, holds 100% of the shares in the company. The company is included in the consolidated financial statements pro rata through the measurement at equity of High-end productions GmbH.

3.2 Other changes

Retroactively to January 1, 2022, Mythos Film GmbH, Berlin, was merged with its parent company Constantin Film Produktion GmbH, Munich.

Constantin Film Licensing Unipessoal Lda, Funchal, was liquidated as of January 5, 2022 and its assets and liabilities were transferred to Constantin Film Vertriebs GmbH, Munich. This transaction had no material effect on these consolidated financial statements.

The squeeze-out to Sport1 Medien AG was entered at the Munich commercial register office on February 2, 2022. The squeeze-out came into effect following this entry.

On February 4, 2022 PLAZAMEDIA Swiss AG, Pratteln, was liquidated and removed from the commercial register.

LEITMOTIF Creators GmbH was merged with Sport1 GmbH by way of merger agreement dated July 20, 2022 and the resolutions of the annual general meeting on the same day.

3.3 Overview of consolidated companies

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

Fully consolidated companies as of December 31, 2022

	Activity	Country	Currency	Subscribed capital	Share in capital*	Voting rights of the respective parent company
TEAM Holding AG	Holding company	CH	CHF	250,000	100%	100%
TEAM Football Marketing AG	Exploitation of sports rights	CH	CHF	6,340,000	95.27%	100%
TEAM Marketing AG	Marketing of sports events	CH	CHF	200,000	100%	100%
TEAM Marketing UK Ltd.	Marketing of sports events	GB	GBP	1	100%	100%
TEAM Marketing Asia Limited	Marketing of sports events	HK	HKD	100	100%	100%
Highlight Event AG	Event Marketing	CH	CHF	500,000	100%	100%
Rainbow Home Entertainment AG	Distribution	CH	CHF	200,000	100%	100%
Constantin Film und Entertainment AG	Acquisition and development of content	CH	CHF	500,000	100%	100%
Highlight Communications (Deutschland) GmbH	Marketing	DE	EUR	256,000	100%	100%
Constantin Film AG	Film production and distribution	DE	EUR	12,742,600	100%	100%
Constantin Media GmbH audiovisuelle Produktionen	Acquisition and development of content	DE	EUR	26,000	100%	100%
Constantin Film Produktion GmbH	Film and TV production	DE	EUR	105,100	100%	100%
Dahoam Television GmbH	TV entertainment production	DE	EUR	25,000	100%	100%
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	100%	100%
Constantin Film Development Inc.	Acquisition and development of content	US	USD	530,000	100%	100%
Constantin Film International GmbH	International film production	DE	EUR	105,000	100%	100%
Constantin Pictures GmbH	International film and TV production	DE	EUR	25,000	100%	100%
Constantin Entertainment GmbH	TV entertainment production	DE	EUR	200,000	100%	100%
Constantin Entertainment Polska Sp z.o.o.	TV entertainment production	PL	PLN	54,000	100%	100%
Constantin Entertainment SRB d.o.o.	TV entertainment production	RS	RSD	155,735,000	100%	100%
Constantin Entertainment RO SRL**	TV entertainment production	RO	RON	10,000	100%	100%
Constantin Entertainment CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	100%	100%
Olga Film GmbH	Film and TV production	DE	EUR	603,000	100%	100%
Moovie GmbH	Film and TV production	DE	EUR	104,000	100%	100%
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51%	51%
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51%	51%
Constantin Film Vertriebs GmbH (formerly: Constantin Film Verleih GmbH)	License trading and theatrical distribution	DE	EUR	250,000	100%	100%
VERA contracts GmbH	Development and sale of contract production and contract application software and database	DE	EUR	25,000	100%	100%
Constantin Music Verlags-GmbH	Exploitation of music rights	DE	EUR	70,000	100%	100%
Constantin Music GmbH	Exploitation of music rights	DE	EUR	25,000	90%	90%
Königskinder Music GmbH	Record label and music consulting	DE	EUR	50,000	50%	50%
Constantin Film Production Services GmbH (formerly: Olga Film Services GmbH)	Film and TV production	DE	EUR	100,000	100%	100%
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	100%	100%
Hager Moss Film GmbH	TV entertainment production	DE	EUR	102,300	100%	100%
PSSST! Film GmbH	Film and TV production	DE	EUR	25,000	51%	51%
Constantin Holding Inc.	Holding company	US	USD	10	100%	100%

Sport1 Medien AG	Holding company	DE	EUR	93,600,000	100%	100%
Sport1 Holding GmbH	Holding company	DE	EUR	55,000	100%	100%
Sport1 GmbH	Platform operator	DE	EUR	500,000	100%	100%
Jackpot50 GmbH	Business and services relating to virtual online games	DE	EUR	33,333	75%	75%
PLAZAMEDIA GmbH	Production service provider	DE	EUR	150,000	100%	100%
Magic Sports Media GmbH	Marketing	DE	EUR	25,000	100%	100%
Match IQ GmbH	Consulting	DE	EUR	30,000	50.1%	50.1%
Event IQ GmbH	Consulting	DE	EUR	25,000	100%	100%

* *direct/indirect share held by the Group.*
** *0.1 % held by Constantin Film Produktion GmbH.*

3.4 Overview of companies not included in consolidation

Owing to a lack of business activities, Impact Pictures LLC, Delaware, is insignificant in providing a true and fair view of the Group's net assets, financial position and results of operations. This company is therefore not included in Highlight Communications AG's scope of consolidation.

The non-consolidated equity interest is reported at a carrying amount of TCHF 0 (previous year: TCHF 0). The company is currently inactive and has no operations. Their assumed fair value is equal to their carrying amount.

Companies not included in consolidation as of December 31, 2022

	Country	Currency	Subscribed capital	Share in capital
Impact Pictures LLC*	USA	USD	1,000	51%

** Share held by Constantin Pictures GmbH, Germany*

3.5 Overview of associated companies

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

	Share of capital	Period recognized in the consolidated financial statements	Currency	Subscribed capital
BECO Musikverlag GmbH	50%	Jan. 01 to Dec. 31, 2022	EUR	25,565
Upgrade Productions LLC	25%	Feb. 02 to Dec. 31, 2022	USD	40,000

The annual financial statements of BECO Musikverlag GmbH as of December 31, 2021 were used for reporting as the 2022 annual financial statements are not yet available.

Detailed financial information on the associate companies can be found in note 6.6.

3.6 Overview of joint ventures

The following joint venture is included in the consolidated financial statements using the equity method:

	Share of capital	Period recognized in the consolidated financial statements	Currency	Subscribed capital
High-end productions GmbH	50%	Jan. 01 to Dec. 31, 2022	EUR	35,000

Detailed financial information on the joint venture can be found in note 6.6. High-end Productions Germany GmbH, Munich, was founded as a wholly owned subsidiary of High-end productions GmbH on August 24, 2022 (see note 3.1). The company is included in the consolidated financial statements pro rata through the measurement at equity of High-end productions GmbH.

4. SUMMARY OF KEY ACCOUNTING POLICIES

4.1 Consolidation methods

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

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

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

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

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

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

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

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

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

Associated companies and joint ventures are measured using the equity method. Equity interests are recognized at cost at the time of acquisition. Any goodwill identified is included in the carrying amount of the equity interest and is not recognized as separate goodwill.

The results of associated companies and joint ventures are absorbed into the Group pro rata and allocated to the carrying amount of the equity interest. Profit distributions by these companies reduce their carrying amount. If there are objective indications of impairment, impairment losses are recognized in profit or loss. Changes recognized in the equity of associated companies and joint ventures are recognized by the Group in the amount of its interest and shown in the statement of changes in consolidated equity. Items recognized in other comprehensive income (OCI) in the financial statements of associated companies and joint ventures (e. g. currency translation differences) are shown in the consolidated financial statements as a separate item in other comprehensive income (OCI).

Companies are deconsolidated when they are no longer controlled. Deconsolidation is shown as the disposal of all assets attributable to the subsidiary including goodwill, liabilities and the differences from currency translation. Expenses and income incurred prior to this date are still included in the consolidated financial statements.

The effects of intragroup transactions are eliminated. Receivables and liabilities between consolidated companies are netted off and intragroup profits are eliminated. Intragroup income is offset against the corresponding expenses.

Non-controlling interests represent the share of earnings and net assets not attributable to the shareholders of the parent company. Non-controlling interests are reported separately in the consolidated income statement, the consolidated statement of comprehensive income/loss and the consolidated balance sheet. They are reported in the consolidated balance sheet under equity but separately from the equity attributable to the shareholders of the parent company.

The effects of transactions with non-controlling interests that do not result in a loss of control are recognized in equity as transactions with equity providers. If transactions lead to a loss of control, the resulting profit or loss is recognized in profit or loss. The profit or loss also includes effects from the remeasurement of the retained shares at fair value.

4.2 Currency translation

4.2.1 Functional currency

The functional currency of Highlight Communications AG and the reporting currency of the Group is Swiss francs. The functional currency is the local currency for a majority of the Group companies.

4.2.2 Measurement of balances and transactions in foreign currency

Transactions in currencies that are not the functional currency of the Group company in question are recognized by the companies using the exchange rate in effect on the transaction date. Monetary assets and liabilities are translated at the closing rate as of the end of the reporting period.

Gains or losses from the settlement of these transactions and gains or losses from the translation of monetary assets and liabilities are recognized in profit or loss. Gains or losses from qualified cash flow hedges and monetary items classified as the Group's net investments in a foreign operation constitute an exception to this. These gains or losses are shown in other comprehensive income (OCI). Translation differences on non-monetary equity instruments measured at fair value through other comprehensive income are also recognized in other comprehensive income.

4.2.3 Currency translation in the Group

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

When a foreign Group company is sold, the cumulative translation differences from the translation of the assets and liabilities of that company which were recognized in OCI are recognized as part of the gain or loss on its sale.

4.2.4 Exchange rates

		Closing rate		Annual average rate	
		Dec. 31, 2022	Dec. 31, 2021	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Euro	(EUR)	0.98992	1.03545	1.00523	1.08131
US dollar	(USD)	0.92460	0.91285	0.95457	0.91408
British pound	(GBP)	1.11844	1.23344	1.17978	1.25745
Canadian dollar	(CAD)	0.68260	0.71885	0.73382	0.72921

4.3 Fair value measurement

The Group measures its financial instruments, including derivatives, and non-financial assets and liabilities measured at fair value at the end of each reporting period. Fair value is the price that independent market participants would receive or pay under normal market conditions as of the measurement date when selling an asset or transferring a liability (exit price).

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring non-financial liabilities and an entity's own equity instruments, a transfer to another market participant is assumed. An exit scenario is assumed here. When a quoted price for the transfer of an identical or a similar liability or entity's own equity instrument is not available, an entity shall measure the instruments from the perspective of a market participant that holds the identical item as an asset.

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

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

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

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

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines as of the end of the reporting period whether there were transfers between the levels of the fair value hierarchy based on the lowest input factor significant overall to measurement. Information on the measurement methods used and the input factors for determining the fair value of assets and liabilities can be found in notes 6, 7 and 8.

4.4 Film assets

Film assets include purchased rights to third-party productions (i.e. films produced outside the Group) and the costs of films produced within the Group (in-house and co-productions) plus the cost of developing new projects. The acquisition of rights to third-party productions usually includes movie theater, home entertainment and TV rights.

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

In-house productions are carried at cost. This cost also includes the financing costs that can be allocated to the production in question. Costs for releasing the film, such as press and marketing costs, are also incurred but not capitalized and instead are recognized immediately in other operating expenses.

A performance-based amortization method is applied to film rights (both third-party and in-house productions) that represents the loss in value of film assets based on the recoverable revenue. Under the individual film forecast method, the amortization for a film in a period is calculated by the formula "sales generated by the film in the period divided by the film's estimated total remaining sales and multiplied by the residual carrying amount of the film". The revenue used as a basis for calculating amortization includes all income generated by the film. This income is adjusted for home entertainment costs when calculating amortization in connection with home entertainment revenue. The maximum period for estimating sales is ten years for films as recognized in the film assets of the Highlight Group.

The estimate of the total sales is reviewed at the end of each quarter and adjusted if necessary. The quotient for the amortization for the period is calculated on the basis of any (adjusted) total sales. Each film is also tested for impairment at the end of each reporting period and if there are indications of impairment. If the cost or the carrying amount of the film is not covered by its estimated total sales less release costs yet to be incurred, the film is written down to its value in use. Estimated cash flows are discounted with an individual interest rate that takes into account the terms of the different periods of exploitation. Estimated cash flows can vary significantly as a result of a number of factors such as market acceptance. The Group examines and revises the cash flow forecasts and amortization expenses as soon as any changes arise in previous forecasts. Impairment losses on film assets are reversed if there are indications that the reasons for the original write-down have ceased to apply, resulting in a higher recoverable amount. They must not exceed the amortized cost. Reversals of impairment are offset against losses in value in the fiscal year.

Capitalized costs for the development of new projects (particularly script rights) are regularly reviewed to determine whether they can still be used as a basis for film productions. If, three years after first-time capitalization of costs for a project, the start of filming or the sale of the rights cannot be specifically determined or are no longer considered likely, the costs are written off in full. Any indications of early impairment are recognized accordingly.

4.5 Other intangible assets

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

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

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

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

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

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

As a result of initial consolidation of Sport1 Medien AG, purchase price allocation identified customer relationships, the brand name for SPORT1 and licenses that are reported under other intangible assets. The amortization period is between six and 20 years. Their carrying amount is their fair value as of the time of acquisition less necessary amortization.

The exclusive rights for the marketing of the Eurovision Song Contest and the Vienna Philharmonic Orchestra identified in the first-time consolidation of Highlight Event AG and the corresponding purchase price allocation are reported under other intangible assets and amortized over a useful life of 40 years. Their carrying amount is their fair value as of the time of acquisition less necessary amortization.

4.6 Goodwill

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

(i) the fair value of the consideration transferred as of the acquisition date,

(ii) the amount of any non-controlling interests and

(iii) the fair value of shares of the acquired company previously held by the acquirer in a step acquisition less the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Non-controlling interests can be measured on a transaction basis either at fair value (full goodwill method) or at the proportional share of the net assets of the company acquired (partial goodwill method). In the latter case, the goodwill is recognized only at the percentage share of the acquirer in the goodwill.

Goodwill is allocated to cash-generating units expected to benefit from the combination on recognition. The cash-generating units to which goodwill is allocated are the organizational units in the segments.

4.7 Property, plant and equipment

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

Leasehold improvements are measured at cost less depreciation and impairment. Scheduled depreciation is usually carried out over the term of the respective rental agreement lease (of up to 27.5 years). Technical equipment and other equipment, operating and office equipment are measured at cost less depreciation and impairment. Depreciation is recognized on a straight-line basis over the standard useful life of three to 25 years. Repairs and maintenance expenses are expensed as and when incurred. More extensive renovation work or improvements are capitalized. Renovation work is also depreciated over the above mentioned expected useful life. Costs and the associated cumulative depreciation are derecognized on disposal. Any resulting gains or losses are recognized in profit or loss in the fiscal year. If the cost of specific components of an item of property, plant and equipment is material, these components are recognized and depreciated individually.

4.8 Leases

A lease is a contract under which the lessor grants the lessee the right to use an asset for a period of time in exchange for a payment or a series of payments.

4.8.1 Lease liabilities

At the inception of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the term of the lease. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain to be exercised and the payments of penalties for terminating the lease early if the Group exercises the option. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

If it is not possible to determine the interest rate implicit in the lease, the Group uses the incremental borrowing rate at the inception of the lease to calculate the present value of the lease payments. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value and similar conditions to the right-of-use asset in a similar economic environment.

After the inception of the lease, the amount of the lease liability is increased by the interest accreted and reduced by the lease payments made. Furthermore, the carrying amount of the lease liabilities is remeasured if there is a change in the term of the lease, a change in the significant fixed lease payments or a change in the acquisition-date value of the lease asset.

4.8.2 Short-term leases and leases for low-value assets

The Group exercises the option of not recognizing short-term leases (i.e. leases with a term of twelve months or less from the inception date and without a purchase option).

The Group also refrains from recognizing leases for low-value assets (typically less than TEUR 5 per asset). Low-value assets include office machines.

Lease payments for short-term leases and leases for low-value assets are recognized in other operating expenses on a straight-line basis over the lease term.

4.8.3 Leases for intangible assets

The Group does not exercise the option concerning right-of-use assets for intangible assets, and accounts for intangible assets in accordance with the principles of IAS 38. In the case of IT leases where hardware and software cannot be separated, the leased asset including the software is recognized in accordance with IFRS 16 “Leases”.

4.8.4 Additional lease components

Contracts containing both lease components and non-lease components are not separated. Each lease component is recognized as a lease together with the other service components. The incidental costs when renting premises are not considered a lease component.

4.8.5 Right-of-use assets

The Group recognizes right-of-use assets at the inception of the lease, i.e. when the underlying asset is available for use. Right-of-use assets are measured at cost less cumulative depreciation and impairment and adjusted for the remeasurement of lease liabilities.

The cost of a right-of-use asset comprises the amount of the lease liabilities recognized, the initially incurred direct costs and the lease payments made at or before the inception of the lease, less any lease incentives received. If the Group is not reasonably certain that it will acquire ownership of the lease asset at the end of the lease term, the capitalized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

4.8.6 Sale and leaseback

In the context of sale and leaseback transactions, the criteria set out in IFRS 15 must first be used to determine whether the transfer of an asset should be accounted for as a sale. If the transfer of an asset does not meet the requirements set out in IFRS 15 for recognition as a sale, the asset continues to be recognized and the proceeds received are recognized as a financial liability in accordance with IFRS 9.

If the transfer of the asset constitutes a sale, the leased-back assets are reflected in the consolidated financial statements in accordance with the lessee accounting principles outlined above. Accordingly, any gains or losses are recognized only to the extent that they relate to the rights transferred to the buyer or lessor.

4.8.7 Covid-19-related rent concessions

The rent concessions for fiscal years 2021 and 2022, granted to mitigate the consequences of the Covid-19 pandemic and utilizing the relief under IFRS 16 relating to rent concessions, were not stipulated as lease modification. Thus the practical expedient did not result in any adjustment of rights-of-use and lease liabilities/no accounting of a new agreement. Adjustments were recognized as negative variable lease payments under other operating expenses.

4.9 Impairment of non-financial assets

Goodwill at the level of cash-generating units and intangible assets with an indefinite useful life are tested for impairment at least once per year or more frequently if there are indications of impairment. Highlight Communications AG carries out annual impairment testing as of December 31 of each fiscal year. Impairment testing is carried out for other intangible assets, property, plant and equipment and right-of-use assets if there are indications of any impairment. Indications of impairment include, for example, a marked drop in the fair value of an asset, significant changes in the business environment, substantial evidence of obsolescence or a change in expected income. The basis for the impairment test is the calculation of the recoverable amount, which is the higher of fair value less costs to sell or the value in use of an asset. If the recoverable amount is determined on the basis of value in use, this will be based on the forecast future cash flows. Impairment is recognized if the recoverable amount is less than the carrying amount.

If the amount of impairment exceeds the goodwill assigned to the cash-generating unit, the unit's other assets must be written down proportionately in line with their carrying amounts. This is not the case if the carrying amount in question would be less than the higher of the fair value less costs to sell or the value in use.

Impairment recognized in prior periods on intangible assets, not including goodwill, property, plant and equipment and right-of-use assets is reversed if the reasons for impairment no longer apply. Reversals of write-downs are recognized in profit or loss and cannot exceed the theoretical amortized cost.

4.10 Inventories

Inventories, consisting of DVDs and Blu-rays in particular, are recognized at the lower of cost or net realizable value (sales-oriented, loss-free measurement). The net realizable value is the estimated sale price in normal business less costs to sell. The cost is determined using the first-in, first-out (FIFO) method.

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

Inventories also include service productions where revenue is recognized at a point in time and that cannot be recognized as contract assets or liabilities, as well as service productions in development that have not yet been ordered by the broadcaster (see note 4.16). In addition, inventories include trade receivables not yet invoiced.

4.11 Financial instruments

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

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

Financial assets and financial liabilities are usually not offset. They are only netted if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis.

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

Write-downs on receivables are generally recognized in separate allowance accounts. They are derecognized at the same time as the corresponding impaired receivable. Amounts in the allowance account are only derecognized against the carrying amount of impaired financial assets if the issue in question is past the statute of limitations.

4.11.1 Financial assets at amortized cost

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

The financial instruments assigned to this category are recognized at amortized cost using the effective interest method.

Current trade accounts receivable and other current receivables are carried at amortized cost. Interest-free monetary receivables with a maturity of more than one year are discounted with a matching interest rate.

The reported carrying amounts of the current receivables are the approximate fair values.

Cash and cash equivalents comprise cash in hand and bank balances, call and demand deposits at banks and other financial institutes. These are only reported as cash and cash equivalents if they can be converted into amounts of cash determined in advance at any time, are subject to only minor fluctuations in value and have a remaining maturity of three months or less from the date of acquisition. Cash and cash equivalents are measured at amortized cost.

4.11.2 Financial assets at fair value

Financial assets that cannot be recognized at amortized cost are recognized at fair value.

Financial instruments recognized at amortized cost can be measured at fair value using the fair value option if this prevents or significantly reduces accounting mismatches.

Equity instruments are always measured at fair value. On first-time recognition there is the irrevocable option to show realized and unrealized changes in value in other comprehensive income (OCI) rather than in the income statement, provided that the equity instrument is not held for trading. Amounts recognized in other comprehensive income (OCI) cannot be reclassified to profit or loss in the future.

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

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

4.11.3 Financial liabilities

Financial liabilities held for trading (e. g. non-hedge derivative financial instruments) are measured at fair value through profit or loss.

All other financial liabilities are measured at amortized cost – unless Highlight Communications AG voluntarily designates them at fair value through profit or loss on initial recognition (fair value option). Low-interest and interest-free non-current liabilities are recognized at present value on acquisition and discounted on an accrual basis until maturity. Liabilities from outstanding invoices are reported under trade accounts payable and other liabilities. Non-current liabilities are measured using the effective interest method.

4.11.4 Impairment of financial assets (debt instruments at amortized cost)

The impairment model is based on expected credit losses and is applicable to financial debt instruments that are measured either at amortized cost or at fair value through other comprehensive income. In addition, the impairment provisions of IFRS 9 also apply to contract assets, lease receivables, irrevocable loan commitments and financial guarantees. Loss allowances are recognized in profit or loss in separate allowance accounts, thereby reducing the carrying amount of the financial assets accordingly.

The general impairment model uses a three-stage procedure to determine loss allowances in the amount of the expected credit losses.

Level 1: All instruments are initially assigned to level 1. The present value of expected credit losses from possible defaults in the twelve months after the end of the reporting period is expensed for such instruments. Interest is recognized on the basis of the gross carrying amount, i.e. the effective interest method is applied based on the carrying amount before loss allowances.

Level 2: This contains all instruments with significant increases in credit risk at the end of the reporting period compared to the initial amount. Loss allowances are recognized at the present value of all expected losses over the remaining term of the instrument. Interest is recognized on the basis of the gross carrying amount, i.e. the effective interest method is applied based on the carrying amount before loss allowances. Evidence of significant increases in credit risk includes:

- significant deterioration in the expected performance and behavior of the debtor
- significant deterioration in the credit quality of other instruments of the same debtor
- actual or expected deterioration in the economic, financial, regulatory, or technological circumstances relevant to the debtor's credit rating

The application of an assumed number of days past due of 30 is not appropriate.

Level 3: If there is objective evidence of impairment in addition to a significant increase in credit risk at the end of the reporting period, the loss allowance is also measured on the basis of the present value of the expected losses over the remaining term. However, the recognition of interest in subsequent periods must be adjusted so that future interest income is calculated on the basis of the net carrying amount, i.e. the carrying amount after deducting loss allowances.

Objective evidence of impairment includes:

- significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization

The simplified approach in accordance with IFRS 9 is always applied to trade accounts receivable or contract assets that do not contain a significant financing component. Changes in credit risk do not have to be tracked. Instead, a loss allowance is initially and subsequently recognized for the lifetime expected credit losses.

The Highlight Group recognizes specific loss allowances on trade accounts receivable and contract assets where there is clear objective evidence such as default or an increased probability of bankruptcy. For assets that are not credit-impaired, impairment is calculated using a provision matrix that determines the expected losses over the remaining term as percentages on the basis of the number of days past due and external ratings available for the borrower. These percentages are based on historical loss rates, which are adjusted for forward-looking estimates.

Besides additions to impairment losses, the item "Impairment and reversals of impairment on financial assets" also includes net income from the reversal of impairment losses.

Financial assets covered by the scope of the impairment provisions under IFRS 9 are derecognized when there is no reasonable expectation of recovery. These are reported at amortized cost under "Gains and losses on the derecognition of financial assets". Amounts previously written off received subsequently are recognized in the same item.

Cash and cash equivalents are also subject to the impairment provisions of IFRS 9. As long as the counterparties – banks and financial institutions – have a good rating and there are no doubts regarding the ability to continue as a going concern, no impairment losses are recognized on account of immateriality.

For long-term financial debt instruments, expected losses are discounted to the reporting date using the effective interest rate of the instrument determined at initial recognition to reflect the time value of money. The remaining term is the maximum term of the contract taking possible extension options into account.

4.11.5 Hedging instruments

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

If all relevant criteria are met, hedge accounting is used to eliminate the accounting mismatch between the hedging instrument and the hedged item. This results in the reporting of the following items in the income statement and in other comprehensive income:

For forward contracts used to hedge expected transactions, the Group designates the change in the fair value of the forward contract as a hedge, regardless of whether it is a fair value hedge or cash flow hedge. Any material ineffectiveness arising from the cross-currency basis spread (CCBS) is recognized directly in profit or loss. With the fair value hedge any change in the credit quality of the other party impacts the fair value of the hedging instrument and thus the result of the measurement of effectiveness.

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

When presenting a hedge as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recognized in other comprehensive income (OCI) and in equity under other reserves. Possible ineffectiveness is immediately recognized in profit or loss. When hedging foreign currency transactions, ineffectiveness may arise when the timing of the planned transaction differs from the original estimate, there is CCBS ineffectiveness or when changes occur in the probability of default of the Group or the derivative's counterparty.

Cumulative amounts recognized in other comprehensive income (OCI) as part of a cash flow hedge or assets or liabilities recognized as part of a fair value hedge are reclassified as follows in the periods in which the hedged item is recognized in profit or loss:

- If the hedged item results in the recognition of a non-financial asset (e. g. film assets), the deferred hedging gains and losses are included in the original cost of the asset. The deferred amounts are ultimately recognized in the income statement when the hedged item is recognized in profit or loss.
- If the hedging instrument expires or is sold or terminated, or when the hedge no longer meets the criteria for hedge accounting, any cumulative deferred hedging gains and losses previously recognized in other comprehensive income remains in equity, or in the recognized asset or liability, until the forecast transaction occurs and results in the recognition of a non-financial asset, such as film assets. If the transaction is no longer expected to occur, the cumulative deferred hedging gains and losses are reclassified to profit or loss.

The hedges are considered highly effective in terms of compensating the risks of changes in the fair value of the hedged item and the hedging instrument. The effectiveness of the hedge is reviewed on the basis of prospective effectiveness tests to ensure that there is an economic relationship between the hedged item and the hedging instrument. The prospective effectiveness test uses the critical terms match method. The hedged item and the hedging instrument are therefore subject to the same risk and the resulting changes in value largely offset each other. At the inception of the hedge, both the hedge and the risk management goals and strategies of the Group for hedging are formally stipulated and documented.

Derivatives are solely used for hedging purposes and not as speculative investments. However, if derivatives do not meet the criteria for hedge accounting, they are recognized at fair value through profit or loss for accounting purposes. They therefore constitute current assets or liabilities expected to be settled within twelve months of the end of the reporting period.

4.12 Pension obligations

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

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

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

Actuarial gains and losses arise from changes in the assumptions made, deviations between the actual and forecast return on plan assets and differences between benefits acquired and those calculated using actuarial assumptions. These are recognized in other comprehensive income (OCI) under "Items that cannot be reclassified to profit or loss". The current service cost and net interest are recognized in profit or loss under personnel expenses. Special events such as plan amendments that change employee claims, curtailments and settlements are recognized in profit or loss.

In addition, the TEAM Group maintains a provident fund for its management staff. This fund manages another savings facility in addition to the pension plan required by law. The fund participates in the capital TEAM Football Marketing AG. The dividend income of TEAM Football Marketing AG is added to the additional savings deposits of the members of management. This provident fund of the management staff is not relevant under IAS 19 as it is not a voluntary provident fund.

4.13 Provisions, contingent liabilities and contingent assets

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

Provisions are measured in the amount of the most likely expenditure. Non-current provisions with a material interest effect are carried at the present value of the expected outflow calculated using current interest rates.

Provisions for onerous contracts (pending losses) are recognized when the unavoidable costs of meeting the obligations of a contract exceed the economic benefits expected to be received under it. Impairment on assets relating to this contract is recognized before the provision is recognized.

Possible obligations whose existence (occurrence/non-occurrence) must be confirmed by future events, or obligations whose extent cannot be reliably determined are disclosed as contingent liabilities. Contingent assets are not capitalized, but disclosed as for contingent liabilities if economic benefits are likely for the Group.

4.14 Income taxes

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

Deferred tax assets and liabilities are recognized in line with the liability method. Deferred taxes are recognized in the consolidated financial statements for temporary differences between the carrying amounts and the tax carrying amounts of assets and liabilities and for tax loss carryforwards. Deferred tax assets on deductible temporary differences and tax loss carryforwards are reported only to the extent that it can be assumed with sufficient probability that the respective company will have sufficient taxable income against which temporary differences and unutilized loss carryforwards can be used.

Deferred taxes for temporary differences in the separate financial statements are calculated on the basis of the tax rates that apply in the individual countries as of the realization date or that will apply in future.

Deferred tax assets and deferred tax liabilities have been netted where they relate to the same tax debtor/creditor and the same type of tax and offset each other in the same fiscal year. Deferred tax assets and liabilities arising in the individual consolidated companies are netted depending on their maturities.

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

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

4.15 Equity

Bearer shares outstanding are classified as equity. If the Group acquires treasury shares, the amount paid for the shares including the attributable transaction costs is deducted from equity. The consideration received when treasury shares are sold or issued is added to equity.

4.16 Revenue from contracts with customers

Revenue for goods and services is recognized when a performance obligation is satisfied by the transfer of a promised good or service. Appropriate refund liabilities are recognized under trade accounts payable for additional expenses in connection with goods and services, including expenses for returned products.

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

Revenue is recognized net of invoiced value added tax and trade discounts.

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

In the Film segment, revenue from theatrical films is recognized at a point in time from the time of their release. The revenue amount is directly dependent on the number of people who go to see the film. In line with standard practice in the industry, the film rental reported by the movie theater operators to the distributor is recognized as the distribution component of the total movie theater proceeds. Film rentals are calculated on the basis of a percentage of the box office takings.

Revenue from licenses for TV (pay/free) rights is recognized at a point in time on which the license takes effect, generally 18 to 32 months after the commencement of movie exploitation. With these forms of exploitation of film rights, revenue is realized on expiry of the contractual holdback period. They are therefore realized as of the date on which the respective license becomes available.

In global distribution, the Group usually receives minimum guarantees for the exploitation rights sold (movie theater, home entertainment, TV rights). These are allocated to the various revenue types. They are allocated on the basis of past experience in line with corporate planning at the following general rates: 25 % for movie theater rights, 15 % for home entertainment rights and 60 % for TV rights. The corresponding revenue is recognized at a point in time as follows: movie revenue on theatrical release, home entertainment revenue six months after theatrical release, TV revenue 24 months after theatrical release. Revenue from global distribution without any minimum guarantee is recognized on the royalty settlements being received from the licensees.

For home entertainment exploitation, revenue from DVDs and Blu-rays sold is recognized at a point in time as of release, taking into account the expected returns of merchandise. For digital purchase and rental transactions, revenue is also recognized at a point in time from release, based on the number of digital transactions. Revenue from licenses for home entertainment rights is recognized as of the date on which the license takes effect.

Revenue from service productions is recognized over time in the amount of the share of total revenue for the reporting period. Total contract sales and costs relating to this are recognized in profit or loss according to the stage of completion, provided the earnings from a service production can be determined reliably.

In determining the stage of completion, the method of physical completion is used for dailies and weeklies (output-oriented method) while the cost-to-cost method is used for TV movies and event shows. Sufficient certainty with regard to earnings from a service production when determining the stage of completion with the cost-to-cost method is usually achieved at the time the rough cut version is accepted by the broadcaster.

If the earnings from a service production cannot be reliably determined, sales are only recognized in the amount of the costs already incurred (zero profit method). If the uncertainties no longer apply at a later date and the earnings from a service production can be estimated reliably, pro rata profits are realized in line with the percentage of completion. If it is likely that the total cost of the production will exceed its total proceeds the expected loss is expensed immediately.

Service productions in progress are reported as contract assets or contract liabilities in the amount of the difference between realized sales and invoices. Service productions where revenue is recognized at a point in time and that cannot be recognized as contract assets or liabilities and service productions in development that have not yet been ordered by the broadcaster are recognized under inventories.

In addition to the activities of the TEAM Group and Highlight Event AG, the Sports and Events segment also comprises the operating activities of the Group company Sport1 Medien AG and its subsidiaries (see also note 10).

Revenue is recognized in accordance with the contracts for the respective project. The Group receives a share of the earnings from the project in question. This share contains fixed remuneration and a variable component based on the income generated by the project. Project earnings are calculated by project accounting. The annual accounting period for project accounting does not have to be the same as the fiscal year. In the event that previous expectations no longer match current expectations, the variable income from this project is adjusted over the remaining project term in line with the latest forecasts. Income received for services which are provided over a certain time period and for which the customer is periodically charged are recognized over the period in which the service is provided.

In free TV and online video business, revenue is generated in the form of advertising revenue (sale of airtime). This takes the form of conventional commercials or also the sponsorship of broadcasts. Advertising revenue is net revenue after the deduction of discounts, rebates, agency commission and VAT. TV advertising revenue is recognized when the commercials are broadcast on SPORT1. Online advertising revenue includes revenue from the marketing of digital offers.

Since the online marketing space is sold to an external agency on an annual basis, these revenues are recognized on a time-period basis.

In production, revenue is typically recognized over time (output-oriented method) as the productions are produced over an extended period, there is no alternative use for the content due to contractual regulations and there is an enforceable right to payment for production performance completed to date. The stage of completion is recognized on the basis of the programs produced/length of handling programs. The normal payment period is 30 days. There is no right of return for live productions.

4.17 Government grants

4.17.1 Project funding

Project promotion as a contingently repayable loan

Project film promotions are provided in the form of a contingently repayable interest-free loan in accordance with the requirements of the Film Promotion Act and/or the relevant regional promotions (rules of the Bavarian Film Promotion Fund (“FFF Bayern”) for example). These are repayable as soon as or if the producer’s income from a film exceeds a certain amount. These are government grants for assets. In the balance sheet, they are deducted from the carrying amount of the film assets in the amount which is sufficiently certain not to have to be repaid.

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

The amount which is sufficiently certain not to have to be repaid can usually be determined at the time of release. If it is determined at a later date that a further part of the loan is repayable, the carrying amount of the film asset is raised by this amount and a liability is recognized at the same time for the corresponding obligation.

Project subsidies

Project subsidies are non-refundable subsidies that a producer is entitled to depending on the number of people who go to see the (subsidized) film in theatrical exploitation for financing the project costs of a subsequent film. These are government grants for assets. The subsidies granted are deducted from the carrying amount of the subsidized film in the balance sheet when filming on the subsequent film commences. If a residual carrying amount is no longer at the time of requesting the subsidies for the subsidized film, income from the project subsidies remains in the income statement.

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

Project film funding in accordance with BKM (DFFF) and Creative Europe MEDIA regulations

Project film funding in accordance with BKM (DFFF) regulations – such as the MFG Line Producer grant, the German Motion Picture Fund (GMPF) – or the regulations of Creative Europe MEDIA are grants that do not have to be repaid and serve to refund the production costs of theatrical movies or TV movies/series after clearly defined requirements are fulfilled.

These are government grants for assets. Project film promotions granted are deducted from the carrying amount of the film in the balance sheet when the decision is received in accordance with the matching principle. Prior to theatrical release these are capitalized as other receivables. At the same time, deferred income is reported under other liabilities.

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

4.17.2 Distribution funding

Distribution loan as a contingently repayable loan

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

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

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

Restart culture: distribution/sales

Distribution and sales funding as part of the BKM's "Restart culture" program is a grant that does not have to be repaid. This is an economic funding program to fund distribution and sales in connection with the pandemic. Grants can be provided for projects that have a theatrical release or implementation date of no later than August 31, 2022. Grants received from this program in the reporting year are reported under other operating income.

Sales subsidies

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

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

4.17.3 Short-time compensation

As the short-time allowance is not a wage cost and the incoming payment does not represent operating income, this benefit is to be recognized as a transitory item. The employer acts solely as a paying agent for the short-time allowances received from the public authorities. The social insurance contributions related to the short-time allowance paid by the employer are to be recognized as personnel expenses. Reimbursements of social insurance contributions are recognized as a deduction from staff costs (net).

4.18 Share-based remuneration

Share-based remuneration transactions that are offset by equity instruments are measured at fair value at the time they are granted. The fair value of the liability is recognized over the vesting period as personnel expenses and offset against the capital reserve. In the case of share-based remuneration transactions that are offset by equity instruments, the fair value is determined using a measurement method (Black-Scholes model). The assumptions for estimating the fair value of share-based remuneration transactions are set out in note 9. No share-based remuneration transactions were issued that stipulate settlement in cash.

5. JUDGMENT/ESTIMATION UNCERTAINTY

In preparing the consolidated financial statements in accordance with IFRS, the management is required to make estimates and assumptions influencing the income, expenses, assets, liabilities as well as contingent liabilities and assets reported as of the end of the reporting period. These estimates and assumptions are based on the management's best possible assessment based on past experience and other factors including estimates of future events. This is especially true in the context of the Ukraine crisis and its impact on economic development. There is also uncertainty due to the energy crisis and high inflation. These developments are dynamic and so deviations from the estimates and assumptions made in these consolidated financial statements cannot be ruled out. Estimates and judgments are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based have changed or new or additional information has become available. Such changes are recognized in the reporting period in which the estimate is modified.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the reported income, expenses and contingent liabilities within the next twelve months are discussed below.

5.1 Significant risks

5.1.1 Impairment of non-financial assets

To assess whether assets have become impaired, the expected future cash flows from the use and possible disposal of such assets are estimated per cash-generating unit. The estimates and assumptions are based on premises that reflect the most recent information available. The actual cash flows may differ significantly from the discounted future cash flows based on these estimates. Changes in revenue and cash flow forecasts could lead to impairment.

5.2 Other risks

5.2.1 Estimates used to determine the transaction price for revenue from contracts with customers

Certain contracts with customers at the Highlight Group have transaction-based consideration. Typically, however, the effective transaction prices are known when the financial statements are prepared and no estimates are required. Nonetheless, it may occur that transaction-based consideration has to be estimated; this is done using the probability-weighted expected value or the most likely amount – depending on which of the two values is closest to the consideration owed to the Highlight Group. Future revenue from licenses based on future transactions (user-based royalties) are recognized at the later of license utilization or fulfillment of the performance obligation.

5.2.2 Financial assets

The fair value of financial assets which are traded on organized markets is determined on the basis of the quoted market price at the end of the reporting period. The fair value of financial assets for which there is no active market is determined by using measurement methods. Measurement methods include using the most recent transactions between knowledgeable, willing parties in an arm's length transaction, comparing the fair values of other, mostly identical financial instruments, analyzing discounted cash flows and using other measurement models based on management assumptions.

5.2.3 Impairment of financial assets (debt instruments)

The requirements for the recognition of impairment on financial assets, which is based on the expected loss model, include substantial judgments regarding the extent to which expected credit losses can be influenced by changes in economic factors. Financial assets must be divided into different risk classes/ratings in accordance with historical and expected probabilities of default (for example, due to the general economic situation and related forecasts). Loss allowances must be recognized before loss events occur.

At the Highlight Group, expected losses are defined as the weighted average of credit losses or using available external ratings, which are weighted by the respective probabilities of default. The estimates always account for the possibility of default and the possibility of non-default, even if the most probable scenario is non-default.

Please see note 4.11.4 for further disclosures.

5.2.4 Construction contracts

The percentage of completion of customer-specific service productions for which revenue is recognized over time is determined using the cost-to-cost method (recognition in the amount of costs incurred as of the end of the reporting period in proportion to the expected total costs) or the physical completion method. The expected production cost and the stage of completion are calculated on the basis of estimates. Changes in estimates have a direct effect on earnings generated.

5.2.5 Refund liabilities for expected returns of merchandise

The Group's refund liabilities for expected returns of merchandise are based on an analysis of contractual or legal obligations, historical trends and the Group's experience. On the basis of information currently available, management considers the refund liabilities recognized for expected returns of merchandise to be adequate. As they are based on management estimates, they may have to be revised upon better information becoming available. Such adjustments could affect the refund liabilities recognized for expected returns of merchandise and the sales in future periods.

5.2.6 Provisions for litigation

The Group companies are involved in various legal disputes. On the basis of current knowledge, the Group assumes that its provisions recognized are adequate. However, further litigation could arise resulting in costs not covered by the existing provisions. Moreover, it cannot be ruled out that the extent, duration and the costs of legal disputes could increase. Such changes may affect the provisions recognized for litigation in future reporting periods.

5.2.7 Pension obligations

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

5.2.8 Income taxes

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

5.2.9 Leases

The Group determines the lease term as the non-cancellable lease term and all periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and all periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The Group assesses whether it is reasonably certain to exercise the extension option at its own discretion. This means that management takes into account all relevant factors that create an economic incentive to extend the lease. After the inception of the lease, the Group reassesses the term of the lease when a material event or change in circumstances (such as a change in business strategy) occurs within the Group's control and affects its ability to exercise (or not exercise) the option.

6. NOTES TO INDIVIDUAL ITEMS OF THE BALANCE SHEET

6.1 Film assets

(TCHF)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2022			
January 1, 2022	424,482	1,456,463	1,880,945
Currency translation differences	–13,989	–65,087	–79,076
Additions	6,186	86,068	92,254
Disposals	35,313	1,145	36,458
Balance on December 31, 2022	**381,366**	**1,476,299**	**1,857,665**
Accumulated amortization/value adjustments 2022			
January 1, 2022	414,467	1,339,412	1,753,879
Currency translation differences	–13,589	–59,377	–72,966
Depreciation for the year	9,034	44,609	53,643
Impairment	74	5,145	5,219
Write-ups	278	726	1,004
Disposals	35,313	1,145	36,458
Balance on December 31, 2022	**374,395**	**1,327,918**	**1,702,313**
Acquisition and production costs 2021			
January 1, 2021	477,882	1,454,635	1,932,517
Currency translation differences	–14,363	–65,617	–79,980
Additions	4,594	68,338	72,932
Disposals	43,631	893	44,524
Balance on December 31, 2021	**424,482**	**1,456,463**	**1,880,945**
Accumulated amortization/value adjustments 2021			
January 1, 2021	462,149	1,308,393	1,770,542
Currency translation differences	–13,904	–60,299	–74,203
Depreciation for the year	10,816	87,896	98,712
Impairment	42	5,497	5,539
Write-ups	1,005	1,182	2,187
Disposals	43,631	893	44,524
Balance on December 31, 2021	**414,467**	**1,339,412**	**1,753,879**
Net carrying amounts on December 31, 2022	**6,971**	**148,381**	**155,352**
Net carrying amounts on December 31, 2021	**10,015**	**117,051**	**127,066**

Impairment losses of TCHF 5,219 (previous year's period: TCHF 5,539) were recognized in the year under review as the value in use no longer covers the acquisition costs or the carrying amount of certain films due to a lack of market acceptance. The pre-tax discount rates used for determination of impairment are between 6.0% and 6.10% (previous year: between 4.06% and 4.52%). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review. Write-ups are recognized for projects for which a write-down has been recognized in the past and whose forecast revenues for the remaining exploitation period are considerably higher than the previous year's estimates.

In the year under review, the Highlight Group received project subsidies and project promotion loans of TCHF 18,557 (previous year's period: TCHF 23,440), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to TCHF 8,005 as of December 31, 2022 (previous year: TCHF 2,684). Project promotions of TCHF 2,509 were repaid in the year under review (previous year's period: TCHF 3,689).

In addition, sales subsidies and distribution loans of TCHF 4,470 (previous year's period: TCHF 4,026) were recognized in the consolidated income statement in the year under review as a reduction of release costs. These grants are recognized in the periods in which the corresponding release costs are incurred.

There were no deferred distribution loans as of December 31, 2022 (previous year: TCHF 147). Distribution loans of TCHF 1,085 (previous year's period: TCHF 1,700) were repaid over the year under review. As of December 31, 2022, there were receivables for subsidies and grants of TCHF 26,631 (previous year: TCHF 23,202).

Directly attributable financing costs of TCHF 1,297 (previous year's period: TCHF 1,225) were capitalized in the year under review. The costs to be capitalized were calculated using the interest rates from the funds borrowed specifically for the financing. The financing interest rate varied from 3.4 % to 8.0 % (previous year: 1.0 % to 8.0 %).

6.2 Other intangible assets and goodwill

(TCHF)	Patents and licenses	Purchased software	Internally developed intangible assets	Advance payments	Total intangible assets	Goodwill
Acquisition and production costs 2022						
January 1, 2022	69,714	10,473	8,931	3,175	92,293	125,410
Currency translation differences	–84	–251	–297	–142	–774	–4,879
Additions	1,313	2,110	–	2,993	6,416	–
Disposals	168	790	–	–	958	–
Transfers	–	–	2,876	–2,876	–	–
Balance on December 31, 2022	**70,775**	**11,542**	**11,510**	**3,150**	**96,977**	**120,531**
Accumulated amortization/ value adjustments 2022						
January 1, 2022	19,217	8,288	6,637	–	34,142	6,248
Currency translation differences	–63	–193	–183	–	–439	–173
Depreciation for the year	5,730	1,044	2,107	–	8,881	–
Impairment	–	–	–	–	–	249
Disposals	168	790	–	–	958	–
Balance on December 31, 2022	**24,716**	**8,349**	**8,561**	**–**	**41,626**	**6,324**
Acquisition and production costs 2021						
January 1, 2021	69,516	9,505	8,722	1,382	89,125	130,436
Currency translation differences	–43	–268	–261	–140	–712	–5,026
Additions	241	1,280	–	2,550	4,071	–
Disposals	–	87	–	104	191	–
Transfers	–	43	470	–513	–	–
Balance on December 31, 2021	**69,714**	**10,473**	**8,931**	**3,175**	**92,293**	**125,410**
Accumulated amortization/ value adjustments 2021						
January 1, 2021	13,866	7,943	5,057	–	26,866	6,422
Currency translation differences	–30	–204	–156	–	–390	–174
Depreciation for the year	5,381	636	1,736	–	7,753	–
Disposals	–	87	–	–	87	–
Balance on December 31, 2021	**19,217**	**8,288**	**6,637**	**–**	**34,142**	**6,248**
Net carrying amounts on December 31, 2022	**46,059**	**3,193**	**2,949**	**3,150**	**55,351**	**114,207**
Net carrying amounts on December 31, 2021	**50,497**	**2,185**	**2,294**	**3,175**	**58,151**	**119,162**

Goodwill

The table below shows the allocation of goodwill:

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Sport1 Medien AG (Sports and Event segment)	88,661	93,107
Jackpot50 GmbH (Sports and Event segment)	8,000	8,000
Constantin Film Vertriebs GmbH (Film segment)	12,025	12,025
Constantin Entertainment GmbH (Film segment)	3,441	3,600
Constantin Television GmbH (Film segment)	1,572	1,644
Hager Moss Film GmbH (Film segment)	466	487
PSSST! Film GmbH (Film segment)	–	257
Other (Film segment)	42	42
Total	**114,207**	**119,162**

Goodwill was tested for impairment at the level of the cash-generating units in the respective segment. The recoverable amounts in impairment testing for goodwill are equal to the value in use. The basis of the discounted cash flow method in the Highlight Group is future cash flows derived from three-year earnings planning. For the impairment test of Constantin Film Vertriebs GmbH, the growth rate beyond the detailed planning period was set at 1 % (previous year: 1 %), for Sport1 Medien AG at 2 % (previous year: 2 %) and for other items this was set at between 0 % and 0.5 % (previous year: 0 % to 0.5 %). The capital asset pricing model (CAPM) was used to calculate the costs of capital and a peer group was referred to. As of December 31, 2022, the CAPM-based discount factor before taxes was set at 9.52 % (previous year: 7.32 %) for the impairment test of Constantin Film Vertriebs GmbH, at 7,15 % for Sport1 Medien AG (previous year: 6.62 %) and at 7.92 % to 8.17 % for other items (previous year: 7.38 % to 7.67 %).

As of December 31, 2022, goodwill was tested for impairment as part of the annual impairment test. There was impairment of TCHF 249 in the fiscal year as the goodwill of PSSST! Film GmbH is no longer covered by estimated future cash flows. Impairment on goodwill was not required in the previous year.

The impairment is recognized in the income statement under “Goodwill impairment”.

Corporate planning was also supplemented by further alternative scenarios for the possible development of the Highlight Group and these were also used for the purposes of impairment testing. Even using more conservative scenarios, no goodwill impairment was required.

Results and sensitivity of impairment testing

Goodwill Sport1 Medien AG

At the measurement date, the recoverable amount, which is based on the value in use, exceeded the relevant carrying amount for impairment testing for all cash-generating units. The recoverable amount depends on the occurrence of assumptions relating to future cash flows.

At the measurement date, impairment testing did not result in any reduction in goodwill. The recoverable amount exceeds the net carrying amount by CHF 85.2 million (previous year: CHF 11.5 million). The following changes in the significant assumptions would lead to the value in use corresponding to the net carrying amount:

Sensitivities

	2022	
	Assumption	Sensitivity
Revenue growth in 2027 with EBITDA margin unchanged as compared to the business plan	–0.6 %	–4.6 %
Normalized EBITDA margin in 2027	18.1 %	14.1 %
Discount rate after taxes	5.8 %	7.9 %
Long-term growth rate	2.0 %	–0.6 %

	2021	
	Assumption	Sensitivity
Revenue growth in 2026 with EBITDA margin unchanged as compared to the business plan	3.0 %	2.4 %
Normalized EBITDA margin in 2026	13.9 %	13.3 %
Discount rate after taxes	5.5 %	5.7 %
Long-term growth rate	2.0 %	1.7 %

The corresponding disclosures relate to the cash-generating unit Sport1 Medien AG.

6.3 Property, plant and equipment

(TCHF)	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total property, plant and equipment
Acquisition and production costs 2022					
January 1, 2022	4,489	23,820	19,362	531	48,202
Currency translation differences	–65	-1,113	–588	24	-1,742
Additions	85	4,445	1,242	–	5,772
Disposals	–	123	444	–	567
Transfers	–	–	555	–555	–
Balance on December 31, 2022	**4,509**	**27,029**	**20,127**	**–**	**51,665**
Accumulated depreciation 2022					
January 1, 2022	3,299	10,894	13,334	–	27,527
Currency translation differences	–52	–530	–362	–	–944
Depreciation for the year	380	3,553	1,728	–	5,661
Disposals	–	60	395	–	455
Transfers	–	–	–3	–	–3
Balance on December 31, 2022	**3,627**	**13,857**	**14,302**	**–**	**31,786**
Acquisition and production costs 2021					
January 1, 2021	4,459	11,190	19,878	246	35,773
Adjustments due to restatement	–	9,829	–	–	9,829
January 1 (restated)	4,459	21,019	19,878	246	45,602
Currency translation differences (restated)	-65	-1,075	-582	-23	-1,745
Additions (restated)	68	4,144	1,401	577	6,190
Disposals	229	268	1,348	–	1,845
Transfers	256	–	13	–269	–
Balance on December 31, 2021 (restated)	**4,489**	**23,820**	**19,362**	**531**	**48,202**
Accumulated depreciation 2021					
January 1, 2021	2,823	6,483	12,793	–	22,099
Adjustments due to restatement	–	1,804	–	–	1,804
January 1 (restated)	2,823	8,287	12,793	–	23,903
Currency translation differences (restated)	–54	–490	–358	–	–902
Depreciation and amortization of the fiscal year (restated)	759	3,338	2,191	–	6,288
Disposals	229	241	1,292	–	1,762
Balance on December 31, 2021 (restated)	**3,299**	**10,894**	**13,334**	**–**	**27,527**
Net carrying amounts on December 31, 2022	**882**	**13,172**	**5,825**	**–**	**19,879**
Net carrying amounts on December 31, 2021	**1,190**	**12,926**	**6,028**	**531**	**20,675**

6.4 Leases

Right-of-use assets

(TCHF)	Real estate	Vehicles	Technical equipment	Operating and office equipment	Total right-of-use assets
Acquisition and production costs 2022					
January 1, 2022	48,034	1,375	4,204	439	54,052
Currency translation differences	–1,547	–63	-185	–19	–1,814
Additions	3,455	247	–	–	3,702
Disposals	1,155	59	–	–	1,214
Balance on December 31, 2022	**48,787**	**1,500**	**4,019**	**420**	**54,726**
Accumulated depreciation 2022					
January 1, 2022	11,229	609	1,549	303	13,690
Currency translation differences	–432	–32	-79	–14	-557
Depreciation for the year	5,871	390	696	95	7,052
Disposals	802	48	–	–	850
Balance on December 31, 2022	**15,866**	**919**	**2,166**	**384**	**19,335**
Acquisition and production costs 2021					
January 1, 2021	38,319	1,143	14,223	459	54,144
Adjustments due to restatement	–	–	–9,829	–	–9,829
January 1 (restated)	38,319	1,143	4,394	459	44,315
Currency translation differences (restated)	–1,732	–61	–190	–20	–2,003
Additions (restated)	18,617	795	–	–	19,412
Disposals	7,170	502	–	–	7,672
Balance on December 31, 2022 (restated)	**48,034**	**1,375**	**4,204**	**439**	**54,052**
Accumulated depreciation 2021					
January 1, 2021	12,264	721	2,673	210	15,868
Adjustments due to restatement	–	–	–1,804	–	–1,804
January 1 (restated)	12,264	721	869	210	14,064
Currency translation differences (restated)	–380	–26	–69	–14	–489
Depreciation and amortization of the fiscal year (restated)	6,248	377	749	107	7,481
Disposals	6,903	463	–	–	7,366
Balance on December 31, 2022 (restated)	**11,229**	**609**	**1,549**	**303**	**13,690**
Net carrying amounts on December 31, 2022	**32,921**	**581**	**1,853**	**36**	**35,391**
Net carrying amounts on December 31, 2021	**36,805**	**766**	**2,655**	**136**	**40,362**

Reconciliation of liabilities arising from financial liabilities

(TCHF)	
Balance on January 1, 2021	**39,216**
Adjustments due to restatement	–6,982
Balance on January 1, 2021 (restated)	**32,234**
Additions (netto, restated)	19,121
Interest cost (restated)	701
Payments (restated)	–7,981
Cash change from repayment (restated)	*–7,280*
Cash change from interest (restated)	*–701*
Currency translation (restated)	–1,596
Balance on December 31, 2021 (restated)	**42,479**
Additions (net)	3,338
Interest cost	872
Payments	–7,591
Cash change from repayment	*–6,719*
Cash change from interest	*–872*
Currency translation	–1,334
Other	115
Balance on December 31, 2022	**37,879**
thereof non-current lease liabilities	31,154
thereof current lease liabilities	6,725

The amounts in the consolidated income statement attributable to leases are shown in the following table:

Lease payments in the consolidated income statement

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021 restated
Expenses from short-term leases	1,623	1,259
Expenses from leases of low-value assets (if not already short-term)	15	12
Expenses from variable lease payments (not included in lease liabilities)	943	1,043
Amortization on right-of-use assets from leases (restated)	7,052	7,481
Interest expenses from lease liabilities (restated)	872	701
Total (restated)	**10,505**	**10,496**

The ancillary costs from renting buildings are recognized as variable lease expenses. As a result of the amendment to IFRS 16 (see note 4.8.6), the cost of variable lease payments does not contain any negative variable lease payments (previous year: TCHF 84) in the reporting period.

The cash outflows in the consolidated cash flow statement attributable to leases are shown in the following table:

Lease payments in the consolidated cash flow statement

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021 restated
Short-term leases	1,623	1,259
Leases for low-value assets	15	12
Variable lease payments	943	1,043
Repayment and interest on lease liabilities (restated)	7,591	7,981
Total (restated)	**10,172**	**10,295**

Under IFRS 16, the following lease-related future payments are not included in the measurement of lease liabilities:

Future unrecognized lease payments

(TCHF)	Future payments from short-term leases	Future payments from leases for low-value assets	Future variable lease payments	Future payments from contractually agreed leases that have not yet begun	Future payments from unrecognized residual value guarantees	Future payments from uncertain extension options	Future payments from uncertain termination options	Total
As of December 31, 2022								
Due within one year	512	15	580	–	59	–	–	1,166
Due between one year and five years	16	7	1,065	5,654	–	1,929	247	8,918
Due after five years	–	–	1,231	6,596	–	2,411	–	10,238
Total	**528**	**22**	**2,876**	**12,250**	**59**	**4,340**	**247**	**20,322**
As of December 31, 2021								
Due within one year	565	12	652	169	–	–	120	1,518
Due between one year and five years	–	6	1,550	753	62	242	259	2,872
Due after five years	–	–	1,678	–	–	4,410	–	6,088
Total (restated)	**565**	**18**	**3,880**	**922**	**62**	**4,652**	**379**	**10,478**

6.5 Financial information of subsidiaries with material non-controlling interests

The Sport1 Medien AG squeeze-out was entered in the Munich Commercial Register and became effective on February 2, 2022 (see also note 3.2).

The consolidated financial information for the Sport1 Media-Group from the previous year is presented below. As in the previous year, all other non-controlling interests are immaterial.

Subsidiaries with significant non-controlling interests

Subsidiary	Dec. 31, 2021
Sport1 Medien AG, Ismaning, Germany	4.68%

Disclosures on financial information (after elimination of internal relations)

(TCHF)	Dec. 31, 2021
Share in equity of non-controlling interests	3,317

(TCHF)	Jan. 01 to Dec. 31, 2021
Share of earnings of non-controlling interests	–390

Disclosures on financial information (before elimination of internal relations)

(TCHF)	Dec. 31, 2021
Current assets	36,335
Non-current assets	72,231
Total assets	**108,566**
Current liabilities	38,116
Non-current liabilities	19,628
Total liabilities	**57,744**
Net assets	**50,822**

(TCHF)	Jan. 01 to Dec. 31, 2021
Sales	108,381
Earnings from continuing operations after taxes	–3,110
Other earnings after taxes	–173
Total earnings for the year	**–3,283**
Cash flow from operating activities	–1,063
Cash flow for investing activities	2,602
Cash flow for/from financing activities	–402
Cash flow for the reporting period	**1,137**

6.6 Investments in associates and joint ventures

Associated companies

As of December 31, 2022, the Group holds interests in two associated companies (previous year: one associated company) that are included in the consolidated financial using the equity method (see note 3.1).

Carrying amounts

(TCHF)	
Balance on December 31, 2020	**54**
Dividends/repayments of capital	–8
Share of earnings	5
Currency translation	–2
Balance on December 31, 2021	**49**
Additions	2,769
Dividends/repayments of capital	–4
Share of earnings	–1,025
Currency translation	20
Balance on December 31, 2022	**1,809**

Financial information

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Earnings after taxes	–1,021	9
Profit from discontinued operations after taxes	–	–
Other comprehensive income/loss (OCI)	–	–
Total earnings	**–1,021**	**9**

	Dec. 31, 2022	Dec. 31, 2021
Contingent liabilities (proportional)	–	–

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2021 were used for reporting on associated companies as the annual financial statements as of December 31, 2022 have not yet been prepared. No circumstances arose in the current fiscal year that would have necessitated an adjustment to the annual financial statements used as a basis.

At Upgrade LLC, the loss for fiscal 2022 was included 100 % in the consolidated financial statements as the capital employed was essentially contributed by the Constantin Film Group in the form of preferred shares and other contractual arrangements.

Joint ventures

As of December 31, 2022 – as in the previous year – the Group has investments in one joint venture that is included in the consolidated financial statements using the equity method.

Carrying amounts

(TCHF)	
Balance on December 31, 2020	**–**
Additions	20
Share of earnings	–19
Currency translation	–1
Balance on December 31, 2021	**–**
Additions	573
Share of earnings	–431
Currency translation	12
Balance on December 31, 2022	**154**

Financial information

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Earnings after taxes	–862	–354
Profit from discontinued operations after taxes	–	–
Other comprehensive income/loss (OCI)	–	–
Total earnings	**–862**	**–354**

	Dec. 31, 2022	Dec. 31, 2021
Contingent liabilities (proportional)	–	–

The pro-rata loss of companies accounted for using the equity method not recognized in the reporting year is TCHF 0 (previous year's period: TCHF 158). The cumulative unrecognized pro rata loss was TCHF 0 (previous year: TCHF 158).

6.7 Non-current receivables

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Non-current trade accounts receivable (financial assets)		
Non-current trade accounts receivable	15,488	12,727
Credit losses expected over the entire term (level 2)	–9	–
Total	**15,479**	**12,727**
Non-current other receivables (financial assets)		
Non-current other receivables	977	999
Total	**977**	**999**
Non-current other receivables (non-financial assets)		
Non-current other receivables	2,405	–
Total	**2,405**	**–**
Total non-current receivables	**18,861**	**13,726**

Impairment on non-current trade accounts receivable

(TCHF)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2021	**–**	**–**
Addition due to an increase in the volume of receivables	9	–
Balance on December 31, 2022	**9**	**–**

Non-current financial receivables primarily relate to the transfer of rights. They also relate to the VAT portion for revenue not yet recognized in accordance with IFRS. They are discounted in line with their maturity and measured in accordance with the impairment provisions general impairment approach.

Other non-current non-financial assets contain an advance payment for licensing rights for 2025 made in the reporting period.

6.8 Deferred tax assets

Breakdown of deferred tax assets

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Tax loss carryforwards	8,298	5,538
Intangible assets/film assets	8,594	7,702
Property, plant and equipment	523	640
Trade receivables and other receivables	15,974	11,624
Contract assets	2	2
Other financial assets	130	136
Inventories	29,586	18,171
Lease liabilities	9,501	10,743
Trade payables and other liabilities	700	2,469
Contract liabilities	1,116	554
Advance payments received	2,237	5,791
Provisions	27	146
Pension liabilities	295	411
Total	**76,983**	**63,927**
Netting with deferred tax liabilities	–68,373	–52,738
Deferred tax assets (net)	**8,610**	**11,189**

Maturities

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Current deferred tax assets	–	–
Non-current deferred tax assets	8,610	11,189

For the year under review, deferred tax assets were recognized on tax loss carryforwards to the extent that the Group expects the respective companies to generate future taxable profits. In addition, deferred tax assets were recognized for temporary differences. After offsetting against deferred tax liabilities, deferred tax assets totaling TCHF 8,610 (previous year: TCHF 11,189) result as of December 31, 2022.

The Group has total loss carryforwards of TCHF 72,286 (previous year: TCHF 56,575) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

2022 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	18,365	53,921	31,978

2021 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	18,365	38,210	17,424

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

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Changes in deferred taxes (assets and liabilities)	–3,197	5,954
thereof:		
Change in income statement	–3,486	5,286
Change in other comprehensive income/loss	–421	–5
Change in currency translation	710	673

6.9 Other assets

Other financial assets

Other non-current financial assets

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in Geenee Holdings Inc.	–	–
Investment in AGF Videoforschung GmbH	–	–
Investment in Summacum GmbH	30	31
Profit participation rights	2,969	–
Other investments	8	9
Equity instruments at fair value through profit or loss (FVTPL)		
Convertible loans	–	–
Total	**3,007**	**40**

As of December 31, 2022, as a result of restructuring and refinancing activities, Sport1 GmbH now holds 0.754 % in Geenee Holdings Inc. (formerly: Geenee Inc.), with Rainbow Home Entertainment AG holding 0.636 % and Constantin Entertainment GmbH 0.118 % (previous year: Sport1 GmbH held 5.0 %, Rainbow Home Entertainment AG 4.54 % and Constantin Entertainment GmbH 0.46 %). The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). Owing to financial difficulties at the company, the equity investment was written off in full in previous years and the corresponding impairment loss was recognized in other comprehensive income (OCI). There were no indications of a reversal of impairment in the year under review.

The investments in AGF Videoforschung GmbH, in which Sport1 GmbH holds a 5.56 % share, were written down in full in previous years. There were no indications of a reversal of impairment in the year under review. The equity interest is irrevocably recognized at fair value through other comprehensive income (FVTOCI). It is allocated to level 3 of the fair value hierarchy (see note 8.4).

In addition, Sport1 GmbH holds 10 % of the shares in Summacum GmbH. The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). The shares were partially written down in previous years. There were no indications of further impairment or a reversal of impairment losses in the reporting period.

A profit participation right was acquired in return for advertising services in the reporting year. Through this profit participation right, Sport1 GmbH is entitled to 19.99 % of the EBIT of a third-party company's profit center. As the profit participation right contains a combined call/put option in a company yet to be founded, this is treated as an equity instrument, recognized at fair value through other comprehensive income (FVTOCI) and assigned to level 3 of the fair value hierarchy (see note 8.4).

The equity interest Diggin Ltd., which was measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4), was sold for TCHF 12 in the previous year.

The 5 % interest in Mister Smith Entertainment Ltd., London, has been held since 2015. The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). The carrying amount is TCHF 0 (previous year: TCHF 0). There is no active market for these shares. The cost also continues to represent the best estimate for the fair value of this financial instrument. In accordance with IFRS 9, non-listed equity instruments are also to be recognized at fair value.

Other non-current assets also include two equity interests of 1.0 % and 5.556 %, both of which are recognized at fair value through other comprehensive income (FVTOCI) and are allocated to level 3 of the fair value hierarchy (see note 8.4).

The Dynamic Bets Inc. convertible loan was sold for TCHF 12 in the previous year.

As in the previous year, there are no other current financial assets as of the end of the reporting period.

Other non-financial assets

Other non-current non-financial assets contain pension assets in connection with defined benefit pension plans of TCHF 1,520 (previous year: TCHF 1,520).

6.10 Inventories

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Net balance		
Unfinished goods and services	10,874	68,529
Blu-rays/DVDs	540	634
Constants	132	138
Total	**11,546**	**69,301**

Unfinished goods and services essentially relate to service productions in development that have not yet been ordered by the broadcaster, as well as service productions where revenue is recognized at a point in time and that cannot be recognized as contract assets or liabilities.

In the year under review, impairment losses were recognized in the amount of TCHF 550 (previous year's period: TCHF 1,175) and reversed in the amount of TCHF 4 (previous year's period: TCHF 0).

6.11 Trade receivables and other receivables

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts receivable	71,743	59,572
Other receivables	75,747	73,496
Total	**147,490**	**133,068**

6.11.1 Trade receivables

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts receivable (financial assets)		
Current receivables	69,694	53,558
Liabilities due to related parties	5	–
Credit losses expected over the entire term (level 2)	–252	–124
Individual value adjustments (level 3)	–2,675	–2,749
Total	**66,772**	**50,685**
Trade accounts receivable (non-financial assets)		
Receivables from countertrades	4,971	8,887
Total	**4,971**	**8,887**
Total trade accounts receivable	**71,743**	**59,572**

Trade accounts receivable include receivables of TCHF 153 (previous year: TCHF 177) from a media-for-equity fund relating to advertising services provided and invoiced. The guaranteed minimum claim is recognized in receivables, with remuneration taking place only when the fund sells its equity interests. In this connection, embedded derivatives and options of TCHF 300 (previous year: TCHF 382) were recognized under other financial assets. These items were measured at TCHF 128 (previous year: TCHF 564) in financial income through profit or loss and TCHF 156 (previous year: TCHF 52) in financial expenses through profit or loss.

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

Impairment losses

(TCHF)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2020	**181**	**4,910**
Currency translation differences	–4	–117
Addition due to an increase in the volume of receivables	6	–
Reduction due to a decrease in the volume of receivables	–59	–
Additions	–	15
Consumption	–	–1,966
Reversals	–	–93
Balance on December 31, 2021	**124**	**2,749**
Currency translation differences	–6	–113
Addition due to an increase in the volume of receivables	136	–
Reduction due to a decrease in the volume of receivables	–2	–
Additions	–	144
Consumption	–	–105
Balance on December 31, 2022	**252**	**2,675**

Trade accounts receivable are measured using the simplified approach. Stage 3 impairment is recognized following an individual assessment. There is no relevant collateral or other credit enhancements.

The level 3 impairment losses relate to various individual matters that were not yet completed and therefore were not derecognized.

Currency profile

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
CHF	750	1,860
EUR	40,997	42,452
USD	29,870	15,221
Other	126	39
Total	**71,743**	**59,572**

6.11.2 Other receivables

Other receivables (financial assets)

(TCHF) Dec. 31, 2022	Gross	Expected credit losses Level 1	Level 2	Level 3	Net
Suppliers with debit balances	1,911	–2	–	–	1,909
Receivables from loans	2,581	–5	–	–246	2,330
Subsidies receivables	26,634	–2	–	–	26,632
Positive fair value of derivative financial instruments without hedging relationships	1,047	–	–	–	1,047
Receivables due from personnel (financial)	426	–	–	–	426
Other assets (financial)	14,199	–18	–	–2,306	11,875
Other receivables due from related parties	19,796	–	–	–	19,796
Total	**66,594**	**–27**	**–**	**–2,552**	**64,015**

(TCHF) Dec. 31, 2021	Gross	Expected credit losses Level 1	Level 2	Level 3	Net
Suppliers with debit balances	665	–1	–	–	664
Receivables from loans	3,943	–7	–	–258	3,678
Subsidies receivables	23,203	–1	–	–	23,202
Positive fair value of derivative financial instruments without hedging relationships	1,023	–	–	–	1,023
Receivables due from personnel (financial)	742	–	–	–	742
Other assets (financial)	18,766	–31	–	–2,319	16,416
Other receivables due from related parties	12,774	–	–	–	12,774
Total	**61,116**	**–40**	**–**	**–2,577**	**58,499**

Receivables from loans essentially include loans to co-producers and service producers of ongoing productions.

Other financial assets essentially include options for script rights, deposits paid and receivables from foreign project funding. These tax credits are tax investment subsidies for the performance of movie productions granted by some countries (such as Canada or Czechia) and excluded from the scope of IAS 20 and IAS 12. Tax credits are recognized and deducted from cost when the comfort letter or payment is received, or by the time the project is completed at the latest.

The carrying amount for all current financial assets is approximately their fair value. They are measured using the general approach.

Impairment losses

(TCHF)	Credit losses expected over 12 months (level 1)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2020	**55**	**–**	**2,603**
Currency translation differences	–1	–	–26
Reduction due to a decrease in the volume of receivables	–14	–	–
Balance on December 31, 2021	**40**	**–**	**2,577**
Currency translation differences	–2	–	–25
Reduction due to a decrease in the volume of receivables	–11	–	–
Additions	–	–	27
Consumption	–	–	–27
Balance on December 31, 2022	**27**	**–**	**2,552**

No material impairment was taken on receivables from the public sector.

Other receivables (non-financial assets)

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses	7,389	9,236
Input tax	429	2,471
Other taxes	220	16
Advance payments	348	128
Other assets (non-financial)	3,346	3,146
Total	**11,732**	**14,997**

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

Currency profile

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
CHF	22,583	15,752
EUR	24,160	41,482
USD	3,612	3,100
CAD	10,336	7,465
PLN	12,234	–
Other	2,822	5,697
Total	**75,747**	**73,496**

6.12 Contract assets

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Contract assets	29,000	31,161
Credit losses expected over the entire term (level 2)	–8	–6
Total	**28,992**	**31,155**

The contract assets are mainly services rendered that have not yet been invoiced or that it has not yet been possible to invoice. They are measured using the simplified approach in accordance with IFRS 9.

Development of contract assets

(TCHF)	
Balance on December 31, 2020	**32,680**
Currency translation differences	–780
Additions	31,912
Impairment	–6
Reclassification to trade accounts receivable	–32,651
Balance on December 31, 2021	**31,155**
Currency translation differences	–725
Additions	15,190
Impairment	–8
Reclassification to trade accounts receivable	–16,620
Balance on December 31, 2022	**28,992**

Impairment losses

(TCHF)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2020	**6**	**–**
Balance on December 31, 2021	**6**	**–**
Addition due to an increase in the volume of receivables	2	–
Balance on December 31, 2022	**8**	**–**

6.13 Income tax receivables

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Income taxes Switzerland	33	33
Income taxes Germany	1,907	318
Income taxes rest of the world	165	169
Total	**2,105**	**520**

6.14 Cash and cash equivalents

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

Cash funds of TCHF 11,390 were earmarked for Highlight Communications AG's squeeze-out of the shareholders of Sport1 Medien AG and were restricted.

6.15 Equity

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

Subscribed capital

As of December 31, 2022, the fully paid-up share capital of the parent company, Highlight Communications AG, totaled CHF 63,000,000 (previous year: CHF 63,000,000), divided into 63,000,000 bearer shares with a par value of CHF 1.00 per share (previous year: 63,000,000 bearer shares of CHF 1.00 per share).

Treasury shares

As of December 31, 2022, the separately reported item "Treasury stock" amounted to TCHF –6,255 (previous year: TCHF –6,300). The amount reflects the nominal capital of treasury shares. The number of directly held non-voting treasury shares in Highlight Communications AG was 6,254,518 as of December 31, 2022 (previous year: 6,299,501). 44,983 treasury shares were sold at a transaction value of TCHF 162 in the reporting year.

Capital reserves

As of December 31, 2022, the Group's capital reserve amounted to a total of TCHF –104,458 (previous year: TCHF –104,686).

As in the previous year, no dividend was paid in the reporting year.

The capital reserve increased by TCHF 228 (previous year: TCHF 96) as a result of share-based remuneration (see note 9).

The increase in the equity investments in Sport1 Medien AG and Olga Film GmbH reduced capital reserves by TCHF 673 in the previous year. Furthermore, the Group's capital reserves rose by TCHF 3,029 in total as a result of the capital increase at Jackpot50 GmbH in the fourth quarter of 2021 and the subscription to shares by new investors.

On December 14, 2021, a squeeze-out to the minority shareholders of Sport1 Medien AG was executed. In the process, the obligation was reclassified to other current liabilities (see note 6.20). This reduced capital reserves by TCHF 7,165 in 2021. The squeeze-out to Sport1 Medien AG was entered at the Munich commercial register office on February 2, 2022. The squeeze-out came into effect following this entry (see note 3.2).

Non-controlling interests

Non-controlling interests in consolidated subsidiaries amounted to TCHF 2,938 as of December 31, 2022 (previous year: TCHF 3,813).

Dividend payments in the reporting year amounted to TCHF 1,050 (previous year's period: TCHF 1,116) and the net profit for the period attributable to non-controlling interests was TCHF 440 (previous year's period: TCHF 557). Differences from currency translation amounted to TCHF –265 (previous year: TCHF –222).

The increase in the equity investments in Sport1 Medien AG and Olga Film GmbH reduced non-controlling interests by TCHF 371 in total in the previous year. The reclassification of the squeeze-out obligation referred to above also reduced non-controlling interests by TCHF 3,269 in 2021 (see also note 6.20). The change in the equity interest in Jackpot50 GmbH increased non-controlling interests by TCHF 77 in the previous year.

Other reserves

Other reserves totaled TCHF –66,049 as of the end of the reporting period (previous year: TCHF –57,726).

As of December 31, 2022, these relate to the translation of the equity of companies that do not use Swiss francs as their functional currency (TCHF –66,453; previous year: TCHF –57,594) and to other cash flow hedge reserves of TCHF 404 (previous year: TCHF –132).

The cash flow hedge reserve before taxes developed as follows as of December 31, 2022:

Reconciliation of the market valuation of financial instruments

(TCHF)	
Balance as of December 31, 2020	**732**
Gains or losses from effective hedging relationships	–921
Balance as of December 31, 2021	**–189**
Gains or losses from effective hedging relationships	585
Reclassification due to realization of the hedged item	189
Balance as of December 31, 2022	**585**

The changes in other components of equity in fiscal years 2022 and 2021 were as follows:

Other comprehensive income/loss (OCI)

2022 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	–9,124	–	–9,124
Reclassification of realized gains/losses through profit or loss	–	–	–
Currency translation differences	–9,124	–	–9,124
Gains/losses from cash flow hedges	774	–238	536
Items that can be reclassified to profit or loss	**–8,350**	**–238**	**–8,588**
Actuarial gains/losses of defined benefit pension plans	1,829	–183	1,646
Gains/losses from financial assets at fair value through other comprehensive income	–	–	–
Items that cannot be reclassified to profit or loss	**1,829**	**–183**	**1,646**
Other comprehensive income/loss	**–6,521**	**–421**	**–6,942**

2021 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	–9,666	–	–9,666
Reclassification of realized gains/losses through profit or loss	–	–	–
Currency translation differences	–9,666	–	–9,666
Gains/losses from cash flow hedges	–921	275	–646
Items that can be reclassified to profit or loss	**–10,587**	**275**	**–10,312**
Actuarial gains/losses of defined benefit pension plans	2,788	–280	2,508
Gains/losses from financial assets at fair value through other comprehensive income	–	–	–
Items that cannot be reclassified to profit or loss	**2,788**	**–280**	**2,508**
Other comprehensive income/loss	**–7,799**	**–5**	**–7,804**

Information on capital management

In managing capital, the Highlight Group pays particular attention to ensuring that the continuation of the Group's operating activities is guaranteed. Consolidated equity is the most important control parameter in this respect.

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

Liquidity consists of the inflows from operating activities, cash on hand and the borrowings available. The liquidity of the Highlight Group is managed centrally for all segments by Highlight Communications AG. This does not include Constantin Film AG and Sport1 Medien AG, which manage their own liquidity independently of Highlight Communications AG. In addition to a liquidity report and liquidity planning to assess its liquidity status, Highlight Communications AG essentially uses its gearing and net debt ratios, defined as current and non-current financial liabilities less cash and cash equivalents, to monitor its liquidity resources.

The equity management of Highlight Communications AG comprises all items of equity reported in the balance sheet.

Highlight Communications AG also monitors the borrowed capital of the Film and Sports and Event segments in the context of Group management. Debt capital is monitored non-centrally by Highlight Communications AG, Sport1 Medien AG and Constantin Film AG. Financial ratios and other conditions must be complied with for borrowed funds, and information must be provided.

The credit agreements of Highlight Communications AG and Constantin Film AG include compliance with certain financial covenants. The financial covenants of the Highlight Group relate to EBITDA, gearing, the interest coverage ratio, the economic equity ratio and reported equity including non-controlling interests. If the conditions on borrowed funds are violated, the interest rate could increase or a termination option could arise. The financial covenants had not been violated as of December 31, 2022.

6.16 Pension obligations

6.16.1 Defined benefit pension plans

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

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

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

Companies abroad have defined contribution plans only.

Funding agreements for future contributions

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

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

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

As described above, the pension plans/regulations prescribe minimum requirements for contributions. The pension plans/regulations do not stipulate additional funding requirements provided that the pension plan has a statutory excess. If, however, funding is insufficient, additional contributions ("restructuring contributions") are required from the insured party and the employer until pension obligations are covered again.

The forecast employer contributions for fiscal year 2023 amount to TCHF 1,703.

Maturity profile of defined benefit obligation

(TCHF)	2022	2021
Less than 1 year	5,864	4,081
Weighted average maturity of defined benefit obligation (in years)	12.5	14.4

Change in defined benefit liabilities

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

Pension liabilities

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligation	35,844	40,878
Fair value of plan assets	40,214	43,338
Asset ceiling	5,792	5,048
Carrying amount	**1,422**	**2,588**

The pension liabilities totaling TCHF 1,422 (previous year: TCHF 2,588) consist of pension assets of TCHF 1,520 (previous year: TCHF 1,520, see note 6.9) and pension liabilities of TCHF 2,942 (previous year: TCHF 4,108).

The figure to be included as assets is limited to the amount of the employer contribution reserve, resulting in an asset ceiling of TCHF 5,792 as of December 31, 2022 (previous year: TCHF 5,048).

Development of defined benefit obligation

(TCHF)	2022	2021
Present value of defined benefit obligation as of January 1	**40,878**	**43,541**
Current service cost (without employee contributions and administrative expenses)	2,158	2,038
Employee contributions	932	916
Interest cost	120	66
Curtailment, settlement	60	–235
Benefits paid	–2,773	–2,249
Actuarial losses/(gains) from experience adjustments	1,029	–703
Actuarial losses/(gains) from changes in financial assumptions	–6,560	–578
Actuarial losses/(gains) from changes in demographic assumptions	–	–1,918
Present value of defined benefit obligation as of December 31	**35,844**	**40,878**
thereof actively insured persons	32,924	37,810
thereof pensioners	2,920	3,068

Development of plan assets

(TCHF)	2022	2021
Fair value of assets as of January 1	**43,338**	**40,138**
Interest income	112	59
Employee contributions	932	916
Employer contributions	1,653	1,145
Administrative expenses of the foundation	–90	–91
Benefits paid	–2,773	–2,249
Actuarial (losses)/gains from experience adjustments	–2,958	3,420
Fair value of assets as of December 31	**40,214**	**43,338**

Retirement benefit expenses broke down as follows:

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Current service cost (without employee contributions and administrative expenses)	2,158	2,038
Administrative expenses of the foundation	90	91
Effects from curtailments and settlements	60	–235
Net interest cost (income)	8	7
Total income statement	**2,316**	**1,901**

Plan assets

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

(TCHF)	2022	2021
Cash and cash equivalents	1,126	1,426
Bonds with quoted market prices on active markets	5,463	8,006
Bonds without quoted market prices	–	573
Shares with quoted market prices on active markets	11,947	14,305
Real estate	15,525	13,375
Insurance surrender value	3,531	3,097
Other	2,622	2,556
Total	**40,214**	**43,338**

The actual return on plan assets in the year under review amounted to TCHF –2,846 (previous year's period: TCHF 3,479).

Actuarial assumptions

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

	2022	2021
Discount rate	2.25	0.30
Pension trend	0.00	0.00
Salary trend	2.00	1.50
Average life expectancy after pension men (in years)	22.82	22.70
Average life expectancy after pension women (in years)	25.59	25.48

As in the previous year, the new BVG 2020 generation table was used for the actuarial assumptions for mortality, disability and employee turnover.

Sensitivity analysis

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

	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
2022 (TCHF)	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–699	735	543	–	186	–181	968

	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
2021 (TCHF)	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–960	1,019	750	–	247	–240	1,032

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

6.16.2 Defined contribution plans

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 7,605 in the year under review (previous year's period: TCHF 8,358).

6.17 Deferred tax liabilities

Breakdown of deferred tax liabilities

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Film assets	43,774	32,597
Intangible assets	12,245	13,525
Right-of-use assets	8,844	10,180
Inventories	2	3
Trade receivables and other receivables	454	5,230
Contract assets	3,468	4,442
Other financial assets	82	105
Pension assets	204	204
Trade payables and other liabilities	2,288	2,709
Contract liabilities	168	124
Advance payments received	23,787	9,944
Total	**95,316**	**79,063**
Netting with deferred tax assets	−68,373	−52,738
Deferred tax liabilities (net)	**26,943**	**26,325**

Maturities

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Current deferred tax liabilities	–	–
Non-current deferred tax liabilities	26,943	26,325

6.18 Financial liabilities

Reconciliation of liabilities arising from financial liabilities

			Non-cash changes			
(TCHF)	Jan. 01, 2022 restated	Cash	Accrual of interest	Currency translation	Reclassification	Dec. 31, 2022
Non-current financial liabilities	3,851	1,439	482	-1,217	72,503	77,058
Current financial liabilities	193,184	−4,475	157	-4,047	-72,552	112,267
Total financial liabilities	**197,035**	**−3,036**	**639**	**-5,264**	**-49**	**189,325**

					Non-cash changes			
(TCHF)	Jan. 01, 2021	Adjustments due to restatement	Jan. 01, 2021 restated	Cash changes	Accrual of interest	Currency translation	Reclassification	Dec. 31, 2021 restated
Non-current financial liabilities	103,319	4,870	**108,189**	13,342	230	−1,623	−116,287	**3,851**
Current financial liabilities	69,416	2,112	**71,528**	8,654	176	−3,461	116,287	**193,184**
Total financial liabilities	**172,735**	**6,982**	**179,717**	**21,996**	**406**	**−5,084**	**–**	**197,035**

Please see note 6.4 for the reconciliation with lease liabilities.

6.18.1 Current financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 109,433 (previous year: TCHF 190,647), TCHF 82,463 (previous year: TCHF 76,766) of which relates to the financing of film projects. Furthermore, current financial liabilities as of December 31, 2022 included liabilities from sale and leaseback agreements with buyback options amounting to TCHF 2,834 (previous year: TCHF 2,537), which are reported as a financing transaction. The Highlight Group had free short-term credit facilities totaling around TCHF 156,731 (previous year: TCHF 127,775) as of the end of the reporting period. Of this, the Constantin Film Group's credit facilities (production financing and license trading facilities) are secured by the film rights reported as film assets in the amount of TCHF 155,334 (previous year: TCHF 127,010) and the resulting proceeds from exploitation in addition to receivables and contract assets of TCHF 67,731 (previous year: TCHF 56,221). The security interests of the banks serve as collateral for all current and future receivables of the banks from Constantin Film AG. The banks are entitled to liquidate this collateral if necessary. They will be transferred back to Constantin Film AG by the banks after all secured claims have been satisfied.

The credit agreement of Highlight Communications AG provides for four facilities. Facility A1 amounts to EUR 15.1 million (nominal value EUR 15.2 million), Facility A2 amounts to EUR 9.9 million (nominal value EUR 9.9 million) and Facility B amounts to CHF 19.9 million (nominal value CHF 20 million). Facilities A1 and B have to be amortized by 20% per year. Facility A2 is amortized by EUR 1.1 million in 2022, EUR 2.2 million in 2023 and EUR 7.7 million in 2024. Facility C amounts to CHF 49.7 million (nominal value CHF 50 million) and is not due until 2024. Highlight Communications AG's credit facility of TCHF 70,000 and TEUR 25,048 (previous year: TCHF 80,000 and TEUR 33,722) is secured by shares in Sport1 Medien AG and Constantin Film AG. Facility A2 was taken up in the 4th quarter 2021 for the financing of the squeeze-out to the minority shareholders of Sport1 Medien AG.

In late June 2023, Highlight Communications AG is required to make repayments of TEUR 7,574 for Facility A1 and TCHF 10,000 for Facility B. Repayment of TEUR 1,100 is required for Facility A2 at the end of June and December 2023.

As of the end of the reporting period, the Sport1 MEDIEN Group has a floating-rate working capital facility of TCHF 10,889 (previous year: TCHF 7,248) and guarantee lines of TCHF 7,920 (previous year: TCHF 17,603). 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 23,012 (previous year: 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 25,607) were pledged in total for these credit facilities as of December 31, 2022 and a global assignment of TCHF 8,533 in receivables from Sport1 GmbH (TCHF 12,569) and TCHF 3,659 from PLAZAMEDIA GmbH (TCHF 4,049) from goods deliveries and services to third-party debtors was deposited. Financial covenants do not have to maintained for this borrowed capital.

Currency profile

(TCHF)	Dec. 31, 2022	Dec. 31, 2021 (restated)
CHF	10,000	79,238
EUR (restated)	56,683	66,324
USD	35,289	38,011
CAD	10,295	9,611
Total (restated)	**112,267**	**193,184**

6.18.2 Non-current financial liabilities

Financial covenants were agreed for the financial liability from the credit agreement with the four facilities. Owing to the breach of an agreed financial covenant, financial liabilities previously classified as non-current were reclassified to current financial liabilities in the previous year. However, in May 2022 a written waiver was received from the credit institutions waiving the early repayment. The items were thus reclassified to current financial liabilities.

6.19 Advance payments received

Advance payments received of TCHF 36,381 in total (previous year: TCHF 40,015) essentially include amounts received from productions for which revenue has not yet been recognized.

6.20 Trade payables and other liabilities

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts payable	42,095	40,096
Other liabilities	79,013	98,151
Total	**121,108**	**138,247**

6.20.1 Trade payables

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts payable (financial)		
Current liabilities	20,170	19,598
Liabilities to related parties	89	4
Outstanding invoices	18,790	18,084
Total	**39,049**	**37,686**
Trade accounts payable (non-financial)		
Liabilities from countertrades	3,046	2,410
Total	**3,046**	**2,410**
Total trade accounts payable	**42,095**	**40,096**

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

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

Currency profile

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
CHF	753	488
EUR	34,351	33,126
USD	5,701	3,526
CAD	–	2,170
Other	1,290	786
Total	**42,095**	**40,096**

6.20.2 Other current liabilities

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Other liabilities (financial)		
Liabilities from conditional loan repayment (subsidies)	9,139	16,337
Customers with credit balances	293	401
Commissions, licenses and royalty payments	32,222	36,293
Current other loans	221	223
Negative fair value of derivative financial instruments without hedging relationships	1,976	49
Personnel-related liabilities (financial)	16,599	16,120
Other current liabilities (financial)	1,531	14,291
Other liabilities to related parties	131	2,208
Total	**62,112**	**85,922**
Other liabilities (non-financial)		
Value-added tax liabilities	2,404	3,215
Other taxes	3,704	3,753
Social security	533	722
Prepaid expenses	9,422	3,809
Personnel-related liabilities (non-financial)	828	730
Other current liabilities (non-financial)	10	-
Total	**16,901**	**12,229**

On December 14, 2021, a squeeze-out to the minority shareholders of Sport1 Medien AG was executed. In the process, the obligation was reclassified to other current liabilities (see note 6.15). The squeeze-out to Sport1 Medien AG was entered at the Munich commercial register office on February 2, 2022. The squeeze-out came into effect following this entry (see note 3.2).

Deferred income essentially includes subsidies that have already been received that were not offset by any expenses in the reporting year.

Currency profile

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
CHF	14,261	14,316
EUR	33,693	61,377
USD	24,184	19,373
CAD	6,660	1,752
Other	215	1,333
Total	**79,013**	**98,151**

6.21 Contract liabilities

Development of contract liabilities

(TCHF)	
Balance on December 31, 2020	**9,900**
Currency translation differences	–225
Additions	13,571
Amounts consumed due to performance	–9,592
Balance on December 31, 2021	**13,654**
Currency translation differences	–271
Additions	20,249
Amounts consumed due to performance	–11,999
Balance on December 31, 2022	**21,633**

Contract liabilities relate to consideration already received from customers for which the Highlight Group has not yet fulfilled its performance obligations.

The line "Amounts consumed due to performance" relates to revenue recognized in the reporting period that was contained in net contract liabilities at the beginning of the period.

6.22 Provisions

(TCHF)	Jan. 01, 2022	Currency translation differences	Consumption	Reversal	Addition	Dec. 31, 2022
Provisions for litigation risks	503	–20	204	43	92	328
Staff provisions	1,514	–60	45	390	10	1,029
Provisions for guarantees and contractual obligations	6	–	–	6	–	–
Other provisions	66	–2	46	–	–	18
Total	**2,089**	**–82**	**295**	**439**	**102**	**1,375**
thereof current provisions	2,089	–82	295	439	102	1,375

(TCHF)	Jan. 01, 2021	Currency translation differences	Consumption	Reversal	Addition	Dec. 31, 2021
Provisions for litigation risks	759	–22	252	155	173	503
Staff provisions	1,846	–68	127	212	75	1,514
Provisions for guarantees and contractual obligations	7	–1	–	–	–	6
Other provisions	223	–5	152	–	–	66
Total	**2,835**	**–96**	**531**	**367**	**248**	**2,089**
thereof current provisions	2,835	–96	531	367	248	2,089

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

Provisions for personnel mainly comprise the risk from any future obligations arising from the termination of employment contracts. The personnel provisions are expected to be utilized within the first twelve months after the balance sheet date.

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

6.23 Income tax liabilities

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Income taxes Switzerland	234	1,538
Income taxes Germany	9,891	12,656
Income taxes rest of the world	347	171
Total	**10,472**	**14,365**

7. NOTES TO INDIVIDUAL ITEMS OF THE INCOME STATEMENT

7.1 Revenue from contracts with customers

Please see the segment reporting under note 10 for a breakdown of revenue.

Revenue from contracts with customers from prior periods recognized in the current period amounted to TCHF 106 (previous year's period: TCHF 326).

Future revenue from contracts with customers

Voraussichtlich zu erfassende Umsatzerlöse (TCHF)	Dec. 31, 2022	Dec. 31, 2021
within one year	238,855	344,529
between one and five years	130,893	190,753
after five years	3,387	4,030
Total	**373,135**	**539,312**

7.2 Capitalized film production costs and other own work capitalized

Capitalized film production costs and TV service productions amount to TCHF 61,165 (previous year: TCHF 119,741) and are significantly lower than in the previous as a result of the offsetting effects from the change in inventories due to revenue recognition for the Resident Evil series. Other own work capitalized of TCHF 3,414 (previous year's period: TCHF 3,279) mainly relates to digital internally generated intangible assets.

7.3 Other operating income

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Income from the reversal of provisions and deferred liabilities	1,454	4,371
Prior-period income	1,833	516
Recharges	395	808
Price gains	3,523	4,569
Income from rents and leases	25	11
Write-off of liabilities	382	–
Income from the disposal of non-current assets	7,069	7,617
Income from settlements of claims for damages and settlement agreements	4,461	6,025
Miscellaneous operating income	6,421	10,377
Total	**25,563**	**34,294**

Income from the reversal of provisions and deferred liabilities is primarily due to the discontinuation of obligations for licenses as well as the reversal of other provisions and deferred liabilities.

Income from settlements of claims for damages and settlement agreements essentially includes income from compensation for copyright violations.

Prior-period income includes refunds and distributions from authorities and associations from previous years.

Income from the disposal of non-current assets essentially includes revenue from the disposal of domains of TCHF 7,037 (previous year: revenue from the sale of trademark rights of TCHF 7,569).

In addition to a number of items that cannot be allocated to any of the separate items named, miscellaneous operating income essentially includes refunds from the default fund, sales proceeds from productions (such as costume sales) and income from benefits in kind (previous year: this included proceeds from interim assistance III of TCHF 3,494 for the German companies of the ultimate parent company Highlight Event and Entertainment AG).

7.4 Cost of materials and licenses

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Licenses and commission	49,173	43,143
Other costs of material	10,289	13,150
Total licenses, commissions and material	**59,462**	**56,293**
Production costs	210,516	182,963
Purchased services	886	1,148
Royalty payments in the Film segment	14,845	19,835
Total purchased services	**226,247**	**203,946**

7.5 Staff costs

No government grants were recognized as a deduction from staff costs in the reporting period (previous year: TCHF 205). In the previous year this related to the reimbursed social insurance contributions for the short-time allowance.

7.6 Other operating expenses

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Rental costs	4,326	2,359
Repair and maintenance costs	844	1,016
Advertising and traveling expenses	7,172	4,848
Legal, consulting and auditing costs	9,985	12,400
IT costs	6,538	6,352
Administrative costs	1,361	1,404
Other personnel-related expenses	1,886	1,396
Insurance, dues and fees	2,609	2,673
Expenses relating to other periods	353	1,012
Price losses	4,277	4,492
Vehicle costs	567	703
Bank fees	302	349
Losses from the disposal of non-current assets	28	105
Other taxes	338	547
Release and promotion expenses	11,941	10,766
Expenses from short-term leases	1,623	1,259
Expenses from leases of low-value assets (if not already short-term)	15	12
Expenses from variable lease payments (not included in lease liabilities)	943	1,043
Miscellaneous operating expenses	3,674	4,437
Total	**58,782**	**57,173**

The increase in incidental premises expenses relates to the significant rise in prices for gas and electricity prices.

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

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

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

7.7 Impairment/reversals of impairment on financial assets

This item includes impairment losses on financial assets of TCHF 318 (previous year's period: TCHF 17) and reversals of impairment losses on financial assets totaling TCHF 207 (previous year's period: TCHF 162).

7.8 Financial income

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Interest and similar income	2,203	1,185
Gains from changes in the fair value of financial instruments	1,889	1,646
Currency exchange gains	4,324	2,817
Total	**8,416**	**5,648**

The interest and similar income item contains essentially income from accrued interest on non-current receivables with a financing component.

Gains from changes in the fair value of financial instruments include those on the embedded derivatives and options in connection with advertising services with a media-for-equity fund.

As in the previous year, several derivative financial instruments were not in a formal hedge in accordance with IFRS 9 in the year under review. However, there were still economic hedges. The measurement of derivative financial instruments without a hedge resulted in higher income in the reporting year than in the previous year.

7.9 Financial expenses

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021 (restated)
Interest and similar expenses (restated)	8,781	6,802
Losses from changes in the fair value of financial instruments	2,644	127
Currency exchange losses	6,252	5,357
Interest expenses from lease liabilities (restated)	872	701
Total	**18,549**	**12,987**

Other interest and similar expenses have risen year-on-year on account of higher interest rates.

The developments in exchange rates resulted in higher expenses from the remeasurement of bank balances, financial liabilities and derivative financial instruments without hedges in the reporting period.

7.10 Taxes

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes. The expected tax rate of 17.93 % (previous year: 17.93 %) relates to the tax rate applicable at the domicile of Highlight Communications AG.

Effective tax rate reconciliation

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Profit before taxes	2,985	21,214
Expected taxes based on a tax rate of 17.93 % (previous year: 17.93 %)	–535	–3,804
Differing tax rates	595	–742
Reversal of deferred tax assets	17	–
Write-down on deferred tax assets	–157	106
Tax-exempt income	2	–11
Permanent differences	–391	–536
Tax rate changes	–457	–
Non-deductible expenses	–2,716	–1,761
Aperiodic income taxes	922	718
Other effects	1,266	1,039
Unrecognized deferred taxes	–4,030	–866
Actual tax expense	**–5,484**	**–5,857**
Effective tax rate in %	**183.7**	**27.6**

8. DISCLOSURES ON FINANCIAL RISK MANAGEMENT

8.1 Financial instruments by class

The table below shows the carrying amounts and fair values of financial instruments by class and a breakdown into the various categories of financial instruments in accordance with IFRS 9.

Disclosures IFRS 7: Classes as of December 31, 2022

ASSETS (TCHF)
Cash and cash equivalents
Trade accounts receivable
Contract assets
Receivables from associates and joint ventures (current and non-current)
Other receivables (current)
Financial assets at fair value
Other receivables
Non-current receivables
Financial assets at fair value
Other receivables
Other financial assets (non-current)
Financial assets at fair value
Financial assets at fair value

EQUITY AND LIABILITIES (TCHF)
Financial liabilities (current and non-current)
Financial liabilities with hedging relationships (current and non-current)
Lease liabilities (current and non-current)**
Trade accounts payable (current and non-current)
Contract liabilities
Other liabilities (current and non-current)
Financial liabilities at amortized cost
Financial liabilities at fair value

AGGREGATED BY CATEGORY
ASSETS (TCHF)
Financial assets at amortized cost
Financial assets at fair value through profit or loss
Financial assets at fair value through OCI
EQUITY AND LIABILITIES (TCHF)
Financial liabilities at amortized cost
Financial liabilities at fair value

Classification category IFRS 9	Carrying amount as of Dec. 31, 2022	thereof not relevant under IFRS 7*	Valuation in the balance sheet under IFRS 9: Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Fair value as of Dec. 31, 2022
AC	**29,909**	–	29,909	–	–	**29,909**
AC	**71,743**	–4,971	66,772	–	–	**66,772**
without category	**28,992**	–28,992	–	–	–	**–**
AC	**65**	–	65	–	–	**65**
FVTPL	**1,047**	–	–	–	1,047	**1,047**
AC	**74,700**	–11,732	62,968	–	–	**62,968**
FVTPL	**13,689**	–	–	–	13,689	**13,689**
AC	**5,172**	–2,405	2,767	–	–	**2,767**
FVTPL	**–**	–	–	–	–	**–**
FVTOCI	**3,007**	–	–	3,007	–	**3,007**
AC	**188,740**	–	188,740	–	–	**177,983**
AC	**585**	–	585	–	–	**585**
without category	**37,879**	–	–	–	–	**–**
AC	**42,095**	–3,046	39,049	–	–	**39,049**
without category	**21,633**	–21,633	–	–	–	**–**
AC	**77,205**	–16,901	60,304	–	–	**60,304**
FLTPL	**1,976**	–	–	–	1,976	**1,976**
AC	181,589	–19,108	162,481	–	–	162,481
FVTPL	14,736	–	–	–	14,736	14,736
FVTOCI	3,007	–	–	3,007	–	3,007
AC	308,625	–19,947	288,678	–	–	277,921
FLTPL	1,976	–	–	–	1,976	1,976

**Not relevant under IFRS 7: It does not concern financial instruments.*
***In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities.*

AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

Disclosures IFRS 7: Classes as of December 31, 2021

ASSETS (TCHF)
Cash and cash equivalents
Trade accounts receivable
Contract assets
Receivables from associates and joint ventures (current and non-current)
Other receivables (current)
Financial assets at fair value
Other receivables
Non-current receivables
Financial assets at fair value
Other receivables
Other financial assets (non-current)
Financial assets at fair value

EQUITY AND LIABILITIES (TCHF)
Financial liabilities (current and non-current, restated)
Financial liabilities with hedging relationships (current and non-current)
Lease liabilities (current and non-current, restated)**
Trade accounts payable (current and non-current)
Contract liabilities
Other liabilities (current and non-current)
Financial liabilities at amortized cost
Financial liabilities at fair value

AGGREGATED BY CATEGORY
ASSETS (TCHF)
Financial assets at amortized cost
Financial assets at fair value through profit or loss
Financial assets at fair value through OCI
EQUITY AND LIABILITIES (TCHF)
Financial liabilities at amortized cost (restated)
Financial liabilities at fair value

The category of financial assets measured at fair value through profit or loss includes derivative financial instruments as well as a non-current receivable. The category of financial liabilities measured at fair value through profit or loss includes derivative financial instruments.

Classification category IFRS 9	Carrying amount as of Dec. 31, 2021 (restated)	thereof not relevant under IFRS 7*	Valuation in the balance sheet under IFRS 9: Amortized cost	Valuation in the balance sheet under IFRS 9: Fair value through other comprehensive income	Valuation in the balance sheet under IFRS 9: Fair value through profit or loss	Fair value as of Dec. 31, 2021 (restated)
AC	**48,345**	–	48,345	–	–	**48,345**
AC	**59,572**	–8,887	50,685	–	–	**50,685**
without category	**31,155**	–31,155	–	–	–	**–**
AC	**201**	–	201	–	–	**201**
FVTPL	**1,023**	–	–	–	1,023	**1,023**
AC	**72,473**	–14,997	57,476	–	–	**57,476**
FVTPL	**12,622**	–	–	–	12,622	**12,622**
AC	**1,104**	–	1,104	–	–	**1,104**
FVTOCI	**40**	–	–	40	–	**40**
AC	**196,846**	–	196,846	–	–	**197,882**
AC	**189**	–	189	–	–	**189**
without category	**42,479**	–	–	–	–	**–**
AC	**40,096**	–2,410	37,686	–	–	**37,686**
without category	**13,654**	–13,654	–	–	–	**–**
AC	**98,192**	–12,229	85,963	–	–	**85,963**
FLTPL	**49**	–	–	–	49	**49**
AC	181,695	–23,884	157,811	–	–	157,811
FVTPL	13,645	–	–	–	13,645	13,645
FVTOCI	40	–	–	40	–	40
AC	335,323	–14,639	320,684	–	–	321,720
FLTPL	49	–	–	–	49	49

* *Not relevant under IFRS 7: It does not concern financial instruments.*
** *In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities.*

AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

8.2 Offsetting

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

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

Offsetting as of December 31, 2022

Offsetting of financial assets

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	1,047	–	1,047	–139	908

Offsetting of financial liability

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	1,976	–	1,976	–139	1,837

Offsetting as of December 31, 2021

Offsetting of financial assets

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	1,023	–	1,023	–11	1,012
Cash and cash equivalents	48,355	–10	48,345	–	48,345

Offsetting of financial liability

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	49	–	49	–11	38

8.3 Management of financial risks

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

8.3.1 Liquidity risks

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

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

Liquidity risk

2022 (TCHF)	Carrying amount Dec. 31, 2022	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Interest variable	Repay-ment	Fixed interest	Interest variable	Repay-ment	Fixed interest	Interest variable	Repay-ment
Non-derivative financial liabilities										
Liabilities due to banks and similar liabilities*	189,325	389	3,111	111,342	–	814	77,591	–	–	–
Lease liabilities	37,879	–	–	7,515	–	–	21,271	–	–	12,540
Other non-interest-bearing financial liabilities	99,353	–	–	99,353	–	–	–	–	–	–
Derivative financial liabilities										
Derivatives without hedging relationships	1,976	–	–	8,451	–	–	24,926	–	–	–
Derivative financial assets										
Derivatives without hedging relationships	1,047	–	–	7,961	–	–	6,107	–	–	–

2021 (TCHF)	Carrying amount Dec. 31, 2021 (restated)	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Interest variable	Repay-ment	Fixed interest	Interest variable	Repay-ment	Fixed interest	Interest variable	Repay-ment
Non-derivative financial liabilities										
Liabilities due to banks and similar liabilities (restated)*	197,035	468	4,174	98,583	–	3,935	98,850**	–	–	–
Lease liabilities (restated)	42,479	–	–	7,766	–	–	24,453	–	–	13,418
Other non-interest-bearing financial liabilities	123,649	–	–	123,649	–	–	–	–	–	–
Derivative financial liabilities										
Derivatives without hedging relationships	49	–	–	2,743	–	–	–	–	–	–
Derivative financial assets										
Derivatives without hedging relationships	1,023	–	–	7,130	–	–	–	–	–	–

* Other financial liabilities relate to sale and leaseback transactions. For this reason, only monthly payments are shown in the repayment column in the liquidity risk table.

** Liabilities to credit institutions are shown as current in the balance sheet. As there has been no change in the assessment of the term, the maturity shown is retained.

In general, the Group companies are responsible for the management of cash and cash equivalents on their own, including current deposits of excess liquidity and the procurement of loans to bridge liquidity bottlenecks. Highlight Communications AG partly supports its subsidiaries in credit financing and at times acts as a coordinator with banks for purposes of maintaining the most cost-effective coverage of financial requirements. In addition, the Group's credit quality enables efficient use of the capital markets for its financing activities. This also includes the ability to issue equity and debt instruments on the capital market. It should be noted that various projects, especially in the film business, and other financing activities such as the purchase of non-controlling interests and the acquisition of treasury shares, can influence liquidity differently over time.

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

8.3.2 Credit risks

The default risk arises from cash and cash equivalents, contractual cash flows from debt instruments carried at amortized cost, from derivative financial instruments that are assets, balances with banks and financial institutions and lending to customers including outstanding receivables.

A credit risk exists if a debtor cannot pay a receivable or cannot pay it on time or assets pledged as collateral lose value and therefore cause financial losses. Credit risks include the direct counterparty risk and the risk of deterioration in credit quality.

Banks and financial institutions with which the Highlight Group performs transactions must have a good credit quality and a good rating. In addition, any risks to cash and cash equivalents are minimized by allocating cash deposits among several banks.

The default risks of the Highlight Group's key customers are also monitored and assessed on an ongoing basis. Furthermore, in significant cases, the company also hedges the risk of default by a creditor by obtaining credit rating information.

Risks from the international distribution of film licenses are minimized by concluding business only with companies of reliable credit quality, by transferring rights to the contractual partner only after payment, and/or entering into transactions in exchange for corresponding collateral (e. g. letters of credit). The maximum credit risk of the Highlight Group is equal to the carrying amount of its financial assets.

Please see note 4.9 for further information on impairment of non-financial assets.

8.3.3 Market risks

Currency risk

The Highlight Group is exposed to currency risks in its ordinary business activities. This primarily relates to the euro, the US dollar and the Canadian dollar. Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities.

Each subsidiary is subject to risks associated with exchange rate fluctuations when it performs transactions with international contractual partners and incurs future cash flows in a currency other than its functional currency. The Highlight Group does not enter into any operating activities in currencies that are otherwise considered to be especially prone to risk.

Currency translation differences in net operating income and net finance costs of TCHF –2,682 (previous year's period: TCHF –2,463) were recognized in profit or loss in the year under review. In addition, currency differences from the translation of foreign subsidiaries of TCHF –9,124 (previous year's period: TCHF –9,666) and from cash flow hedges of TCHF 536 (previous year's period: TCHF –646) were recognized in other comprehensive income (OCI).

Hedge accounting is used where permissible; otherwise, the earnings effects of economic hedges largely offset each other as a result of natural hedging.

Interest risk

An interest risk arises when market interest rates fluctuate, which could improve or worsen the proceeds from deposits or payments for money borrowed. In addition, due to the mismatching of maturities, there is a risk of changes in interest rates which is actively controlled in the Group, in particular by monitoring changes in the yield curve.

The risk of change in interest rates to which the Group is exposed primarily relates to financial liabilities. The Group currently does not utilize financial instruments to hedge the risk of changes in interest rates.

Fixed interest agreements provide protection against additional expenses in phases of rising interest rates. They have the disadvantage that the company does not profit from corresponding developments in times of falling interest rates. Fixed interest agreements provide sufficient planning security for financial liabilities without flexible regulations on utilization and repayment. By contrast, for credit agreements with high flexibility, variable interest agreements take into account future fluctuations in credit utilization. For further information on financial liabilities please see note 6.18. If necessary, there is also the option to establish a fixed interest base using interest hedges.

Other price risks

Other price risks are defined as the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of changes in market prices not already arising from interest or currency risks. Other price risks apply to financial assets measured at fair value. These financial assets are not hedged.

Sensitivities

The sensitivity analysis shows the effects of possible changes in market interest rates on earnings before taxes or equity. Changes in market interest rates affect interest income and expenses on floating-rate financial instruments. The interest rate sensitivity analysis was prepared assuming a change in the market interest rate of 100 basis points upwards and downwards.

The Group's currency sensitivities were calculated for the main currency pairings of EUR/CHF, EUR/USD and EUR/CAD (each expressed in Swiss francs) assuming that the underlying exchange rate of the pairing fluctuates by 10 % in either direction with all other currency parameters remaining the same. The sensitivity analysis does not include translation risks. The following table shows the effects of a change in the exchange rate of 10 %. The closing rate was used for the sensitivity analysis.

Sensitivity analysis

Dec. 31, 2022 (TCHF)	Interest rate risk –1 %	Interest rate risk +1 %
Financial assets		
Cash and cash equivalents	–299	299
Trade accounts receivable (current and non-current)	–	–
Other receivables (current and non-current)	–	–
Derivative financial instruments	–	–
Other financial assets (current and non-current)	–	–
Financial liabilities		
Financial liabilities (current and non-current)	1,894	–1,894
Lease liabilities (current and non-current)	–	–
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Derivative financial instruments	–	–
Total increase/decrease	**1,595**	**–1,595**
thereof through OCI	–	–
thereof through profit or loss	–	–

Dec. 31, 2021 (TCHF)	Interest rate risk –1 %	Interest rate risk +1 %
Financial assets		
Cash and cash equivalents	–483	483
Trade accounts receivable (current and non-current)	–	–
Other receivables (current and non-current)	–	–
Other financial assets (current and non-current)	–	–
Financial liabilities		
Financial liabilities (current and non-current)	1,907	–1,907
Lease liabilities (current and non-current)	–	–
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Total increase/decrease	**1,424**	**–1,424**
thereof through OCI	–	–
thereof through profit or loss	–	–

Exchange rate risk									
EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
–10%	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%	+10%
–123	123	–52	60	–1	1	–176	184	–	–
–19	18	–3,965	4,841	–	–	–3,984	4,859	–	–
–164	164	–325	397	–800	978	–1,289	1,539	–	–
–	–	–667	815	–	–	–667	815	–	–
–	–	–	–	–	–	–	–	–331	331
2,467	–2,467	3,192	–3,901	922	–1,127	6,581	–7,495	–	–
–	–	198	–242	–	–	198	–242	–	–
165	–165	519	–633	–	–	684	–798	–	–
–	–	2,178	–2,661	598	–731	2,776	–3,392	–	–
–	–	1,657	–2,025	–	–	1,657	–2,025	–	–
2,326	**–2,327**	**2,735**	**–3,349**	**719**	**–879**	**5,780**	**–6,555**	**–331**	**331**
–	–	–	–	–	–	–1,124	920	–	–
–	–	–	–	–	–	6,904	–7,475	–	–

Exchange rate risk									
EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
–10%	+10%	–10%	+10%	–10%	+10%	–10%	+10%	–10%	+10%
–2,066	2,066	–166	202	–1	2	–2,233	2,270	–	–
–138	163	–2,532	3,093	–1	1	–2,671	3,257	–	–
–7	7	–281	343	–678	829	–966	1,179	–	–
–	–	–	–	–	–	–	–	–42	42
3,464	–3,464	3,455	–4,224	874	–1,068	7,793	–8,756	–	–
–	–	244	–299	–	–	244	–299	–	–
267	–271	321	–391	198	–241	786	–903	–	–
2	–2	1,761	–2,153	159	–195	1,922	–2,350	–	–
1,522	**–1,501**	**2,802**	**–3,429**	**551**	**–672**	**4,875**	**–5,602**	**–42**	**42**
–	–	–	–	–	–	–203	167	–	–
–	–	–	–	–	–	5,078	–5,769	–	–

8.4 Fair value of financial and non-financial assets and liabilities

8.4.1 Fair value of financial assets and liabilities

The following table shows the allocation to the three levels of the fair value hierarchy of financial assets and liabilities measured at fair value/the fair values to be disclosed in the notes:

Fair value hierarchy

2022 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Derivative financial instruments	FVTPL/without category	–	747	300	1,047
Financial assets at fair value through profit or loss	FVTPL	–	13,689	–	13,689
Financial assets (equity instruments)	FVTOCI	–	–	3,007	3,007
Financial liabilities at fair value					
Derivative financial instruments	FLTPL	–	1,976	–	1,976

2021 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Derivative financial instruments	FVTPL/without category	143	641	239	1,023
Financial assets at fair value through profit or loss	FVTPL	–	12,622	–	12,622
Financial assets (equity instruments)	FVTOCI	–	–	40	40
Financial liabilities at fair value					
Derivative financial instruments	FLTPL	–	49	–	49

Disclosures on level 3 financial instruments

	Geenee Holdings Inc.	AGF Video-forschung GmbH	Summacum GmbH	Other investments	Convertible loans	Profit participation rights	Options
Fair value on December 31, 2020	**–**	**–**	**34**	**20**	**12**	**–**	**174**
Gains/(losses) through profit or loss	–	–	–	–	–	–	245
Gains/(losses) through equity	–	–	–3	1	–	–	–8
Purchase	–	–	–	–	–	–	49
Sale	–	–	–	–12	–12	–	–35
Transfer to level 3/(transfer from level 3)	–	–	–	–	–	–	–186
Fair value on December 31, 2021	**–**	**–**	**31**	**9**	**–**	**–**	**239**
Gains/(losses) through profit or loss	–	–	–	–	–	–	–28
Gains/(losses) through equity	–	–	–1	–1	–	–	–7
Purchase	–	–	–	–	–	2,969	96
Fair value on December 31, 2022	**–**	**–**	**30**	**8**	**–**	**2,969**	**300**

The financial assets measured at fair value through profit or loss and included in level 1 are measured using stock market prices.

The derivative financial instruments in level 2 are measured at current market rates. A discounted cash flow method was used to determine the fair value of level 2 derivative financial instruments.

The shares in Geenee Holdings Inc. (formerly: Geenee Inc.) and in AGF Videoforschung GmbH, both assigned to level 3 of the fair value hierarchy, had already been written down in full in previous years. There were no indications of a reversal of impairment in the year under review. The shares in Summacum GmbH were partially written down in previous years. There were no indications of further impairment or a reversal of impairment in the current reporting period. The shares in Diggin Ltd. were sold in the previous year for TCHF 12. For reasons of materiality, other equity instruments totaling TCHF 8 (previous year: TCHF 9) are recognized at historical cost. The convertible loan Dynamic Bets Inc. was sold in the previous year for TCHF 12. A discounted cash flow method was used to determine the fair value of level 3 derivative financial instruments.

There was one reclassification between the fair value levels for embedded options in the previous year. As a result of an IPO for the underlying asset, one embedded option was reclassified from level 3 to level 1. There were no reclassifications between the individual levels of the fair value hierarchy in the reporting period. They are reclassified quarterly in each reporting period if circumstances requiring a different classification arise.

8.4.2 Financial assets and liabilities at amortized cost

Given the short remaining term, the carrying amounts of current financial receivables and liabilities as of the end of the reporting period are approximately the fair value. Non-current receivables are discounted according to their remaining term. Their carrying amounts are therefore also approximately their fair value. Please see note 8.1 for the fair value disclosures on non-current receivables.

8.4.3 Fair value of non-financial assets and liabilities

As of December 31, 2022 and December 31, 2021, there were no non-financial assets or liabilities measured at fair value.

8.5 Use of hedging instruments

In significant transactions, particularly in US dollars and euro, the Group attempts to minimize currency risks by using suitable derivative and non-derivative financial instruments. Derivative financial instruments are transacted with banks. The financial instruments predominantly relate to future cash flows in foreign currencies for various projects, loans and license purchases. The Group ensures that the amount of the hedge does not exceed the value of the hedged item.

The Group entered into currency forwards and currency swaps for hedging purposes in the current fiscal year. To the extent possible, these are accounted for as fair value hedges or cash flow hedges in accordance with IFRS 9.

The hedged items essentially relate to pending sales in US dollars. Furthermore, currency forwards were bought as a hedge for recognized foreign currency receivables and liabilities.

8.5.1 Fair values of hedging instruments in hedges

Cash flow hedges

As of December 31, 2022, the currency risk component of non-derivative financial liabilities with a nominal amount of TCHF 10,823 (previous year: TCHF 1,797) was designated as a hedging instrument in cash flow hedges. The hedged items are forecast transactions that are highly likely to occur.

The unrealized profit before tax from the remeasurement of hedging instruments recognized in other comprehensive income amounts to TCHF 585 (previous year: TCHF –921).

Derivatives and non-derivative financial liabilities included in hedge accounting are used only to hedge currency risks.

The following table shows the conditions of the non-derivative financial instruments designated in existing hedges as of the end of the reporting period:

Non-derivative financial instruments in hedges

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2022 Nominal volume	Dec. 31, 2022 Annual average rate
Original financial instrument (financial liability)					
USD	10,823	–	–	10,823	0.98829

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2021 Nominal volume	Dec. 31, 2021 Annual average rate
Original financial instrument (financial liability)					
USD	1,797	–	–	1,797	1.15302

The carrying amounts and nominal amounts of hedging instruments in existing cash flow hedges are shown in the following table:

Information on hedging instruments

Currency risk

(TCHF)	2022	2021
Cumulative fair value changes to determine ineffectiveness	585	–921
Carrying amount of financial liabilities	585	–189
Nominal value	10,823	1,797

Only the designated foreign currency component of the financial liability is recognized as carrying amount.

The designated hedged items are as follows:

Information on underlying transactions

Currency risk

(TCHF)	2022	2021
Cumulative fair value changes to determine ineffectiveness	–585	921
Reserve for active cash flow hedges	–585	189

Only the change in the carrying amount of the designated currency risk component is shown in the table:

Hedging instruments in hedge accounting

Currency risk

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Unrealized gains and losses from hedging instruments	585	–921
Reclassification in profit or loss of gains and losses due to realization of the hedged item	189	–

Please see note 6.15 for the reconciliation of the reserve for the fair value remeasurement of financial instruments in other comprehensive income.

CCBS ineffectiveness and credit risks were immaterial in fiscal year 2022 and was therefore not recognized in profit or loss.

Fair Value Hedges

There were no fair value hedges in the year under review or the previous year.

8.5.2 Derivative financial instruments without a hedge

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

The nominal amounts and fair values of derivatives not designated in hedge accounting as of December 31, 2022 and 2021 are as follows:

Derivative financial instruments without a hedge

	Dec. 31, 2022		Dec. 31, 2021	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
CZK	6,573	–405	–	–
PLN	2,155	–81	2,743	–49
USD	6,106	193	–	–
thereof credit balance	6,106	193	–	–
thereof debit balance	8,728	–486	2,743	–49
Foreign currency forwards (acquisition)				
CZK	6,239	360	–	–
HUF	–	–	860	12
PLN	–	–	906	8
USD	20,121	–1,455	–	–
CAD/USD swap	4,528	–35	–	–
PLN/USD swap	1,723	194	–	–
USD/ZAR swap	–	–	5,364	621
thereof credit balance	7,962	554	7,130	641
thereof debit balance	24,649	–1,490	–	–

9. SHARE-BASED PAYMENT

As part of a stock option program, the ultimate parent company, Highlight Event and Entertainment AG, issued stock options to eligible employees and selected quasi-employees without employee status at Constantin Film AG. The stock options entitle participants to shares in Highlight Event and Entertainment AG at the end of the three-year vesting period. The date of issue for all stock options was July 23, 2021.

The stock option program resulted in the following development:

	Number of options	Weighted average exercise price in CHF
Outstanding as of January 1, 2021	–	–
Issued	220,000	26.60
Outstanding as of Dec. 31, 2021	**220,000**	
Expired	2,000	–
Outstanding as of Dec. 31, 2022	**218,000**	

The program is measured at fair value on the grant date and costs are recognized as an expense in stages over the respective service period in accordance with a vesting schedule, less expected forfeitures of shares. The fair value of the stock options is based on the closing price of the Highlight Event and Entertainment AG share on the grant date. The fair value of the stock options was calculated using the Black-Scholes model.

The expense for the share-based payment in the reporting year was TCHF 228 (previous year's period: TCHF 96).

The table below shows the measurement parameters used:

(TCHF)	2022	2021
Valuation model	Black-Scholes model	Black-Scholes model
Expected volatility	30%	30%
Expected dividend yield	–	–
Expected term	3 years	3 years
Risk-free interest rate	–0.7%	–0.7%

The stock options mature in 2024, can be exercised at fixed purchase prices and are measured using an option pricing model. As well as the share price observable on the market and the risk-free interest rates, average share price volatilities for Highlight Event and Entertainment AG and comparable companies derived from past and present values are also used, as these are a more reliable estimate of this input at the end of the reporting period than exclusively current market volatility. The absolute value used for share price volatility at the end of the current reporting date was 30%.

10. SEGMENT REPORTING

On February 2, 2022, the complete takeover of Sport1 Medien AG became effective by means of a squeeze-out and the minority shareholders were paid out accordingly. Since this date, Sport1 Medien AG has thus been fully controlled by Highlight Communications AG. The acquisition of the remaining Sport1 Medien shares allowed the Group to reorganize itself accordingly and implement a clearer management structure. As a result, the two former divisions Sports- and Event-Marketing and Sports respectively were combined into the new Sports and Event Segment and placed under the direct management of Bernhard Burgener. Peter von Büren was handed over the management of the Film segment. The internal reorganization resulted in adjusted segment reporting and therefore only the two segments Sports and Event and Film will be reported for the financial year 2022. The previous year's figures have been adjusted accordingly.

Segments and segment reporting remain defined on the basis of the internal reporting (Management Approach) of the adapted organizational form to the chief operating decision maker with regard to the allocation of resources and the assessment of earnings power. The management of the company as the chief operating decision maker makes decisions on the allocation of resources to the segments and assesses their success on the basis of key indicators for revenue and segment earnings. The Group's management does not rate the segments on the basis of their assets and liabilities, which is why the corresponding values are not calculated and reported.

As mentioned above, the Group consists of the Film segment and the Sports and Event segment. Group functions of Highlight Communications AG are shown under "Other" and therefore do not represent an operating segment. These include actual Group Management, Corporate Finance, Investor Relations, Controlling, Legal, Group Accounts, Corporate Communications, Internal Audit and Human Resources. Segment earnings are defined as EBIT as this figure is used internally for performance measurement.

The activities of Constantin Film AG and its subsidiaries plus the Highlight Communications equity interest in Rainbow Home Entertainment AG and its subsidiary are combined in the Film segment as they are managed by Peter von Büren and have a similar operational activity. Its activities comprise the production of films, the exploitation of the rights to the films it produces and acquires and the distribution of theatrical, DVD/Blu-ray and TV movies.

The Sports and Event segment now comprises the activities of TEAM Holding AG, Highlight Event AG and Sport1 Medien AG. The main activities of this Segment include as main projects:

- the marketing of the UEFA Champions League, the UEFA Europa League, the UEFA Europa Conference League and the UEFA Super Cup
- the marketing of the Eurovision Song Contest and the Vienna Philharmonic Orchestra
- TV and digital activities with the SPORT1 brand, as well as production, content solutions services and content marketing with PLAZAMEDIA
- Marketing offers and comprehensive competencies in the areas of betting, poker and casino games, as well as an event agency specializing in sports preparation for professional teams and top athletes, as well as the implementation of sports events and brand activation measures

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

Segment information 2022

(TCHF)	Film	Sports and Event	Other	Reconciliation	Group
External sales	357,409	166,438	–	–	523,847
Intragroup sales	–	2,484	–	–2,484	–
Total sales	357,409	168,922	–	–2,484	523,847
Other segment income	77,136	13,279	–	–273	90,142
Segment expenses	–419,339	–176,632	–6,201	2,757	–599,415
thereof amortization, depreciation	*–57,097*	*–17,136*	–	–	*–74,233*
thereof impairment	*–5,468*	–	–	–	*–5,468*
Segment earnings	**15,206**	**5,569**	**–6,201**	**–**	**14,574**
Time of revenue recognition					
Over time	165,282	52,198	–	–	217,480
Point in time	192,127	114,240	–	–	306,367
	357,409	**166,438**	**–**	**–**	**523,847**
Sales by product					
Film	124,125	–	–	–	124,125
Production services	233,284	–	–	–	233,284
Sports and Event	–	66,671	–	–	66,671
Platform	–	75,417	–	–	75,417
Services	–	24,350	–	–	24,350
	357,409	**166,438**	**–**	**–**	**523,847**

Segment information 2021

(TCHF)	Film	Sports and Event*	Other	Reconciliation	Group
External sales	331,483	176,678	–	–	508,161
Intragroup sales	–	248	–	–248	–
Total sales	331,483	176,926	–	–248	508,161
Other segment income	141,502	17,224	–	–1,412	157,314
Segment expenses	–457,122	-174,600	–6,846	1,660	–636,908
thereof amortization, depreciation	*–101,256*	*–16,791*	–	–	*–118,047*
thereof impairment	*–5,539*	–	–	–	*–5,539*
Segment earnings	**15,863**	**19,550**	**–6,846**	**–**	**28,567**
Time of revenue recognition					
Over time	154,673	56,025	–	–	210,698
Point in time	176,810	120,653	–	–	297,463
	331,483	**176,678**	**–**	**–**	**508,161**
Sales by product					
Film	176,810	–	–	–	176,810
Production services	154,673	–	–	–	154,673
Sports and Event	–	68,354	–	–	68,354
Platform	–	84,876	–	–	84,876
Services	–	23,448	–	–	23,448
	331,483	**176,678**	**–**	**–**	**508,161**

** The Board of Directors of the Highlight Group made the decision to report the operating activities of the Sports (Group company Sport1 Medien AG) and Sports- and Event-Marketing (Group company TEAM Group and Highlight Event AG) segments in the Sports and Event segment as of January 1, 2022. The prior-year figures of the Sports and Sports- and Event-Marketing segment were restated to improve comparability.*

The elimination of inter-segment transactions is reported in the reconciliation column.

Segment information by region

Jan. 01 to Dec. 31, 2022 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of world *	Total
External sales	74,246	254,550	65,503	129,548	523,847
Non-current assets	127,425	254,718	-	-	382,143

** TCHF 125,572 of which attributable to US*

Jan. 01 to Dec. 31, 2021 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of world *	Total
External sales	78,391	263,269	92,466	74,035	508,161
Non-current assets	130,547	234,918	-	-	365,465

** TCHF 67,206 of which attributable to US*

External sales by customers

	2022		2021	
(TCHF)	nominal	in %	nominal	in %
Customer A (Film segment, previous year: Sports and Event Segment)	98,594	19	65,539	13
Customer B (Sports and Event segment, previous year: Film segment)	63,438	12	44,841	9
Customer C (Film segment)	32,749	6	39,348	8
Sales with other customers	329,066	63	358,433	70
Total external sales	**523,847**	**100**	**508,161**	**100**

In total, the Highlight Group generated more than 10 % of total revenue with two customers (previous year: one customer).

11. FINANCIAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER UNRECOGNIZED FINANCIAL OBLIGATIONS

11.1 Overview

Financial commitments, contingent liabilities and other unrecognized financial obligations

(TCHF)	Financial commit-ments	Contingent liabilities	Purchase commit-ments for licenses	Other unrecognized financial obligations	Lease liabilities	Total
As of December 31, 2022						
Due within one year	33,553	–	44,627	24,184	1,166	103,530
Due between one year and five years	–	–	57,331	22,884	8,918	89,133
Due after five years	–	–	–	301	10,238	10,539
Total	**33,553**	**–**	**101,958**	**47,369**	**20,322**	**203,202**

(TCHF)	Financial commit-ments	Contingent liabilities	Purchase commit-ments for licenses	Other unrecognized financial obligations	Rental and lease obligations (operating leases)	Total
As of December 31, 2021						
Due within one year (restated)	13,979	–	46,686	25,130	1,518	87,313
Due between one year and five years (restated)	–	–	93,255	32,806	2,872	128,933
Due after five years	–	–	–	292	6,088	6,380
Total (restated)	**13,979**	**–**	**139,941**	**58,228**	**10,478**	**222,626**

11.2 Financial commitments

As of December 31, 2022, there were guarantees to various TV stations for the completion of service productions totaling TCHF 33,553 (previous year: TCHF 13,979). As there are no indications that the collateralized service productions will not be completed as contractually agreed, it is not expected that material actual liabilities will result from the contingent liabilities.

11.3 Contingent liabilities

There were no contingent liabilities as at the balance sheet date.

11.4 Purchase commitments for licenses

The Group secures its access to future film rights by concluding license agreements. Film purchasing and production preparations result in future financial obligations of TCHF 9,924 (previous year: TCHF 6,628).

Furthermore, the purchase commitments for licenses include TCHF 92,034 (previous year: TCHF 133,313) for broadcasting and transmission rights of Sport1 GmbH – chiefly for the Bundesliga rights purchased in 2020.

11.5 Other unrecognized financial obligations

Other financial obligations not recognized in the balance sheet include TCHF 19,372 (previous year: TCHF 22,154) for obligations under option, work and film contracts for the development of in-house productions in addition to obligations for distribution costs and other services of TCHF 27,997 (previous year: TCHF 36,074).

11.6 Other rental and lease obligations

The Highlight Group rents numerous offices, warehouses, vehicles and facilities.

The Group has recognized right-of-use assets for these leases with the exception of short-term leases and leases for low-value assets (for more information see notes 4.8 and 6.4).

12. RELATED PARTY DISCLOSURES

As part of its normal business activities, the company maintains relations with associated companies, joint ventures, the main shareholder and its subsidiaries as well as with companies controlled by members of the Board of Directors.

Related party disclosures

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Receivables	–	–
Liabilities	74	54

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Sales and other income	–	–
Cost of materials and licenses and other expenses	45	73

Parent company and its direct subsidiaries

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Receivables	19,801	12,774
Liabilities	228	2.158

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Sales and other income	7,465	357
Cost of materials and licenses and other expenses	359	186

Associates and joint ventures

(TCHF)	Dec. 31, 2022	Dec. 31, 2021
Receivables	65	201
Liabilities	–	–

(TCHF)	Jan. 01 to Dec. 31, 2022	Jan. 01 to Dec. 31, 2021
Sales and other income	–	–
Cost of materials and licenses and other expenses	–	–

Other expenses of the direct parent company Highlight Event and Entertainment AG were incurred in the amount of TCHF 220 in the reporting year (previous year: TCHF 174).

As of December 31, 2022, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 74 (previous year: TCHF 54).

Related parties include the members of the Board of Directors, the members of Group management and their relatives. Highlight Communications AG did not perform significant services for companies controlled by related parties in the reporting period or in the same period of the previous year.

Total remuneration for the members of the executive board

(TCHF)	2022 Remuneration	Expenses for pension benefits	Remuneration as a member of the Board of Directors	**Total remuneration**
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	1,393	208	10	1,611
Peter von Büren, executive member of the BoD	682	110	10	802
Alexander Studhalter, executive member of the BoD*	256	56	54	366
Total	**2,331**	**374**	**74**	**2,779**

(TCHF)	2021 Remuneration	Expenses for pension benefits	Remuneration as a member of the Board of Directors	**Total remuneration**
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	1,421	234	11	1,666
Peter von Büren, executive member of the BoD	718	114	10	842
Other member of the management team	624	99	–	723
Total	**2,763**	**447**	**21**	**3,231**

** Alexander Studhalter was elected as an executive member of the Board of Directors of Highlight Communications AG by the Annual General Meeting on June 29, 2022. He resigned from the Board of Directors on November 15, 2022.*

Please see the remuneration report for further information on the remuneration of the Board of Directors and members of the Group's management, and note 9 to the annual financial statements of Highlight Communications AG for details of their shareholdings. There are no deviations between Swiss and international accounting law.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

Management and the Board of Directors are not aware of any events that occurred after the balance sheet date and have a material impact on the net assets, financial position and results of operations of the Highlight Group.

Mazars AG
Herostrasse 12
CH-8048 Zurich
Tel: +41 44 384 84 44
www.mazars.ch

Report of the statutory auditors to the General Meeting of Highlight Communications AG, Pratteln

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Highlight Communications AG and its subsidiaries (the “Group”), which comprise the consolidated balance sheet as of 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and conslidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 90 to 167) give a true and fair view of the consolidated financial position of the Group as of 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Revenue recognition

Key audit matter

a) Revenues from the Film segment

A significant portion of revenue is generated from the exploitation of film rights in the areas of movie theaters, global sales, TV and home entertainment, as well as from third-party productions. Revenue is mainly recognized at a point in time. Only in the case of third-party productions is revenue recognized over time according to the stage of completion. At CHF 357.4 million, revenues in the Film segment represent a significant amount. The correct amount and timing of revenue recognition is therefore of crucial importance. As such, we consider revenue recognition in the Film segment to be a key audit matter.

b) Revenues from the Sports and Event segment

Revenue in the Sports and Event segment include CHF 66.7 million from the product type „Sports and Event" with the agency agreement entered into with UEFA for the marketing of media, sponsoring and licensing rights of the UEFA Champions League and UEFA Europa League. The agreed compensation consists of a fixed and a variable component, which is based on the revenues generated by UEFA. The amount of the variable portion is to be estimated for the tournaments not completed at the reporting date. We therefore consider revenue recognition in this segment to be a key audit matter.

Please refer to page 115 (Note 4.16 - Revenue from contracts with customers), page 118 (Note 5.2.1 – Estimates used to determine the transaction for revenue from contracts with customers) and page 145 (Note 7.1 – Notes to revenue from contracts with customers) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We have performed the following audit procedures for the Group companies concerned:

- We tested the design of internal controls in connection with the measurement and recognition of the amount and timing of revenue. We assessed the approach to revenue recognition in accordance with the criteria of IFRS 15 „Revenue from contracts with customers".
- We assessed compliance with the consistency of the revenue recognition method applied, taking into account the accounting policies in note 4.4 to the consolidated financial statements.
- In the Film segment, we tested revenues on a sample basis with regard to the revenue recognition requirements of IFRS 15. For this purpose, we inspected significant new contracts and evidence of the transfer of rights and obligations and of the acceptance, and examined whether the timing or period-related revenue recognition was correct.
- For revenues of the product type „Sports and Event", we tested the amount of the expected agency contracts for the current 2022/2023 season, taking into account the contractual basis and the expected results for this period. We based our assessment on the calculations of the expected revenues from the marketing of the two tournaments, which are periodically reconciled with UEFA. In our assessment, we also included the results of our questioning of management on the current status and expected financial results of the current match period, as well as the accuracy of the estimated revenues and accruals from the previous year.

We consider management's approach on revenue recognition in the Film segment and in the product type Sports and Event to be appropriate.

Mazars AG
Herostrasse 12
CH-8048 Zurich
Tel: +41 44 384 84 44
www.mazars.ch

Valuation of film assets

Key audit matter

Film assets, consisting of in-house and third-party productions, represent a significant portion of assets at CHF 155.4 million. The acquisition costs of film assets are amortized on the basis of agreed or planned sales and are also subject to an annual impairment test if there are indications of impairment. For this purpose, the recoverable amounts are determined from the expected revenues using the discounted cash flow method.

Discretionary scope is applied in determining assumptions in connection with the forecast revenues and cash flows in the various evaluation stages, as well as in the discount rates applied. These estimates and margins can have a significant impact on the determination of performance-related amortization and any impairment tests, and therefore have a significant influence on the assessment of the recoverability of the film assets.

Please refer to page 106 (Note 4.4 – Film assets), page 118 (Note 5 – Judgment / estimation uncertainty) and page 120 (Note 6.1 – Note on film assets) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures for Group companies reporting significant film assets:

- We tested the design of internal controls related to the valuation of film assets.
- We tested on a sample basis the determination of the performance-based amortization of individual films. In doing so, we tested the plausibility of the assumptions underlying the amortization by reconciling them to the contractual basis.
- We tested the assumptions used, including the discount rate and the impairment test model, for compliance with IAS 36 “Impairment of Assets”. We checked the plausibility of the discount rate against the cost of capital of the Group and comparable companies, taking into account country-specific features.
- In addition, we tested whether and to what extent results from the initial exploitation of films (movie theaters) or other indicators led to additional impairments in the book values of individual films. For this purpose, we also examined the aging structure of film assets.

We consider the assumptions made by management to determine the performance-related amortization and to perform the impairment test, if any, to be appropriate and suitable to test the recoverability of the film assets.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Valuation of goodwill from the acquisition of Sport1 Medien AG

Key audit matter

The goodwill from the acquisition of Sport1 Medien AG is tested for impairment annually. This involves estimates and assumptions in connection with future business results and the discount rates applied to the forecasted cash flows.

The recoverability of the goodwill position of CHF 88.7 million was identified as a key audit matter because the goodwill of Sport1 Medien AG represents a significant portion of the balance sheet and there is considerable judgment in determining assumptions and estimates in connection with future profitability and the discount rates applied.

Please refer to page 108 (Note 4.6 – Goodwill), page 118 (Note 5 – Judgment / estimation uncertainty) and page 121 (Note 6.2 – Note on other intangible assets and goodwill) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We have performed the following audit procedures in relation to the impairment test prepared by the Group:

- We assessed the technical accuracy of the valuation models used.
- We assessed the budgeting process, in particular whether the Group Executive Board and the Board of Directors monitored this process and whether the values used for the impairment test were in line with the budget approved by the Board of Directors. In addition, we performed a benchmarking exercise with comparable companies to verify whether the values were within acceptable ranges.
- We checked the plausibility of the discount rate against the cost of capital of the Group and comparable companies, taking into account country-specific characteristics.
- We compared the assumptions regarding sales and earnings of the previous year with those of the reporting year, with the aim of identifying in retrospect overly optimistic assumptions in the budgeted sales and earnings. We analyzed reasons for any deviations.
- In addition, we used sensitivity analyses to check whether any changes in the key assumptions (discount rate, EBITDA margin and long-term sales growth) deemed possible would result in an impairment of the investment.

The risk of incorrect valuation of goodwill has been addressed by the procedures described above. We consider management‘s approach to the impairment testing of goodwill to be appropriate. The assumptions used were consistent and within reasonable ranges.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Other Matters

The consolidated financial statements of the Company for the year ended 31 December 2021, were audited by another auditor whose report, dated 25 May 2022, expressed an unmodified opinion on those consolidated financial statements.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report, and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report

Mazars AG
Herostrasse 12
CH-8048 Zurich
Tel: +41 44 384 84 44
www.mazars.ch

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

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

Zurich, 19 April 2023

MAZARS AG

Cyprian Bumann
Licensed Audit Expert
(Auditor in Charge)

Roger Leu
Licensed Audit Expert

Financial statements

as of December 31, 2022 of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2022

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2022	Dec. 31, 2021
Current assets		
Cash and cash equivalents	378	11,712
Other current receivables		
due to third parties	23	28
from shareholders	19,708	12,703
due to Group entities	214	212
due to related parties	29	16
Prepaid expenses/accrued income	1,942	516
	22,294	25,187
Non-current assets		
Non-current receivables		
due to Group entities	11,073	0
Non-current prepaid expenses/accrued income	163	549
Equity investments	465,556	455,122
	476,792	455,671
Total assets	499,086	480,858

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2022	Dec. 31, 2021
Liabilities		
Trade accounts payable		
due to third parties	102	185
due to Group entities	1	2
Current interest-bearing liabilities		
due to banks	20,055	114,918
due to Group entities	18,792	11,522
Other current liabilities		
due to third parties	159	21
due to Group entities	3,431	450
due to shareholders	57	67
Deferred income/accrued expenses	3,212	2,368
	45,809	**129,533**
Non-current liabilities		
Non-current interest-bearing liabilities		
due to banks	74,740	0
	74,740	**0**
Equity		
Subscribed capital	63,000	63,000
Legal capital reserves		
Reserves from capital contributions	51,844	51,844
Other legal capital reserves	2,758	2,758
Legal reserves for treasury shares	37,395	37,395
Voluntary retained earnings	30,403	30,403
Profit carryforward	166,529	145,704
Net profit/loss for the year	26,980	20,825
Treasury shares		
Against reserves from capital contributions	–372	–604
	378,537	**351,325**
Total equity and liabilities	**499,086**	**480,858**

INCOME STATEMENT 2022

Highlight Communications AG, Pratteln

(TCHF)	2022	2021
License income	26	115
Other income	249	185
Income from equity investments	39,101	33,803
Total income	**39,376**	**34,103**
License expenses	–6	–3
Staff costs	–3,597	–3,558
Office and administrative expense	–4,204	–4,563
Amortization, depreciation and impairment on non-current assets	–1,000	–1,000
Earnings before interest and taxes (EBIT)	**30,569**	**24,979**
Financial expense		
Interest expense	–3,923	–3,773
Price losses	–517	–430
Financial income		
Interest income	184	48
Price gains	667	1
Profit/loss before taxes	**26,980**	**20,825**
Income taxes	–	–
Net profit/loss for the year	**26,980**	**20,825**

NOTES TO THE FINANCIAL STATEMENTS 2022

Highlight Communications AG, Pratteln

1. ACCOUNTING

These financial statements were prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. The material items of the balance sheet are accounted for as shown below.

Foreign currency positions

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

Other current receivables

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

Equity investments

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

Treasury shares

Treasury shares are recognized at cost without subsequent remeasurement.

2. DETAILS ON INDIVIDUAL ITEMS

Current and non-current interest-bearing liabilities due to banks

In the reporting period, the relevant amortization was taken on the credit agreement. In the financial statements, amortization for FY 2023 is recognized as current.
Owing to the breach of an agreed financial covenant as of December 31, 2021, financial liabilities previously classified as non-current were reclassified to current financial liabilities in the previous year.

Equity

In the reporting period, no dividend negatively impacting reserves from capital contributions was paid.

Income from equity investments

This item contains dividends from Group entities.

Price gains

There were operating foreign currency gains of CHF 0.15 million in the reporting period (previous year: CHF 0.2 million).

Office and administrative expense

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

Amortization, depreciation and impairment on non-current assets

In the reporting period, write-downs on receivables from Group companies amounted to CHF 1.0 million (with subordination). Total subordination amounted to CHF 17.4 million.

3. PLEDGED ASSETS AS COLLATERAL FOR OWN OBLIGATIONS

	Dec. 31, 2022	Dec. 31, 2021
Shares in Sport1 Medien AG		
Number of shares	93,600,000	89,218,689
Carrying amount in TCHF	162,746	152,312
Shares in Constantin Film AG		
Number of shares	12,742,600	12,742,600
Carrying amount in TCHF	132,151	132,151
Credit facility used		
TCHF	94,795	114,918

4. CONTINGENT LIABILITIES

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

5. NOTES ON MAIN INVESTMENTS

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

The Sport1 Medien AG squeeze-out was entered in the Munich Commercial Register February 2, 2022. The squeeze-out thus became effective. The purchase price per share was EUR 2.30.

6. CHANGE TO LEGAL CAPITAL RESERVES

In the reporting period, no dividend was paid.

7. SHAREHOLDER STRUCTURE

Shareholders with holdings of over 5%	Dec. 31, 2022	Dec. 31, 2021
Highlight Event and Entertainment AG	51.61%	49.63%
Stella Finanz AG	11.11%	12.26%
Axxion S.A.	9.89%	9.89%
Sport1 Medien AG	9.81%	9.81%

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

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

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

Directly

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2022	116,983	605	–
Sales	44,983	233	–
Acquisitions	–	–	–
Balance on December 31, 2022	72,000	372	–

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2021	116,983	605	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2021	116,983	605	–

Indirectly

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2022	6,182,518	37,396	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2022	6,182,518	37,396	–

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2021	6,182,518	37,396	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2021	6,182,518	37,396	–

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

As of December 31, 2022, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2022	2021
Bernhard Burgener, Chairman and Delegate, executive member	–	–
Peter von Büren, executive member	–	–
Edda Kraft, non-executive member	–	–
Stefan Wehrenberg, non-executive member	–	–
Alexander Studhalter, executive member	–*	–
Martin Hellstern, non-executive member	–*	200,000
Dr. Paul Graf, Managing Director	50,000	50,000

** Martin Hellstern did not stand for re-election and left the Board of Directors as of the date of the 2022 Annual General Meeting. Alexander Studhalter resigned from the Board of Directors on November 15, 2022.*

10. NUMBER OF FULL-TIME EQUIVALENTS

As in the previous year, the average number of full-time equivalents for the year was not more than 10.

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

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

12. EVENTS AFTER THE BALANCE SHEET DATE

The management and the Board of Directors are not aware of any events that occurred after the end of the reporting period that significantly influence the net assets, financial position or results of operations of Highlight Communications AG.

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

Highlight Communications AG, Pratteln

DISTRIBUTION OF A DIVIDEND FROM LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS

(TCHF)	**2022**
Payment of a dividend	0
Withdrawal from the legal reserves from capital contributions	**0**

APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(TCHF)	**2022**
Profit carryforward	166,529
Net profit for the year	26,980
Available retained earnings	**193,509**

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

(TCHF)	
Retained earnings	193,509
Dividend payment	0
Carryforward to new account	**193,509**

The Board of Directors of Highlight Communications AG recommends carrying forward all gains for fiscal 2022 to new account and therefore not distributing any dividends.

By doing so, the Board of Directors aims to safeguard liquidity in the long term so that it can meet its financial obligations at all times.

Mazars AG
Herostrasse 12
CH-8048 Zurich
Tel: +41 44 384 84 44
www.mazars.ch

Report of the statutory auditor to the General Meeting of Highlight Communications AG, Pratteln

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Highlight Communications AG (the Company), which comprise the balance sheet as of 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 176 to 181) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Impairment of equity investments

Key audit matter

We treated the assessment of the recoverability of equity investments amounting to CHF 465.6 million (93% of total assets) as a key audit matter because the position represents a significant portion of total assets and there is considerable scope for judgment and estimation in determining assumptions related to future business results and discount rates applied.

The equity investments are measured individually, and recoverability is assessed by comparing the carrying amount with the recoverable amount. The management of Highlight Communications AG has updated the calculation of the recoverable amount for the investments in Team Holding AG, Constantin Film AG, Constantin Film Verleih AG, Sport1 Medien AG, Highlight Event AG and Jackpot50 GmbH.

Please refer to page 179 (Note 1 – Accounting) and page 180 (Note 5 – Notes on main investments) in the notes to the financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures in relation to the recoverability of equity investments:

- We tested the valuation models used for technical accuracy.
- Using scenario analyses, we checked whether a significant change in the assumptions would lead to an impairment loss.
- We checked the plausibility of the discount rate against the cost of capital of the Group and comparable companies, taking into account country-specific features.

For the investment in Sport1 Medien AG, we examined the following points:

- We assessed the budgeting process, in particular whether the Group Executive Board and the Board of Directors monitored this process and whether the values used for the impairment test were in line with the budget approved by the Board of Directors. In addition, we performed a benchmarking exercise with comparable companies to verify whether the values were within acceptable ranges.
- We compared the assumptions regarding sales and earnings of the previous year with those of the reporting year, with the aim of identifying in retrospect overly optimistic assumptions in the budgeted sales and earnings. We analyzed reasons for any deviations.
- In addition, we used sensitivity analyses to check whether any changes in the key assumptions (discount rate, EBITDA margin and long-term sales growth) deemed possible would result in an impairment of the investment.

The audit procedures described above address the risk of impairment of the investments. We consider management's approach to the impairment testing of the investments to be appropriate. The assumptions used were consistent and within reasonable ranges.

Mazars AG
Herostrasse 12
CH-8048 Zurich
Tel: +41 44 384 84 44
www.mazars.ch

Other Matters

The financial statements of the Company for the year ended 31 December 2021, were audited by another auditor whose report, dated 25 May 2022, expressed an unmodified opinion on those financial statements.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Remuneration Report and the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Mazars AG
Herostrasse 12
CH-8048 Zurich

Tel: +41 44 384 84 44
www.mazars.ch

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

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

Zurich, 19 April 2023

MAZARS AG

Cyprian Bumann Licensed Audit Expert (Auditor in Charge)	Roger Leu Licensed Audit Expert

Imprint

Publisher and responsible for content: Highlight Communications AG, Pratteln, April 2022. Design, copy, layout and production: GFD Finanzkommunikation, Frankfurt am Main. Pictures: dpa Picture-Alliance, Frankfurt am Main (cover and pages 2/3, 4, 5, 28/29, 34/35, 42/43, 48/49, 53, 54, 55, 56, 88/89), Constantin Film Group, Munich (pages 36, 37, 38, 39, 40, 41, 44, 45, 46, 47, 53, 54, 55, 56, 57, 60, 61, 62, 63, 64), TEAM Group, Lucerne (pages 50, 51, 52).

Highlight

Highlight Communications AG

EVENTS

2023

CINEMA	Cannes Film Festival	May 16 – 27
	Locarno Film Festival	August 2 – 12
	Venice Film Festival	August 30 – September 9
	Toronto Film Festival	September 7 – 17

FOOTBALL	UEFA Europa League final	May 31
	UEFA Europa Conference League final	June 7
	UEFA Champions League final	June 10

INVESTOR RELATIONS	Interim reports	May/August/November
	Annual General Meeting	June 22
	German Equity Forum	November 27 – 29

HIGHLIGHT COMMUNICATIONS AG
NETZIBODENSTR. 23B · CH–4133 PRATTELN BL
info@hlcom.ch · ✆ +41(0)61–816 96 96
highlight-communications.ch