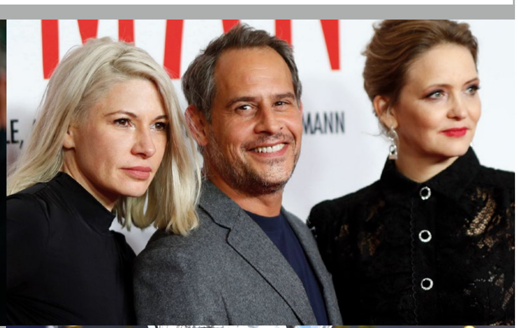
Highlight

Highlight Communications AG



ANNUAL REPORT 2023

KEY FIGURES

	in TCHF	2023	2022
CONSOLIDATED BALANCE SHEET	Balance sheet total	598,812	634,248
	Film assets	196,003	155,352
	Cash and cash equivalents	25,498	29,909
	Financial liabilities	157,185	189,325
	Equity	160,391	186,022
	Equity ratio	26.78 %	29.33 %
CONSOLIDATED INCOME STATEMENT	Sales	421,300	523,847
	■ Film	253,737	357,409
	■ Sports and Event	168,371	168,922
	Profit from operations (EBIT)	6,859	14,574
	■ Film	8,737	15,206
	■ Sports and Event	3,893	5,569
	Net profit (Highlight shareholders)	–10,613	–2,939
	Earnings per share (CHF)	–0.19	–0.05
	Earnings per share (EUR)	–0.19	–0.05
CONSOLIDATED STATEMENT OF CASH FLOWS	Cash flow from operating activities	140,700	101,258
	Cash flow for investing activities	–109,904	–107,494
	thereof payments for film assets	–97,124	–92,080
	Cash flow for financing activities	–34,067	–10,805
	thereof dividend payments	–936	–1,050
	Cash flow for the reporting period	–3,271	–17,041
PERSONNEL	Average number of employees	1,524	1,508

CONTENTS

Tim Oliver Schultz receives the award for "Best Actor TV & Streaming National" for his role in "Damaged Goods".

EVENTS OF THE YEAR 2023

The Highlight Group

- **“Sonne und Beton”** was awarded the Bavarian Film Prize several times.
- **“Liebes Kind”** celebrates national and international success on Netflix.
- **„Rehragout-Rendezvous”** is the most successful Eberhofer film to date.
- Constantin-Film is once again the industry winner in the Production category.

EVENTS IN 2023

Q1

JANUARY

“Caveman” celebrates its premiere in Munich on January 23. Director and screenwriter Laura Lackmann presented the film to an enthusiastic audience in several packed movie theaters.

FEBRUARY

Extraordinary exploitation success: “Die Wannseekonferenz” was sold in over 100 countries worldwide, including the USA, Japan, China and Israel. In the ZDFmediathek, “Die Wannseekonferenz” has so far achieved 2.6 million viewings and was the most-watched feature film of 2022.

Constantin Film is releasing an in-house production, “Perfect Addiction”, in theaters on February 16.

“Sonne und Beton” premieres in Neukölln on February 24 and opens in German cinemas on March 2. In its sixth week, the film based on the bestseller by Felix Lobrecht broke the one million mark.

“Caveman” celebrates premiere in Munich

MARCH

Pamela L. Kunath will become the new “Co-President” at Constantin Film Development Inc. in Los Angeles together with Robert Kulzer as of March 1, 2023.

Filming for “Chantal im Märchenland”, a spin-off of the popular “Fack Ju Göhte” series, starts on March 9. The lead role is played by Jella Haase, who also played the role of Chantal in the “Fack Ju Göhte” films.

On March 30, “Manta Manta - Zwoter Teil” opens in German cinemas and takes the coveted title in its third week of release, celebrating one million moviegoers.

Premiere in Berlin-Neukölln: “Sonne und Beton”

Premiere of “Manta, Manta – Zwoter Teil”

Q2

APRIL

The German Federal Film Board (FFA) has announced the most successful producers and distributors of German films as part of the 2023 reference funding awards. Constantin Film is once again the “industry tiger” in the production category and takes second place in the “Distribution” category.

The three musketeers are back: with an outstanding cast, Athos, Porthos and Aramis fight together with D’Artagnan for justice and against evil more visually stunning than ever. The film will be released in Germany on April 13.

Philipp Hochmair receives the Grimme Award in the “Fiction” category on April 24 for his role in “Die Wannseekonferenz”.

Several Constantin productions are honored at the Jupiter Awards: “Der Nachname” receives the award for “Best Film National Cinema”; Sebastian Bezzel is honored as “Best Actor National Cinema” for his role in “Guglhupfgeschwader”. “Damaged Goods” was also honored as “Best Series TV & Streaming National” - leading actor Tim Oliver Schultz received the award for “Best Actor TV & Streaming National”.

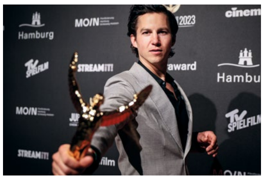
MAY

On May 9, the 67th Eurovision Song Contest will take place in the British city of Liverpool. This year’s winner is Loreen from Sweden with the song “Tattoo”.

Grimme Award for “Die Wannseekonferenz”

Jupiter Award for “Der Nachname” – Best Film National

Jupiter Award for actor Sebastian Bezzel



Jupiter Award for “Damaged Goods” with Oliver Schultz

Bavarian Film Award for “Sonne und Beton”

JUNE

The award-winning film “Die Wannseekonferenz” is now being shown in 2000 Chinese cinemas.

Inter Milan and Manchester City meet in the Champions League final. Manchester City wins 1:0.

“Best Screenplay” and “Best Visual Design”: “Sonne und Beton” will receive multiple awards at the Bavarian Film Awards on June 17. The jury’s statement on David Wendt and Felix Lobrecht’s screenplay reads: “The scenes are atmospherically dense and clearly delineated, the characters multi-faceted and credible. The dialog captures the sound of the street and sounds like the real Berlin-Neukölln of 2003.” The film also won the CIVIS Cinema Award 2023, Europe’s media prize for migration, integration, cultural diversity and social cohesion.

On June 19, “Get Up” celebrated its premiere in Cologne with TikTok stars and leading actresses Lisa and Lena Mantler. Together with director Lea Becker, they were greeted with thunderous applause from the premiere audience after the film.

Q3

JULY

Netflix and Constantin Film are further expanding their successful collaboration and have agreed an exclusive partnership for the pay exploitation of Constantin Film's theatrical productions in German-speaking countries. "Constantin Film is a great partner for Netflix and we are delighted to take our collaboration to a new level," explains Katja Hofem, Vice President Content at Netflix DACH.

New secrets and love turmoil: Season two of the ZDF dramedy series "Wendehammer" starts on July 27. The humorous, entertaining and exciting series enters its second round with six new episodes.

AUGUST

"Rehragout-Rendezvous" opens in cinemas on August 10. In the ninth part of the Eberhofer film series based on the bestsellers by Rita Falk, Germany's most popular provincial policeman Franz Eberhofer not only has to deal with a particularly tricky murder case, but Susi's new position as deputy mayor also awakens unusual inhibitions in the phlegmatic lower Bavarian.

SEPTEMBER

Constantin Film series "Liebes Kind" is number one on Netflix. The psychological thriller series "Liebes Kind", produced by Constantin Television, was launched on Netflix on September 7 and has been successful both nationally and internationally ever since: for the second time in a row, the six-part mini-series is number one in the global non-English-language Netflix series charts and, with 15.4 million views, was even able to increase its result compared to the previous week. Dubbed a must-see and "show of the hour" by TIME, "Liebes Kind" is number one in Germany and in the top ten in 92 countries with almost 26 million views in just eleven days.

"Rehragout-Rendezvous" has become the most successful film in the Rita Falk series. An impressive 1,408,701 viewers have already seen the ninth case of the popular village policeman.

"Get Up" celebrates premiere with TikTok stars

Q4

OCTOBER

"Die unwahrscheinliche Pilgerreise des Harold Fry", starring Oscar-winner Jim Broadbent, will be released on October 26.

Pumuckl has been delighting young and old for more than 60 years. Now the little runt is back on the big screen with "Neue Geschichten vom Pumuckl".

The successful series "Dahoam is Dahoam", produced by Constantin Television on behalf of Bayerischer Rundfunk, is being extended. This means that a total of 340 new episodes of the successful BR series classic, which has been on air for 16 years, can be filmed.

Premiere of "Rehragout-Rendezvous"

Constantin film series "Liebes Kind": Number 1 on Netflix

NOVEMBER

Over 1.5 million fans watch "Rehragout-Rendezvous"; a record attendance for the Eberhofer film series. "Rehragout-Rendezvous" is by far the most successful part of the popular film series based on the bestsellers by Rita Falk and climbs to second place in the cinema charts among the German films released this year; in terms of sales, it is even in first place.

"Die unwahrscheinliche Pilgerreise des Harold Fry"

Premiere of "Neue Geschichten vom Pumuckl"

Cinema release for "Das Beste kommt noch!"

2nd season of the ZDF dramedy series "Wendehammer"

DECEMBER

"Das Beste kommt noch!" opens in cinemas on December 7. The film tells the emotional story of best friends Felix (Til Schweiger) and Arthur (Michael Maertens), who, due to a misunderstanding, both think they only have a few months to live. They embark on an adventure together to celebrate life and their friendship one last time.

To the stars and beyond! "WOW! Nachricht aus dem ALL" celebrates its premiere in Munich. The film will be released in German cinemas nationwide on December 14.

The World Darts Championship on SPORT1 thrilled an audience of millions and Germany's leading multi-channel sports platform once again achieved excellent ratings around Christmas and New Year's Eve.

Premiere of „WOW! Nachricht aus dem All"

Foreword by the Chairman

Dear shareholders and other interested parties,

the year 2023 was a very challenging one for the Highlight Group as well: The economic and political environment continued to be characterized by the wars in Ukraine and the Middle East. Persistent inflation and rising interest rates dampened both economic sentiment and consumer behavior, which also had a noticeable impact on the Highlight Group. Nevertheless, we were able to generate satisfactory results – thanks not least to the commitment of our management and employees.

The Highlight Group's consolidated sales amounted to CHF 421.3 million in 2023, down 19.6 % on the previous year. In a difficult environment, the Film segment generated lower external sales than in the same period of the previous year, while external sales in the Sports and Event segment increased slightly. Due to the decline in external sales in the Film segment, EBIT fell to CHF 6.9 million. Consolidated net profit attributable to shareholders for the period was down on the previous year and amounted to CHF –10.6 million; earnings per share fell accordingly to CHF –0.19.

The Constantin Film Group released a total of ten films in German cinemas in 2023, including "Rehragout-Rendezvous" from the Eberhofer series, "Manta Manta – Zwoter Teil" and "Sonne und Beton". The aforementioned titles are all among the top 20 most successful films released in Germany in 2023.

The development and expansion of the productions area, for which no primary theatrical exploitation is planned, also continued successfully in 2023. The major international production and high-end series "Smilla's Sense of Snow" deserves special mention here.

As in previous years, the TEAM Group's focus in the Sports and Event segment was on marketing rights and developing coverage of UEFA club competitions.

Sport1 GmbH celebrated its 30th anniversary in the reporting year under the motto "30 years #MITTENDRIN"! The event was accompanied by campaigns such as an anniversary edition of "STAHLWERK Doppelpass". SPORT1 recorded a record number of viewers for the broadcast of the World Darts Championship, mainly thanks to Gabriel Clemens' semi-final appearance, which broke the three million mark at its peak. SPORT1 has also been the new media partner of the German Football Association since 2023.

PLAZAMEDIA opened its new briXwoRk.studio in Munich. With a 120 square meter LED wall, the studio offers new and diverse application possibilities for innovative and sustainable productions. Since opening, a large number of productions have already been realized, including for DAZN and the Red Bull Media House. DAZN is relying on PLAZAMEDIA as its technical service provider for live productions until at least 2027.

Highlight Event AG's activities once again focused on managing and implementing the sponsorship agreements with the Vienna Philharmonic Orchestra's main sponsors. Thanks to successful cooperation, the agency agreement was extended early on until 2032. Another focus was on the support and further sale of sponsorship rights for the Eurovision Song Contest.

After the Eurovision Song Contest was held in Liverpool in May 2023, we are now focusing on marketing the ESC 2024. This year's ESC will take place in the Swedish city of Malmö in May.

After a year marked by the release of successful theatrical productions, Constantin Film's focus is on maintaining the high quality and continuous optimization of productions. For the current 2024 financial year, Constantin Film is planning the theatrical release of twelve productions. Among others, "Chantal im Märchenland", "September 5", "In the Lost Lands", "Hagen" and "Der Spitzname" will be released and presented to moviegoers.

The TEAM Group's focus is on supporting UEFA to realize a successful knockout phase of the final season of the three-year rights cycle from 2021/22 to 2023/24 of the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League.

SPORT1 will continue to focus on optimal content utilization and distribution in 2024. In addition to extending existing partnerships and establishing new collaborations, the focus will be on strengthening the portfolio by acquiring new rights. Furthermore, the focus will be on evaluating and staging the established program, which includes the core sports.

PLAZAMEDIA will continue to work intensively on the realization of complex live and non-live productions as well as on the further development of existing and new production technologies and content management solutions.

In 2024, Highlight Event AG will continue to focus on fulfilling existing sponsorship agreements for the Eurovision Song Contest and the sponsored events of the Vienna Philharmonic Orchestra.

My sincere thanks, also on behalf of my colleagues on the Board of Directors, go to all employees of the Highlight Group. Their work, commitment and expertise are our most important success factors for our day-to-day business activities. My special thanks also go to all those who have accompanied and supported our company in the past year, in particular our shareholders, customers and business partners. We will continue to do everything in our power to justify the trust placed in us and to continue the Highlight Group's success.

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
Media consultant. 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. From 2018 until 2023, she was Managing Director of rbb media GmbH in Berlin. She is a supervisory board member of Sport1 Medien AG.

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 2022 Annual General Meeting.

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, 2023, the market capitalization of the company was around EUR 154.35 million at a closing stock price for the year of EUR 2.72.

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, 2023, 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	52.94 %
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, 2023, treasury stock comprised 6,254,518 shares, equivalent to 9.93 % of the company’s subscribed capital.

1.5 Cross-holdings

As of December 31, 2023, 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 Capital band

On June 22, 2023, the Annual General Meeting approved the capital band. The Board of Directors can introduce a capital band with an upper limit of CHF 94,500,000 (in line with a 50% increase in the current subscribed capital) and a lower limit of CHF 50,400,000.

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, 2023, 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
Chairman of the Board of Directors of T Squared AG, Lucerne, Switzerland

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

Other (corporate) activities and interests:
Member of the Board of Directors of 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 Sport1 Medien AG, Munich, Germany
Member of the Board of Directors of T Squared AG, Lucerne, Switzerland

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 Highlight Event and Entertainment AG, Pratteln, Switzerland
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 Highlight Event and Entertainment AG, Pratteln, Switzerland
Member of the Board of Directors of Bristol Hotellerie AG, Speicher, Switzerland
Managing Director of Wehrenberg Rechtsanwälte GmbH, Herrliberg, Switzerland

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 generally 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 convened nine times for Board meetings and circular resolutions.

3.3.3 Committees

By way of resolution dated June 2, 2005, the Board of Directors established an audit committee, the current members of which are Bernhard Burgener (Chairman), Edda Kraft and Stefan Wehrenberg.

At the Annual General Meeting on June 2, 2023, 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, 2023.

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 then as CEO from 2012 until March 2022. 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, then as Managing Director Marketing and as COO from 2012 until March 2022. 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.

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, then Managing Director Commercial Affairs. Since July 2020 he is the Managing Director, TEAM UK and since July 2023 the Managing Director Media.

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 to 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, then Managing Director of Development and Marketing and, since January 2023, as Managing Director of Development, Marketing and Partner Operations.

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, then Executive Director Sponsorship Sales at TEAM and, since December 2021, Managing Director of Marketing Sales.

Kerstin Lutz, Managing Director of Business Development
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, then as Head of Account Management, then as Director Sponsorship, then as Managing Director Partnerships Management and, since January 2023, as Managing Director of Business Development.

Thomas Höher, Managing Director of Business Development
German national, Sales Executive, worked for various companies in the telecommunications and banking sectors from 1999 to 2002, including VIAG Interkom (now O2) 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, as Executive Director Media Rights Sales from December 2021 until June 2023 and since July 2023 as Managing Director of Business Development.

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 to this, 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 (as of 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.

Franz Woodtli has resigned from the Board of Directors as of December 31, 2023, following his retirement.

Martin Bachmann, Board member
German national, member of the Board of Directors since July 2023, in parallel with Franz Woodtli, to take over Franz Woodtli's duties in future.

4.1.6 Sport1 Medien AG (Sports and Event segment)

Dr. Matthias Kirschenhofer, Co-CEO
German national; Dr. Matthias Kirschenhofer was appointed to the Management Board of Sport1 Medien AG in 2017. In the role of Co-CEO, he works together with Robin Seckler to coordinate Management Board policy and they are jointly responsible for the strategic development of Sport1 Medien AG. Furthermore, Dr. Matthias Kirschenhofer is responsible for legal, compliance, finance and investor relations plus the activities of Sport1 Medien subsidiaries Magic Sports Media GmbH and Jackpot50 GmbH. He is also still a member of the management of Sport1 GmbH, focusing on marketing operations.

Robin Seckler, Co-CEO
German national; Robin Seckler has been a member of the Management Board of Sport1 Medien AG since 2022. In the role of Co-CEO, he works together with Dr. Matthias Kirschenhofer to coordinate Management Board policy and they are jointly responsible for the strategic development of Sport1 Medien AG. Furthermore, Robin Seckler is responsible for all the Group's strategic and operational digital activities and projects, communications, HR and sustainability plus the activities of Sport1 Medien subsidiaries PLAZAMEDIA GmbH and Match IQ GmbH. He is also still a member of the management of Sport1 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 has audited the annual financial statements for the year ending December 31, 2023. Mr. Roger Leu has been the auditor in charge for the audit mandate since fiscal year 2023.

8.2 Auditing fees

Auditing fees of CHF 486 thousand were paid to Mazars and TCHF 485 to third-party auditors for the audit of the 2023 financial year. Additional fees of TCHF 63 were invoiced by other auditing companies for other services.

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 2023 sets out the remuneration system and the remuneration paid to members of the Board of Directors and the management team of Highlight Communications AG. The remuneration report is based on the SIX Swiss Exchange's guidelines on corporate governance information and on Articles 734-734f of the Swiss Federal Act on the Amendment of the Swiss Civil Code (Code of Obligations).

The remuneration report of April 23, 2024 of Highlight Communications AG for the fiscal year ended December 31, 2023 has been audited by the statutory auditor. The audit was limited to the disclosures in accordance with Art. 734a–734f of the Code of Obligations.

As part of the implementation, the compensation committee devised proposals for the overall remuneration of the Board of Directors, the Chairman of the Board of Directors, the individual members of the Board of Directors, the 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 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. This takes place once a year, usually at the ordinary Annual General Meeting. 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 and 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, the full Board of Directors usually decides on the level of the Directors' and committee fees at its discretion once a year at the request of the compensation committee.

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 2023

In 2023, the executive and non-executive members of the Board of Directors received overall remuneration of TCHF 124.0 (2022: TCHF 152.5). 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 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	–	10.0
Peter von Büren, executive member	10.0	–	10.0
Edda Kraft, non-executive member	50.0	–	50.0
Stefan Wehrenberg, non-executive member	50.0	4.0	54.0
Total	**120.0**	**4.0**	**124.0**

audited

Fiscal 2022

(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	0.0	10.0
Alexander Studhalter[1], non-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**

[1] *Alexander Studhalter 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 stood down from 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.*

No remuneration not in line with market conditions was granted to current or former members of the Board of Directors or related parties either in the year under review or in fiscal 2022, nor is any such remuneration 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).

audited

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

Fiscal year 2023

In 2023, the members of the management team (including executive members of the Board of Directors, BoD) received total remuneration of TCHF 2,360 (2022: TCHF 2,779). The total remuneration of the members of the management team thus decreased slightly compared to the previous year.

(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)	837	354	185	179	1,555	10	1,565
Peter von Büren, executive member of the BoD	408	238	49	90	785	10	795
Total	**1,245**	**592**	**233**	**269**	**2,339**	**20**	**2,360**

[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*

audited

Fiscal 2022

(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)	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 the BoD	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 resigned from the Board of Directors on November 15, 2022.*

No remuneration not in line with market conditions was granted to current or former members of the management team or related parties either in the year under review or in fiscal 2022, nor was any such remuneration 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, 2023 and December 31, 2022, 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 OF RELATED PARTIES

7.1 Loans and credits to related parties not in line with market conditions

As of December 31, 2023 and December 31, 2022, there were no outstanding loans or credits granted by Highlight Communications AG to related parties.

7.2 Other remuneration to related parties not in line with market conditions

As of December 31, 2023 and December 31, 2022, the company had not paid any remuneration to related parties that was not in line with market conditions.

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, 2023, the members of the Board of Directors and the management team (including related parties) held a total of 0.00 % of the outstanding bearer shares in Highlight Communications AG (previous year: 0.00 %).

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

	2023		2022	
	Number of shares	Share in capital	Number of shares	Share in capital
Bernhard Burgener	–	–	–	–
Peter von Büren	–	–	–	–
Edda Kraft	–	–	–	–
Stefan Wehrenberg	–	–	–	–

mazars

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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 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked “audited” on pages 19 and 21 of the Remuneration Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the remuneration report complies 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 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 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.

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.

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Auditor's Responsibilities for the Audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO 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.

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, 24 April 2024

Mazars AG

Roger Leu
Licensed audit expert
(Auditor in Charge)

Fabio Cavalieri
Licensed audit expert

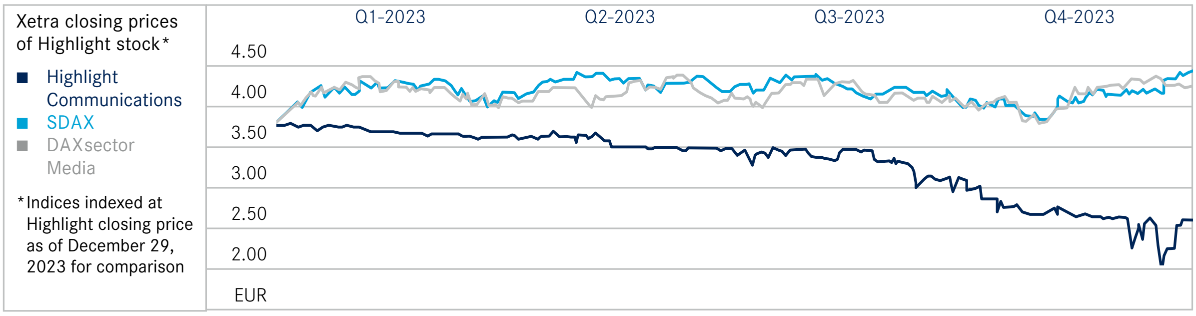
2023

HIGHLIGHT STOCK

Performance of Highlight Group stock in 2023

- **Year-end closing price:** Down on the previous year at EUR 2.72 (EUR 3.76).
- **Market capitalization:** EUR 154.4 million based on shares outstanding.
- **Turnover per trading day:** Significant increase from around 2,150 to around 3,600.

Philipp Hochmair receives the Grimme Prize 2023 for his performance in “Die Wannseekonferenz”.



Stock markets on the rise in 2023

The global stock markets performed positively in 2023. The German benchmark index (DAX) broke 17,000 points for the first time in its history in December, rising by more than 20% since the start of the year.

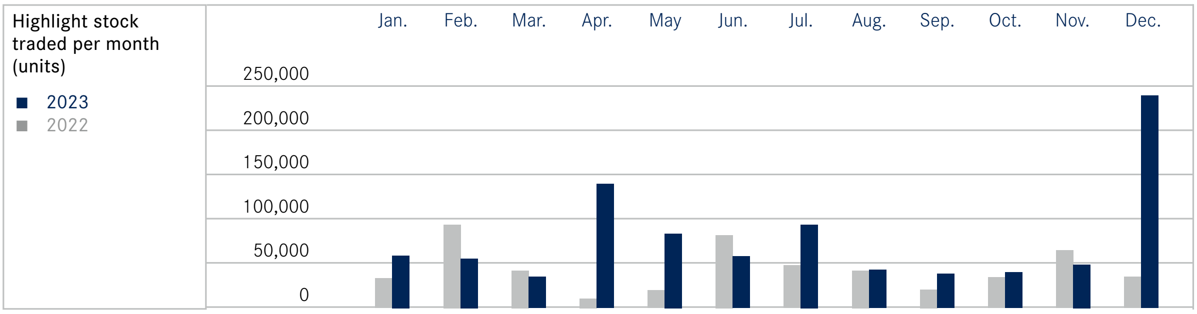
While the stock markets had been impacted by the Ukraine crisis and market events were defined by raw material shortages, inflation and interest rate hikes in 2022, the world markets recovered significantly in the reporting year. Delays in global supply chains were still felt only partially and inflation mostly declined significantly. An end-of-year rally, fueled not least by the expectation of imminent interest rate cuts, drove indices such as the DAX to new heights.

The US benchmark index, the Dow Jones Industrial 30, rose by 13.7% to 37,690 points in the reporting year. The Japanese Nikkei 225 did even better, ending the year up by 28.5% at 33,540 points.

A variety of European stocks benefited from the positive performance as well, with the EURO STOXX 50 rising by 19.2% to close at 4,521 points.

The Swiss Market Index (SMI) shared less in the general recovery, closing 2023 at 11,058 points and therefore up by just 3% compared to the end of the previous year.

The DAX ended 2023 up by 20.3% at 16,752 points. The SDAX small cap index rose by 17% to close 2023 at 13,960 points. German media stocks performed positively as well in 2023, albeit at a lower level: The DAXsector Media index climbed by 13.4% between January and December 2023.



Negative performance by Highlight stock in 2023

Highlight's stock lagged behind the general trend on the sector index in the reporting period. It began 2023 at EUR 3.78, which was also its high for the year. Beginning the year modestly, Highlight stock largely oscillated between EUR 3.78 and EUR 3.70 until the middle of February. A downward trajectory then set in, driving the price to below EUR 3.00 by the start of October. The shares fell to their low for the year at EUR 2.06 on December 13. Highlight's stock recovered slightly thereafter, closing the year at EUR 2.72, down by approximately 28 % since the start of the year.

Trading volume up significantly

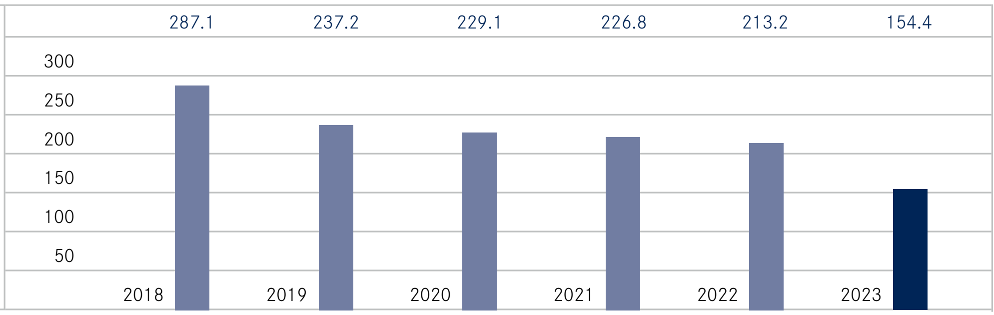
In the period from January to December 2023, around 0.92 million Highlight shares were traded on Deutsche Börse AG's Xetra trading system, an increase of more than 70 % as against the previous year (around 0.54 million). The average number of shares traded per day thus rose from around 2,150 to around 3,600.

No changes in shareholder structure

As of December 31, 2023, 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 was unchanged in the 2023 reporting year. These account for around 9.9 % of the issued capital. Not including these shares, there were 56.75 million shares outstanding as of December 31, 2023.

Our company's principal shareholders are still Highlight Event and Entertainment AG (52.94 %), Stella Finanz AG (11.11 %) and Axxion S.A. (9.89 %). Further significant share packages are held by private investors. As of December 31, 2023, the free float amounted to 16.88 % as per Deutsche Börse AG's index weighting.

Development of Highlight's market capitalization based on shares outstanding (in EUR mn)



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. In November 2023, we thus participated in the German Equity Forum in Frankfurt, Europe's leading investor fair for small and mid-sized stock corporations. Here we were able to speak to capital market participants in person, giving them detailed insights into the positioning of our business areas and the Highlight Group's strategic direction. 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, 2023

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 154.4 million
Year-end price	EUR 2.72
52-week high (January 2, 5 and 6)	EUR 3.78
52-week low (December 13)	EUR 2.06
Earnings per share	EUR –0.16

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

Sönke Wortmann wins the Jupiter Award for his film “Der Nachname”.

2023

REPORT ON THE HIGHLIGHT GROUP'S SITUATION

Development of operations, net assets and financial position in 2023

- **Group sales:** amounted to CHF 421.3 million, 19.6 % below the previous year's figure.
- **Net profit for the period:** at CHF –10.6 million.
- **Equity ratio:** at 26.8 % (December 31, 2023: 29.3 %) at year-end.

“Rehragout-Rendezvous”, the most successful film in the Eberhofer series to date

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.

Highlight Event AG, a 100% subsidiary of Highlight Communications 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, Ismaning, is wholly 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.

Film adaptation of Felix Lobrecht's bestselling novel "Sonne und Beton"

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 five 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 two-member Management Board. Management of all activities within the Highlight Group is based on budget 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:

- Audience numbers: In theatrical distribution, the audience generated by a film is one of the key factors. Theatrical success usually also affects the subsequent stages of exploitation, particularly in the areas of home entertainment, TV and streaming.
- Market share: 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.
- Market share and ratings: 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 subsequent commissioning decisions by customers of the Constantin Film Group in the future. Another extremely important parameter is the completion rate, which essentially describes whether and to what extent programs are viewed in their entirety. In some cases, this parameter is more important than ratings.
- Access to rights: 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. 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.
- 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.

"Caveman", a comedy by Laura Lackmann with Moritz Bleibtreu in the leading role

- 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 if persistently high ratings are to be achieved by TV broadcasts.
- 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.

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, the framework of which is often set by European law and 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, including 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.

Romance meets mixed martial arts in "Perfect Addiction"

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 2024, global economic growth slowed to 3.1 % in 2023. This meant that global economic performance in 2023 remained below the historical average (2000–2019) of 3.8 %.

According to the IMF, the main reasons for this muted economic growth are the fact that the world economy is continuing to recover only slowly from the impact of the Covid pandemic and the consequences of the Ukraine war. This is exacerbated by new geopolitical tension and fiscal tightening by central banks as they seek to combat the high level of inflation. IMF data showed that global inflation fell to 6.8 % in 2023.

Emerging and developing countries posted economic growth of 4.1 % for 2023. The highest growth rate within this group of countries in 2023 was achieved by India at 6.7 %.

The economies of the industrialized nations reported a growth rate of 1.6 % in 2023, significantly lower than in the previous year (2022: 2.6 %). The IMF is also forecasting weak growth of 1.5 % in the coming year. For the euro area, the IMF calculated an increase of 0.5 % in 2023 (2022: 3.3 %). The US economy grew by 2.5 % in 2023.

The Swiss economy saw below-average performance in 2023 without slipping into a pronounced recession. According to projections by the State Secretariat for Economic Affairs (SECO) published in mid-December 2023, gross domestic product (GDP) increased by 1.3 % in 2023 after 2.0 % in the previous year.

Years after the successful film, the sequel is inspiring: “Manta Manta – Zwoter Teil”

According to initial calculations published by the German Federal Statistical Office (Destatis), German GDP fell by 0.3 % in 2023 (2022: +1.8 %). The overall economic situation in Germany was characterized by sustained high prices that curbed economic momentum. This was accompanied by rising interest rates and low demand at home and abroad. As a result, the German economy was unable to continue its recovery following the slump caused by the Covid pandemic.

The Austrian economy likewise failed to grow in 2023. According to provisional calculations released in December 2023, the Austrian Institute of Economic Research (WIFO) expects GDP to have declined by 0.8 % in 2023 (2022: 4.8 %). Economic development in Austria was impacted by the fall in real income as a result of high inflation as well as weak global industrial performance.

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 promptly than consumers. According to estimates from September 2023, the audit company PricewaterhouseCoopers (PwC) expects sales throughout the media and entertainment industry in Germany to have increased more slowly by a total of 4.2 % to around EUR 42.5 billion in 2023. Although total sales continued to rise in 2023, consumer behavior was impacted by geopolitical uncertainty and inflation. By contrast, the German market grew by 5.7 % to EUR 66.0 billion in 2022, mainly thanks to the continued recovery following the slump caused by the pandemic.

Digital media content enjoyed dynamic growth as a result of the pandemic. This development continued in 2023 across all digital segments, including online videos, online advertising, video games, e-sports and virtual and augmented reality. According to a PwC analysis, digital segments accounted for 37.3 % of total sales in 2023, corresponding to EUR 25.6 billion. Data consumption increased by 21.8 % to 126.8 billion GB in 2023. Online advertising sales amounted to EUR 13.5 billion in 2023, an increase of 7 %. However, not all segments enjoyed a positive performance. The books, newspapers and magazines (–1.6 %) and television and TV advertising (–2.0 %) segments saw falling sales in 2023.

Leading actors Lisa Maria Potthoff and Sebastian Bezzel celebrate the premiere of “Rehragout-Rendezvous”.

MANAGEMENT REPORT: FILM SEGMENT

2023

Report on business performance and the situation

Lena and Lisa Mantler inspire in "Get up"

INDUSTRY CONDITIONS

Preliminary remarks

Although the pandemic has been declared over, Covid-19 is still causing production downtime, and there has no longer been any financial compensation from federal or state funds since March 31, 2023 at the latest. Until then, the Default Fund I financed by the German Federal Government (EUR 50 million for theatrical movie and TV productions) was available 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.

This risk is not – at least at the moment – covered by contingency insurance.

It is also difficult to assess what effects will arise from the tense economic situation, including in relation to the Ukraine war and the Middle East crisis, the rise in energy and food prices, the cost of living, the shortage of skilled workers, etc. The higher cost of living could lead consumers to reduce their leisure budgets, which in turn is likely to mean fewer trips to the movies and a decline in spending on streaming services and home entertainment, for example.

A potential economic slump due to the various crises and persistently high inflation could also result in declining advertising revenue and accompanying budget reductions for the private free TV stations.

Moreover, business is impacted by other economic conditions affecting production costs (cost development, financing costs).

The awarding of contracts in the streaming sector may also decline as US and domestic services face an economic test of their business models.

Furthermore, the sustained economic recession and the sharp contraction of the advertising market could also lead to a downturn in orders from private broadcasters.

In addition, the ongoing strikes by the WGA (Writers Guild of America) and other trade unions in 2023 led to the postponement of film productions. This also has an impact on all downstream exploitation stages, even though the strikes ended in November 2023.

Theatrical distribution

The number of moviegoers in the German cinema market in 2023 was down –19.4 % compared to 2019, the last coronavirus-free year, while revenue was down –9.3 % at EUR 929.1 million due to the higher average ticket price of EUR 9.71. Compared to 2022, the number of moviegoers rose by 22.7 % and sales increased by 28.7 %.

The most successful cinema releases in 2023 were: "Barbie" with almost 6 million viewers, "The Super Mario Bros. movie" with around 5.3 million tickets sold and "Oppenheimer" with around 4.1 million moviegoers.

Fun for the whole family with: "Neues vom Pumuckl"

Home entertainment

As in the previous years, the SVoD platforms of the German home entertainment market as a whole continued the rising trend in SVoD (subscription video on demand) business in the past year with sales of EUR 2.634 billion, an increase of 13 % as against the previous year (EUR 2.329 billion). Despite the strikes in the creative industry and the associated product shortage, growth in sales continued in digital transactional exploitation formats (electronic sell-through and transactional video on demand). Sales increased by 9 % or EUR 38 million year-on-year to EUR 469 million.

The decline in physical media is continuing. In the past year, sales decreased by 11 % to EUR 302 million (previous year: EUR 339 million). Including digital proceeds, sales amounted to EUR 771 million in 2023, up slightly on the previous year's figure (EUR 770 million). Growth in digital transactional exploitation formats (EST and TVoD) fully made up for the falling sales volumes for sales and rentals of physical media (DVD and Blu-ray).

The growth in sales from SVoD and transactional exploitation formats compensated for the decline in physical media in the reporting year, resulting in 10 % growth in sales for the market as a whole to a figure of EUR 3.406 billion (2022: EUR 3.099 billion).

OPERATIONAL DEVELOPMENT

Theatrical production and distribution

There were three in-house and co-productions in total in the period from January to December 2023. In 2023, filming began on the in-house production "Chantal im Märchenland", a spin-off from the successful "Suck Me Shakespeer" series starring Jella Haase, and the co-productions "September 5", directed by Tim Fehlbaum, about the hostage tragedy involving Israeli athletes at the 1972 Olympic Games in Munich, and "Psycho Killer" (working title), a psychological thriller set in the US. Regarding international projects, filming on "In the Lost Lands" and "Hagen" was completed in 2023.

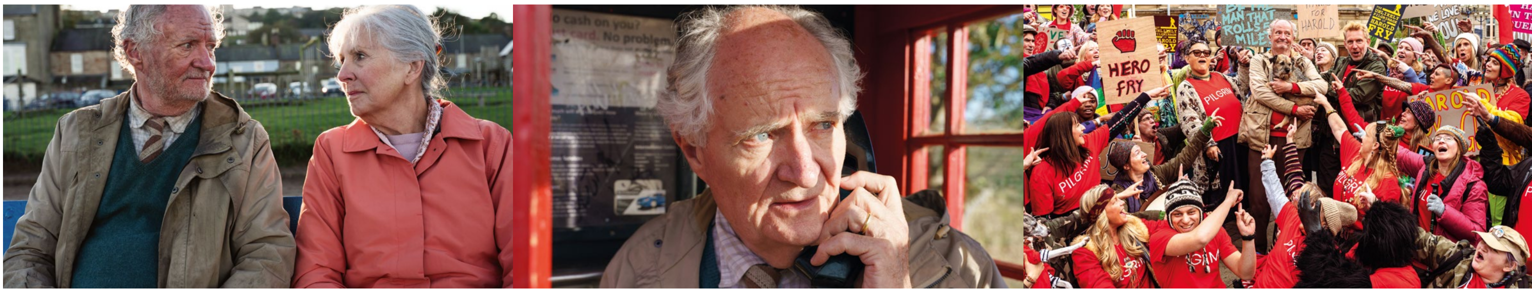
Theatrical distribution

The Constantin Film Group released a total of ten films in German cinemas in 2023, including "Rehragout-Rendezvous" from the Eberhofer series, "Manta Manta – Zwoter Teil" and "Sonne und Beton". The aforementioned titles are all among the top 20 most successful films released in Germany in 2023.

Home entertainment market share increased

The market share of Constantin Film Vertriebs GmbH in home entertainment increased from 3 % to 4 % year-on-year thanks to a balanced portfolio and a strong focus on German productions. In transactional digital home entertainment, Constantin Film Vertriebs GmbH achieved the highest annual sales on record in 2023 since marketing launched in 2012.

Key movies with high sales in 2023 were in particular "After Forever" and "Guglhupfgeschwader" and in the international segment "Resident Evil 6", "Monster Hunter" and "Perfect Addiction."



"Die unwahrscheinliche Pilgerreise des Harold Fry", a beautiful and moving story

Major license launches in TV exploitation/license trading

In 2023 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.

As usual, the conventional exploitation stages of free TV and pay TV accounted for the transactions relevant to sales in this business area.

In the free TV sector, the initial licenses for "Guglhupfgeschwader" (ARD), "Contra" (ProSiebenSat.1), "After Love" (ProSiebenSat.1), "Drachenreiter" (ProSiebenSat.1) and "Laura's Star" (Warner Bros.) had a particularly significant impact on revenues. In addition, first-time sales of "Der Nachname", "Liebesdings" and "After Forever" (all Sky), among others, had an impact in the pay TV sector (PPC).

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 2023. One particular highlight was the international major production/premium series "Smilla's Sense of Snow".

In addition, feature films such as "Ferdinand von Schirach: Sie sagt, er sagt" (ZDF), "Silber und das Buch der Träume" (Amazon), the thriller "Exterritorial" (Netflix), the series "Achtsam Morden" (Netflix), "Cassandra" (Netflix), as well as further episodes of the TV series "Die Heiland" (ARD) and the daily "Dahoam is Dahoam" (BR) were produced.

Productions in the non-fiction segment included another season of the comedy format "LOL: Last One Laughing" including a "LOL Christmas Special" (Amazon Prime), two more seasons of "Das Strafgericht mit Ulrich Wetzel" (RTL), two new seasons of "Shopping Queen" (VOX) and another season of "Genial daneben" (RTL2), some of which have already been exploited.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Focus on long-term cooperation

As in previous years, it is important to focus on long-term collaborations/contracts. With this focus, the Constantin Film Group signs numerous producers with creative decision-making authority, a large number of executive producers and a large number of filmmakers, writers, directors and actors.

Audience figures in theatrical distribution

In the overall market for German films released in 2023, the Constantin Film Group took second place with "Rehragout-Rendezvous" (approx. 1.51 million moviegoers), third place with "Manta Manta – Zwoter Teil" (approx. 1.25 million moviegoers) and fourth place with "Sonne und Beton" (approx. 1.14 million moviegoers).

In 2023, the Constantin Film Group in Germany secured seventh place in the ranking of all distributors in terms of sales and admissions and second place among studio-independent distributors.

To the stars and beyond! “WOW! Nachricht aus dem All” inspires the audience

New releases achieve good sales figures in home entertainment

Of the new releases, the Constantin Film in-house productions “Der Nachname”, “Rehragout-Rendezvous”, “Manta Manta – Zwoter Teil” and “Sonne und Beton” in particular lived up to sales expectations. Taken together, these four productions generated almost a million video-on-demand and electronic sell-through transactions and sold around 130,000 copies on audiovisual storage media. Among the licensed products, “Lamborghini” performed impressively with around 150,000 digital transactions. Consistently strong catalog business also contributed to this success.

TV exploitation still at good level

The premiere broadcasts of the “Split Homicide” episodes “Todesritt” and “Split vergisst nie” on ARD achieved top ratings of 5.6 million and 5.4 million viewers respectively and market shares of around 20 % each. “Kommissarin Lucas – Du bist mein” reached over 6 million viewers with a 21.8 % market share, giving ZDF the highest ratings of the day. “Kommissarin Lucas – Helden wie wir” achieved an impressive 23.6 % market share with 5.74 million viewers. The premiere broadcast of the eighth installment in the Eberhofer series, “Guglhupfgeschwader”, in ARD’s summer movie slot attracted 6.37 million viewers and an overall market share of 23.7 %. “Das perfekte Geheimnis” also achieved an impressive market share of 15.4 % in the 14–49 age group when broadcast in the summer movie slot, giving ARD the highest ratings of the day with a younger audience.

Strong ratings for TV service productions

“Liebes Kind”, a series based on the Romy Hausmann novel of the same name, has been watched more than 30 million times since it was released on Netflix in September 2023, topping the charts for weeks. Globally, the series was the no. 1 non-English-language TV show for several weeks, reaching the top ten in no fewer than 92 countries. This makes it the most successful German-language series of all time on Netflix.

The fourth season of the hit show “LOL – Last One Laughing”, which was released on Prime Video in April 2023, surpassed the previous seasons with 46 million views. All four seasons were viewed more than 80 million times during the reporting period. The “LOL Christmas Special” that was released in December reached 7 million views in just a few days.

The service productions “Dahoam is Dahoam” and “Der Sonntags-Stammtisch” are reliable ratings guarantees for BR, with the former delivering an average audience of almost 700,000 per episode and the latter attracting a peak overall market share of over 20 %.


Manchester City wins the UEFA Champions League against Inter Milan with 1:0.

2023

MANAGEMENT REPORT: SPORTS AND EVENT

Report on business performance and the situation

This year's UEFA Champions League, UEFA Conference League and UEFA Europa League once again offer exciting soccer

INDUSTRY CONDITIONS

TEAM Group

In June 2023, the media planning and purchasing company ZenithOptimedia estimated that global advertising expenditure had grown by 4.4 %, to around USD 881 billion, in 2023. This increase demonstrates continued recovery of the market following contraction in 2020 amid the Covid-19 pandemic and are in line with expectations, despite the continued Russian invasion of Ukraine. The forecasts for the economy and the advertising market in 2024 are positive, helped by major global events such as the US Presidential elections and the 2024 Summer Olympics in Paris.

Sport1 Medien AG

Following a weak start in the first half of 2023, the economic situation slowly picked up in the second half of the year. Thanks to a strong December, gross advertising spending actually saw a slight year-on-year improvement in 2023. According to the advertising and market research firm Nielsen, gross advertising spending by companies in Germany amounted to EUR 33.8 billion in 2023, up by 0.3 % on 2022.

General interest magazines (–8.1 %, EUR 2.6 billion) and TV (–3.5 %, EUR 16.5 billion) were the two categories that saw a lower advertising spend in 2023 than in the previous year. All the other categories reported growth in advertising revenue, most notably in the smallest category of cinema advertising (+22.3 %, EUR 118 million) and outdoor advertising (+11.2 %, EUR 2.9 billion). Newspapers also enjoyed considerable growth (+7.8 %, EUR 5.5 billion). Growth in the online category (+3.8 %, EUR 4.2 billion) is likely to be upwardly adjusted as marketing companies typically submit data with a time delay. Radio advertising revenue also increased (+2.9 %, EUR 2.0 billion).

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.

JOM estimates net advertising spending at EUR 25.7 billion in 2023, which would represent a reduction of around 1.5 % for the German advertising market. The war, inflation and the recession led to extensive savings being made in the first half of the year in particular. By contrast, Dentsu (+0.6 %) and Organisation der Mediaagenturen OMG (+4.6 %) are forecasting growth in the German advertising market. Looking at the slight deterioration in the economic situation compared to the previous year, substantial growth appears unlikely as advertising spending is often one of the first things to be cut when market conditions are difficult.

The Central Association of the German Advertising Industry (Zentralverband der deutschen Werbewirtschaft, ZAW) expects net advertising revenues across all media to have risen by 1.4 % to EUR 26.06 billion in 2023. According to ZAW, five of the 16 advertising segments performed less well than in the previous year, while three were unchanged and eight improved year-on-year – including the entire digital segment, which is seeing above-average growth.

Highlight Event AG

The 2023 financial year has continued to stabilize and normalize in the music events and entertainment sector. The Eurovision Song Contest 2023 events in Liverpool (semi finals, jury final and grand final) were sold out. The same was true for the Vienna Philharmonic's 2023 New Year's Concert, where the high level of demand again required a ballot to be held to distribute the tickets fairly (with ticket prices coming in at up to EUR 1,300). The Vienna Philharmonic's 2023 Summer Night Concert attracted an audience of around 50,000 attendees, thereby further underlining the strong demand for these events.

OPERATIONAL DEVELOPMENT

TEAM Group

In 2023, the focus on sustainability continued. In collaboration with TNT Sport UK, TEAM Group arranged a Cloud Production showcase event hosted in London (including a live behind the scenes demonstration of coverage of the UEFA Youth League Semi Finals). Another key focus area of the last year has been on supporting the evolution of UEFA Club Competitions coverage. For example, the pre-match period of the game between Salzburg and Benfica included body-cam footage. Also, cinematic cameras, already widely used by host broadcasters, have been incorporated more in the UEFA Club Competitions framework.

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

The tender process for the media rights to UEFA club competitions for 23 markets was carried out in Europe, Asia, Latin America, North America, Africa and Oceania for the 2024/25 to 2026/27 business cycle. In sponsorship, TEAM Group renewed deals with Heineken and Pepsico for the UEFA Champions League. In relation to the UEFA Europa League and UEFA Europa Conference League, a renewal with Engelbert Strauss was signed.

Implementation of the finals and last group stage

The TEAM Group's other focus in 2023 was on supporting UEFA in concluding the second season of the 2021/22 to 2023/24 commercial cycle.

The UEFA Champions League Final between Manchester City and Inter Milan was held on June 10, 2023 at the Atatürk Olympic Stadium in Istanbul, Turkey. Manchester City won the game 1:0 which meant the first UEFA Champions League title for the club from England.

In the final of the UEFA Europa League, Sevilla took on Roma in the Puskás Arena in Budapest, Hungary, on May 31, 2023. Sevilla won the game 4:1 on penalties (1:1 after extra time), making it the seventh time the club has won the Europa League, or its predecessor the UEFA Cup.

The second-ever UEFA Europa Conference League was won by West Ham United with a 2:1 win over Fiorentina. The final took place in Prague, Czechia on June 7, 2023.

In the UEFA Super Cup Final on August 16, 2023, Manchester City then beat Sevilla 5:4 on penalties (1:1 after extra time) at the Karaiskakis Stadium in Piraeus, Greece.

The last group stage before a change to the UEFA club competitions format consisted of 288 matches and was successfully completed.

The UEFA Super Cup thrills the fans. Manchester City beat Sevilla on penalties.

Sport1 Medien AG

SPORT1 acquires new rights, enters into groundbreaking partnerships and celebrates 30th anniversary

In the year under review, Sport1 GmbH acquired motorsports rights for the ADAC GT Masters and ADAC GT4 Germany series. 2023 also saw the broadcast of the Formula 1 highlights round-up “Sky Formel 1 Highlights” as part of a new cooperation with Sky with Automobilclub von Deutschland (AvD) as a sponsor, and a FIA World Rally Championship (WRC) highlights show. In June, SPORT1 was part of the large media alliance reporting on the 2023 Special Olympics World Games in Berlin, the world’s biggest inclusive sports event sponsored by Coca-Cola and Toyota. It also presented Kiel Week, the world’s largest sailing event, with Audi as a partner, and broadcast the BMW International Open in Eichenried, near Munich, live. Rights were also acquired for the Rugby Europe 7s Championship Series, the EuroHockey Championship, the HYLO PDC Europe Super League 2023 and the World Padel Tour, which was broadcast live on German free TV for the first time in cooperation with CUPRA. Additionally, SPORT1 launched the new darts format “MADHOUSE – Die Darts Show” and marked the start of the winter sports season by continuing the infotainment format “SKI & BERGE – Das DSV Magazin” in partnership with the German Ski Association.

In 2023, SPORT1 also celebrated its 30th anniversary with special initiatives such as an anniversary episode of “STAHLWERK Doppelpass” on January 22. SPORT1 also had reason to celebrate thanks to the World Darts Championship and the Ice Hockey World Championship, which set new records: An average of 600,000 viewers aged three and over (V3+) watched the World Darts Championship from mid-December 2022 to early January 2023, of which 300,000 belonged to the advertising-relevant core target group of men aged 14 to 59 (M14-59). Over the course of the tournament, the one-million mark was exceeded ten times, the two-million mark was reached three times, and thanks to Gabriel Clemens’ historic participation in the semi-final, the three-million mark was topped for the first time – which was also a new record in the 19-year history of the World Darts Championship being broadcast on SPORT1. Thanks to the Ice Hockey World Championship and the exciting end to the Bundesliga season, SPORT1 achieved its best daily market share in over seven years with an overall market share of 5.0 % on Whit Sunday. The final of the Ice Hockey World Championship between Germany and Canada was watched by up to 3 million viewers (V3+) at its peak and 1.9 million viewers on average – the second-best ice hockey audience in the station’s history. A peak figure of up to 1.12 million viewers (V3+) tuned in for “STAHLWERK Doppelpass” in the morning, with the overall market share amounting to 10.7 % (V3+) – a record last achieved in 2013.

Start of the Women’s Bundesliga and launch of the #FrauenFuerFussball movement

To mark the start of the Google Pixel Women’s Bundesliga, SPORT1 launched the #FrauenFuerFussball (“women for football”) movement in October as a new media partner of the German Football Association (DFB). The aim of the movement is to promote diversity, inclusion and female empowerment in football for the long term. Since its mission began, #FrauenFuerFussball has supported initiatives to advance girls’ and women’s football. The launch event was backed by high-profile ambassadors and big brands such as Volkswagen.

Launch of “SPORT1 Motor”, continuation of “Doppelpass on Tour” and marketing with well-known brands

In November, SPORT1 launched its first FAST (free ad-supported streaming TV) station, “SPORT1 Motor”, in cooperation with Samsung TV Plus.

Pure excitement: Darts Hylo DDC Europe Super League

In addition, SPORT1 announced the continuation of its stage show "Doppelpass on Tour" in the third quarter, which will tour more than 25 cities across Germany in the 2023/24 season from November onwards. The event series from Germany's number one soccer talk show has been organized in cooperation with S-Promotion Event GmbH since 2021.

In marketing, SPORT1 Business and MAGIC SPORTS MEDIA acquired PENNY, Neobet and SCHÖNER WOHNEN Polarweiss, among others, as advertising partners for the Ice Hockey World Championship. SPORT1 and MAGIC SPORTS MEDIA brought in well-known advertisers for the new Bundesliga season, including Das Örtliche, Krombacher, STAHLWERK, Tipico, Neobet and Bet-at-home, while the World Darts Championship integrated brands such as ERDINGER Brauhaus, Amgen, Tipico, ELTEN, JackpotPiraten.de and McDart.

Expansion of new business activities with numerous partnerships

In the area of new business, Sport1 GmbH entered into partnerships with Starzz and Car4Sports, among others, under which shares were acquired in the two partners in exchange for them being given extensive coverage on the SPORT1 platforms. New approaches based on the direct, interactive involvement of stars and fans are also being developed with Starzz, while the partnership with Car4Sports involves new approaches in the area of mobility solutions. SPORT1 continued to pursue this policy of a more vertical value chain in December with the launch of the PDC Europe NEXT GEN, a revolutionary and innovative tournament series for youth and amateur darts players from German-speaking countries, in cooperation with PDC Europe.

In June, Sport1 GmbH started a new venture with BRANDSOME in the live shopping sector, which offers unique performance solutions for customers and their brands to establish new sales and communication channels. One of the first clients was MediaMarktSaturn, Germany's leading electronics retailer.

Partnership with Ströer and launch of the SPORT1 Technology Hub

In September, Sport1 GmbH entered into a partnership with Ströer, Germany's largest digital marketing company, to market its digital content. Ströer took over conventional digital direct marketing for SPORT1 on January 1, 2024. Adtech solutions provided by Ströer's subsidiary Yieldlove are also used in overall programming marketing. Additionally, SPORT1 is investing extensively in the enhancement of its varied digital ecosystem, including the launch of the S1 Technology Hub in Warsaw in October. As part of SPORT1's "Maximize Moments in Sports & Entertainment" growth strategy, the Technology Hub forms the basis for the technological product development and scaling of the various digital offerings.

SPORT1 and PLAZAMEDIA enjoy success at the German Television Awards

Germany's leading sports platform was nominated in the "Best sports program" category at the 2023 German Television Awards for its live reporting on the 2023 World Darts Championship and was named one of the top three programs. For the first time ever, the jury voted a darts broadcast as one of the top three shows in Germany's most prestigious media award. PLAZAMEDIA GmbH also placed in the top three for its role as production service provider for the FIBA EuroBasket 2022 for MagentaTV/Telekom Deutschland.

The European 7-a-side rugby champions are crowned in Hamburg

PLAZAMEDIA highlights: opening of the briX|woRk.studio, extension of DAZN cooperation and Basketball World Cup

In February, PLAZAMEDIA celebrated the start of a new production era in the media location of Munich with the opening of its new extended reality (XR) LED studio. Featuring a 120 square meter LED wall, the briX|woRk.studio offers novel and diverse application possibilities for innovative and sustainably realized productions for film, broadcast and production companies, but also for advertising companies with their brands as well as event and creative agencies. A variety of projects have already been realized in the briX|woRk.studio since it opened, including the studio broadcasts for the UEFA Champions League final for DAZN and the Wings for Life World Run for Red Bull Media House, the theatrical movie “791 KM” for PANTALEON Films and ProU Producers, and the campaign to mark World Blood Donor Day for the blood donation services of the German Red Cross (DRK).

DAZN has a long-term agreement with PLAZAMEDIA on the provision of technical services for live production and playout. For the new contractual term to 2027, extensive optimizations of the technical infrastructure were initiated in order to upgrade the production standards. Another highlight in the year under review was realizing the studio show for the Basketball World Cup on behalf of Deutsche Telekom. In terms of technology, the extensive project for migrating the broadcasting center infrastructure to the latest IP standard 2110 was completed in 2023. This means PLAZAMEDIA is ideally positioned to meet the growing demand for high-quality TV productions.

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

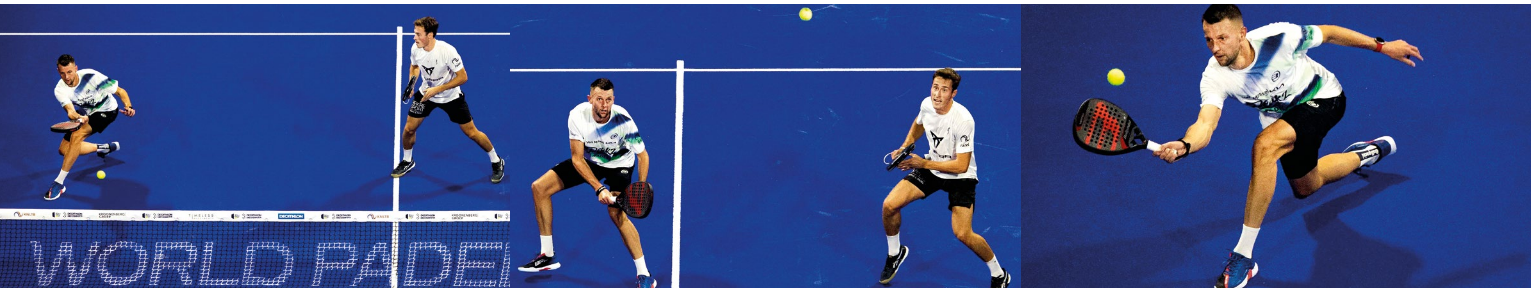
Highlight Event AG’s business activities focused on the intensive support and realization of the sponsorship agreements with the main sponsors of the Vienna Philharmonic and the Eurovision Song Contest, as well as the sale of additional sponsorship rights for the Eurovision Song Contest and the negotiation of global media and general orchestra contracts.

In addition, the agency agreement with the Vienna Philharmonic was extended ahead of schedule until 2032.

The contracts and events (Eurovision Song Contest in Liverpool as well as the New Year and Summer Night Concert of the Vienna Philharmonic Orchestra with additional TV and sponsor events in Hamburg, Prague and Tokyo) were very successfully fulfilled and implemented.

In addition to a successful streaming presence, the projects again achieved excellent TV audience figures. In particular, the New Year’s Concert (around 50 million) and the grand final of the Eurovision Song Contest (also around 50 million) reinforced their exceptional positions in the global music and entertainment market.

Another highlight was the 3rd EBU concert of the Vienna Philharmonic Orchestra in Prague, with a thematic focus on the Czech Republic, which was broadcast in over 50 countries.



Pure entertainment with the World Padel Tour

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

TEAM Group

UEFA Champions League continues to lead the way on social media/Impressive viewer numbers for UEFA club competitions

The official social media accounts of the UEFA Champions League extended their leading position among sports rights holders. The UEFA Champions League TikTok account is still the most-followed sporting competition and surpassed 1 billion likes in 2023. More broadly, the UEFA Champions League registered a record 40 billion engagements across all social media platforms. This development strengthens UEFA's digital presence and shows an increased connection with a younger audience.

The 2023 final of the UEFA Champions League was broadcast in more than 200 countries and seen by 140 million live TV, streaming and out-of-home viewers – down by 15 % compared to the previous season. The main reason behind the decrease was less free-to-air coverage in big markets.

The global live viewership for the UEFA Europa League final stood at 47.3 million, which is the highest in four years. The final of the UEFA Europa Conference League also attracted a large live viewership, with 32.9 million live TV, streaming and out-of-home viewers. The UEFA Super Cup attracted a live viewership of 28.4 million.

Sport1 Medien AG

Free TV distribution still at high level

In 2023, the free TV broadcaster SPORT1 was available in 32.05 million (2022: 31.97 million) or 82.7 % (2022: 82.5 %) of all reachable households in Germany, and therefore almost nationwide.

SPORT1 has proven to be extremely successful, with its free TV market share increasing continuously since 2020. With its free TV channels, SPORT1 achieved market shares of 0.6 % among viewers aged three and over in 2023 (2022: 0.5 %) and 1.2 % in the core target group of men aged 14 to 59 (2022: 1.0 %).

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", the World Darts Championship and the Ice Hockey World Championship.

Pay TV distribution consistently high

The pay TV broadcaster SPORT1+ had around 1.88 million subscribers in total as of December 31, 2023 (December 31, 2022: 1.83 million). eSPORTS1 had around 2.10 million subscribers as December 31, 2023 (December 31, 2022: 2.13 million).

Highlight in Mönchengladbach: The city is the host city for the Euro Hockey Championship 2023

A popular sports destination for digital content with extensive live and on-demand options

SPORT1 and its digital channels were extremely popular once again in 2023, not least thanks to their extensive video content. In the first half of the year, visits to SPORT1 increased by 11 % year-on-year on the back of high-visibility sports events like the World Darts Championship, the Ice Hockey World Championship and the exciting fight for the Bundesliga title. In the second half of the year, visits were down 12 % year-on-year due to the lack of major coverage highlights – a trend that was also observable at SPORT1's competitors.

Good live stream ratings and an effective video strategy meant that video views on SPORT1's own platforms, i.e. not including YouTube channels, were 10 % higher than in the previous year.

On its YouTube channels, SPORT1 achieved a 7 % increase in video views compared to 2022. Here, too, the battle for the Bundesliga title was responsible for a record 41 million video views in April, thanks in part to the popularity of YouTube Shorts.

Extensive range of audio podcasts and leading social media position reinforced

SPORT1 launched its own podcast family in September 2019. This comprised around 30 podcasts at the end of December 2023. They 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.

At the end of December 2023, SPORT1 had a total of 7.2 million fans and followers across its social media channels on Facebook, Instagram, TikTok, X and YouTube, as well as the WhatsApp and Threads channels that were added in the past year (December 2022: 7 million). The TikTok community remains particularly strong: SPORT1 currently has over 1.1 million followers on the platform – more than any other sports medium from the German-language countries.

The Eurovision Song Contest 2023 – Sweden wins in Liverpool

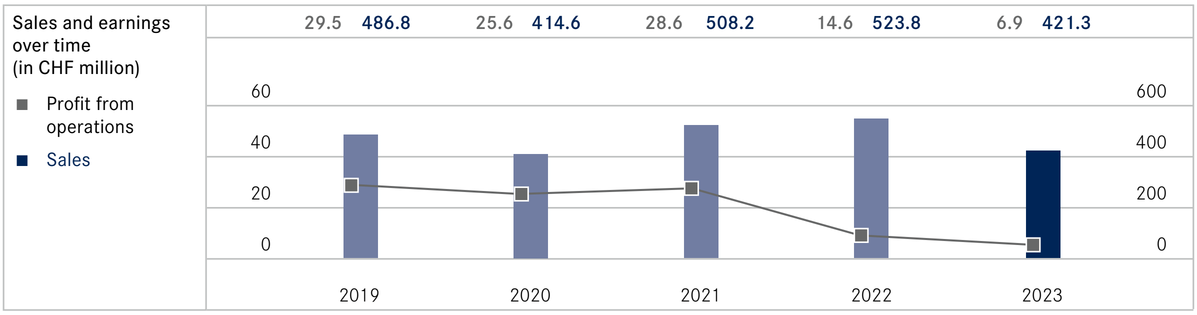
Summer Night Concert of the Vienna Philharmonic Orchestra – a complete success

Highlight Event AG

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

The Vienna Philharmonic's New Year's Concert and Summer Night Concert were again broadcast by public broadcasters (including the EBU) in around 90 countries and on the medici.tv streaming platform in all other countries. TV viewing figures for the concerts were stable (around 50 million and 5 million respectively), which is an extremely encouraging development in light of the falling TV audience figures across the market as a whole.

The ESC, which took place in Liverpool in 2023, was broadcast live in over 40 countries and also achieved excellent figures with around 160 million TV viewers in total (for all three shows).
The Eurovision Song Contest 2024 will be held in Malmö following Sweden's victory 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 2023. At CHF 421.3 million, consolidated sales were down 19.6 % on the prior-year figure of CHF 523.8 million.

EBIT declined by 52.9 % to CHF 6.9 million, while the consolidated net loss of CHF –10.6 million was down on the figure of CHF –2.5 million in the previous year.

With a consolidated net loss attributable to shareholders of CHF –10.6 million after CHF –2.9 million in the previous year, earnings per share declined from CHF –0.05 in the previous year to CHF –0.19.

RESULTS OF GROUP OPERATIONS

Reduction in consolidated sales

The Highlight Group generated consolidated sales of CHF 421.3 million in the past fiscal year, a reduction of CHF 102.5 million as against the previous year (CHF 523.8 million). The Film segment generated lower external sales than in the previous year, while external sales in the Sports and Event segment increased slightly.

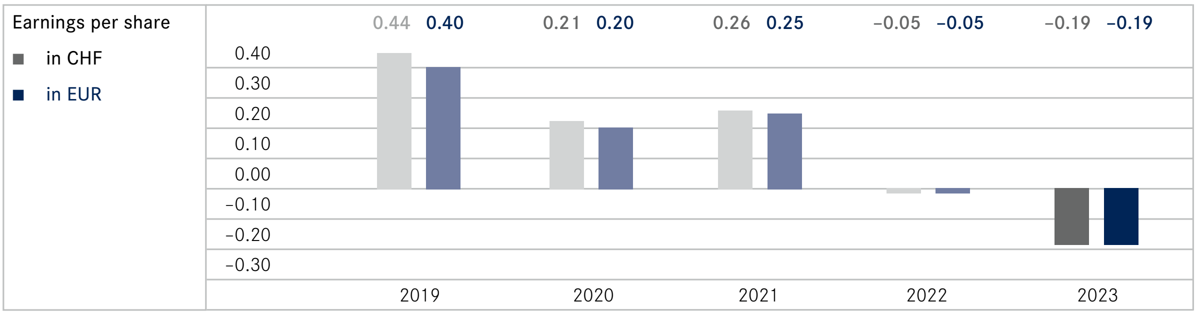
At CHF 76.5 million, capitalized film production costs and other own work capitalized were up significantly by CHF 11.9 million on the figure for 2022 (CHF 64.6 million).

Other operating income declined to CHF 15.2 million (previous year: CHF 25.6 million).

EBIT down on previous year

At CHF 506.2 million in total, consolidated operating expenses were down CHF 93.2 million or 15.5 % on the figure for 2022 (CHF 599.4 million). The cost of materials and licenses fell by CHF 65.9 million to CHF 219.8 million (previous year: CHF 285.7 million) as a result of production. At the same time, staff costs declined by CHF 10.2 million to CHF 164.9 million (previous year: CHF 175.1 million) and amortization was down CHF 13.3 million year-on-year at CHF 66.4 million (previous year: CHF 79.7 million), mainly due to production-related factors relating to film assets.

Overall, EBIT fell by CHF 7.7 million or 52.9 % to CHF 6.9 million (previous year: CHF 14.6 million).



Consolidated result down

The financial result fell by CHF 2.8 million to CHF -12.9 million (previous year: CHF -10.1 million). Financial income was down CHF 3.3 million at CHF 5.1 million (previous year: CHF 8.4 million), while financial expenses declined slightly by CHF 0.5 million to CHF 18.1 million (previous year: CHF 18.5 million). Taking into account tax expenses (income taxes and deferred taxes) of CHF 0.6 million (previous year: CHF 5.5 million), the Highlight Group reported a consolidated net loss for fiscal 2023 of CHF 10.6 million (previous year: consolidated net loss of CHF 2.5 million). The share of results attributable to Highlight's shareholders therefore declined to CHF -10.6 million after CHF -2.9 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 -0.19 (previous year: CHF -0.05).

RESULTS OF SEGMENT OPERATIONS

Film: Earnings down

There were a total of three in-house and co-productions in theatrical production. In 2023, shooting took place on the in-house productions "Chantal im Märchenland" and "September 5", as well as a psychological thriller set in the US with the working title of "Psycho Killer". In terms of international projects, shooting for "In the Lost Lands" and "Hagen" was completed.

In theatrical distribution, ten films were released in German theaters during the fiscal year, including "Rehragout-Rendezvous" from the Eberhofer series, "Manta Manta – Zwoter Teil" and "Sonne und Beton".

The market share in home entertainment exploitation increased thanks to a balanced portfolio and a strong focus on German productions, with big-selling films including "Guglhupfgeschwader", "After Forever" and "Monster Hunter".

In TV exploitation/license trading, numerous license sales of in-house and third-party productions took place with established and new partners in 2023. The premiere broadcasts of "Guglhupfgeschwader" and "Contra" achieved high market shares.

Sales in the Film segment fell by 29.1 % to CHF 253.6 million in the year under review (previous year: CHF 357.4 million). Other segment income, which is largely influenced by capitalized film production costs, rose by 10.9 % to CHF 85.5 million (previous year: CHF 77.1 million). At the same time, segment expenses declined by a total of 21.2 % to CHF 330.5 million due to the significant reduction in amortization in particular (previous year: CHF 419.3 million). At CHF 8.7 million, segment earnings were down 42.5 % year-on-year (previous year: CHF 15.2 million).

Exciting and humorous: “Wendehammer”

Sports and Event: Segment sales at prior-year level

In 2023, the TEAM Group focused on supporting UEFA in concluding the second season of the 2021/22 to 2023/24 commercial cycle.

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, again concluding several key partnerships at an early stage.

In the area of music, classical music and entertainment marketing, Highlight Event AG focused on the intensive support and realization of the sponsorship agreements with the main sponsors of the Vienna Philharmonic and the Eurovision Song Contest, as well as the sale of additional sponsorship rights for the Eurovision Song Contest. Additionally, the agreement with the Vienna Philharmonic was extended until 2032 ahead of schedule.

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 167.7 million, external sales in the Sports and Event segment were up 0.8 % on the previous year’s level (CHF 166.4 million). Segment expenses declined from CHF 176.6 million to CHF 170.9 million, while other income fell from CHF 13.3 million to CHF 6.4 million.

As a result, segment earnings were down slightly year-on-year at CHF 3.9 million (previous year: CHF 5.6 million).

Holding costs under prior-year level

The costs of holding activities decreased by CHF 0.4 million in fiscal 2023 to CHF 5.8 million (previous year: CHF 6.2 million).

NET ASSETS SITUATION

Total assets down year-on-year

As of December 31, 2023, the total assets of the Highlight Group amounted to CHF 598.8 million, a reduction of CHF 35.4 million as against the end of 2022 (CHF 634.2 million).

On the assets side of the statement of financial position, the decrease was exclusively due to current assets, which fell by CHF 71.9 million to CHF 148.2 million (December 31, 2022: CHF 220.1 million). This development was largely attributable to trade receivables and other receivables, which decreased by a total of CHF 63.1 million to CHF 84.4 million (December 31, 2022: CHF 147.5 million). At the same time, cash and cash equivalents declined by CHF 4.4 million to CHF 25.5 million (December 31, 2022: CHF 29.9 million), while inventories fell by CHF 4.1 million to CHF 7.5 million.

Pure suspense: "Kroatien-Krimi – Jagd auf einen Toten"

Total non-current assets rose by CHF 36.5 million to CHF 450.6 million (December 31, 2022: CHF 414.1 million). This was primarily due to the increase in film assets by CHF 40.7 million to CHF 196.0 million and the CHF 20.3 million increase in other assets to CHF 24.9 million, while other intangible assets fell by CHF 5.4 million to CHF 50.0 million (December 31, 2022: CHF 55.4 million). The share of non-current assets in total assets therefore rose to 75.3 % (previous year: 65.3 %).

Film assets

The value of film assets was CHF 196.0 million as of the end of the reporting period, an increase of CHF 40.7 million compared with the end of 2022 (CHF 155.4 million). CHF 189.2 million of this figure related to in-house productions (December 31, 2022: CHF 148.4 million) and CHF 6.8 million to third-party productions (December 31, 2022: CHF 7.0 million).

Current liabilities up, non-current liabilities down

On the equity and liabilities side of the statement of financial position, current liabilities rose by CHF 73.8 million to CHF 383.7 million (December 31, 2022: CHF 310.0 million), largely as a result of the reclassification of financial liabilities to current liabilities.

Non-current liabilities fell by CHF 83.6 million to CHF 54.7 million (December 31, 2022: CHF 138.3 million). This mainly resulted from the reclassification of financial liabilities.

Equity ratio slightly down year-on-year

Consolidated equity (including non-controlling interests) decreased by CHF 25.6 million from CHF 186 million as of the end of the previous year to CHF 160.4 million. Equity was mainly reduced by the consolidated net loss for the period of CHF –10.6 million.

Relative to total assets, this equity corresponds to a notional equity ratio of 26.8 % – a decrease of 2.5 percentage points as against December 31, 2022 (29.3 %). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and film assets against advance payments received) was 30.2 % as of the end of 2023 (December 31, 2022: 32.8 %).

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 134.5 million

Cash and cash equivalents amounted to CHF 25.5 million as of December 31, 2023, down CHF 4.4 million as against the end of fiscal 2022 (CHF 29.9 million). At the same time, current financial liabilities increased by CHF 41.4 million to CHF 153.7 million (December 31, 2022: CHF 112.3 million). Taking current lease liabilities into account, current net debt amounted to CHF 134.5 million as of the end of the reporting period (December 31, 2022: CHF 89.1 million), resulting in gearing of 83.9 % (previous year: 47.9 %). Including non-current financial and lease liabilities, net debt amounted to CHF 163.1 million (previous year: CHF 197.3 million).

Huge success with the psychological thriller series: "Liebes Kind"

Operating activities generated a net cash inflow of CHF 140.7 million in the year under review. The increase of CHF 39.4 million as against fiscal 2022 (CHF 101.3 million) was due in part to changes in net working capital.

Net cash used in investing activities increased by CHF 2.4 million year-on-year to CHF 109.9 million (previous year: CHF 107.5 million). This development was mainly due to the CHF 5.0 million increase in payments for film assets to CHF 97.1 million (previous year: CHF 92.1 million) as a result of production.

The cash used in the Highlight Group's financing activities amounted to CHF 34.1 million in fiscal 2023 (previous year: CHF 10.8 million). Repayments of current financial liabilities amounted to CHF 59.2 million (previous year: CHF 48.2 million), while dividend distributions were down slightly year-on-year at CHF 0.9 million (previous year: CHF 1.1 million). There were proceeds of CHF 17.0 million from taking up current financial liabilities (previous year: CHF 43.7 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 in the euro area were between 1 % and 8 % in the year under review. For other foreign currencies, especially USD and CAD, interest rates were between 2.25 % and 7.50 %. 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 2023, the Highlight Group employed an average of 1,524 people (previous year: 1,508), including freelance staff. 162 of these (previous year: 148) worked in Switzerland and 1,362 (previous year: 1,360) in Germany.

“Die Heiland – Wir sind Anwalt” thrilled viewers again this year

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.

Continuation of the successful series: “Dahoam is Dahoam”

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 current Film Funding Act (FFG) expires at the end of 2024. The producers' associations, the Working Group on Documentary Film (AG Dok), the German Film Academy and other film associations are therefore working with the Federal Minister of Culture (BKM) to bring about a major change in film financing. The reform should include an investment obligation for streaming providers, possibly with an obligatory retention of rights for producers. The second pillar will be automated location funding for cinema productions, TV and streaming productions as well as service provider funding for projects with a budget of at least EUR 20 million. As a third pillar, obligations for broadcasters (public and private broadcasters) are planned in the form of acquisition obligations, co-production participations and advance licensing. In addition, the FFA and BKM structures are to be reformed. The FFA is to be restructured into a film agency. Among other things, there are calls for a strengthening of reference funding, project development funding and a strengthening of authors' rights. State and federal funding is to be harmonized as part of this and the planned changes implemented by January 1, 2025.
- 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 entry into force of the European AI Regulation (Artificial Intelligence Regulation, the date has not yet been set) may lead to stricter requirements for users of AI systems, particularly in the areas of information obligations and checks on admissibility under data protection law prior to commissioning. The review is particularly necessary in order to comply with the accountability obligation and requires a data protection impact assessment depending on the risk of the AI systems. The possible applications and legal requirements must also be taken into account during implementation.
- The draft bill on amendments to the current German Federal Data Protection Act of August 17, 2023 includes changes, particularly in the areas of personnel and joint responsibility. The associations are currently being consulted and implementation is not yet foreseeable.
- 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.
- 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. 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 shift towards digital evaluation channels, which was already apparent in the market before the coronavirus pandemic, could accelerate further as a result. 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 current “World Economic Outlook” from January 2024, the International Monetary Fund (IMF) expects the economic situation to be under pressure overall in 2024. This means that the economic recovery from the consequences of the coronavirus pandemic will continue to be slowed and will still not be able to reach pre-crisis levels. The decisive factors are the increasing geo-economic and geopolitical tensions, for example in the Middle East, the high interest rates set by central banks to combat inflation, the Russian war of aggression in Ukraine and extreme weather events. According to the experts, the growth rate for global economic output in 2024 will be 3.1 %, as in the previous year. A global recession is not expected. According to IMF data, global inflation fell to 6.8 % in 2023 and an annual average inflation rate of 5.8 % is forecast for 2024.

Growth in the United States is forecast to fall from 2.5 % in 2023 to 2.1 % in 2024, with the delayed effects of monetary tightening, the gradual tightening of fiscal policy and the softening of labor markets slowing overall demand.

According to IMF estimates, the economy in the eurozone will grow by 0.9 % in 2024, which corresponds to improved growth compared to the previous year (0.5 %). For Germany, the IMF forecasts a growth rate of just 0.5 % in 2024, which nevertheless represents an improvement following the decline in economic output in 2023 (–0.3 %).

According to its forecasts from December 2023, the State Secretariat for Economic Affairs (SECO) expects the Swiss economy to grow by 1.1 % in 2024, compared to 1.3 % in 2023. This would mean that the Swiss economy would grow at a significantly below-average rate for two years in a row, but without falling into a pronounced recession. The global economy and Switzerland are not expected to recover from the weak phase until 2025. Growth in the Swiss economy should then normalize to 1.7 %.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

The audit company PricewaterhouseCoopers (PwC) expects the German entertainment and media industry to grow by an average of 2.1 % per year until 2027, with total sales rising to EUR 73.1 billion by 2027. According to the forecast, the majority of this revenue will still be generated from non-digital areas (EUR 42.8 billion). Nevertheless, digitalization is the major growth driver in this sector. According to the forecast, the digital segments will grow by an average of 4.8 % per year until 2027, while growth in non-digital areas will virtually stagnate. Data consumption will also continue to rise sharply. PwC is forecasting annual growth of 20.7 % to a total of 266.4 billion gigabytes (GB) by 2027.

FOCUS IN FISCAL YEAR 2023

Film segment

Industry conditions

After all the measures to contain the Covid-19 pandemic were lifted at the start of 2023, the PwC German Entertainment and Media Outlook 2023–2027 forecasts that the movie theater industry will continue to recover from the pandemic period in the years ahead. The PwC German Entertainment and Media Outlook is quite optimistic for the future following the pandemic years, forecasting an average annual growth rate for the German movie theater market of 7.5 % between now and 2027 in terms of total sales.

In the area of home entertainment, 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, whereas the physical segment will see lower sales. The PwC German Entertainment and Media Outlook 2023–2027 anticipates positive growth rates for both SVoD sales and the TVoD segment in the coming years.

Following a downward trend in previous years, the number of German TV households is expected to fall by an average of 0.5 % per year between now and 2027. Sales generated by TV subscriptions (including commission fees) are also set to decline by an average of around 0.6 % per year until 2027. The German TV advertising market is forecast to contract by 0.8 % per year on average between now and 2027. Although average annual growth of 2.1 % is forecast for online TV advertising sales until 2027, linear TV advertising sales are expected to fall by an average of 1.0 % per year.

Orders for fully funded service productions have declined overall as a result of the consolidation of the streaming market. The streaming sector will continue to see consolidation at international and national level in the future. At the same time, the order volume from national broadcasters will increase in the event of a continued recovery in the advertising market.

In addition to facing particular challenges and the prospect of restructuring, public broadcasting is dependent on political decisions concerning the future development of the broadcasting fee.

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 and co-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 also considered if they have a convincing concept. Each planned 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, the Constantin Film Group is implementing 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 a strategically favorable time. This year, too, estimating the potential success of movies with theatrical exploitation is of crucial importance to the Constantin Film Group. Because theatrical exploitation and the associated brand launch continue to provide the foundations for the subsequent stages of exploitation, the Constantin Film Group intends to adopt a product-focused strategy. This means the quantity structures will depend on the extent to which promising titles can be produced or acquired.

As things currently stand, at least twelve new theatrical releases are scheduled for 2024. This includes in-house and co-productions like the new movie from successful director Bora Dagtekin, “Chantal im Märchenland”, the major international production “Hagen”, which will run in theaters and as a six-part series on RTL, and “Der Spitzname”, the new production from Sönke Wortmann. Licensed titles including “Bride Hard”, “Bad Genius” and “Clown in a Cornfield” will be screened in German movie theaters.

The Constantin Film Group is again excellently positioned for home entertainment exploitation in 2024 with its German in-house theatrical productions “Chantal im Märchenland”, “Das Beste kommt noch!” and “WOW! Nachricht aus dem All” and international license purchases including “The Three Musketeers: Milady”, “Boy Kills World” and “Clown in a Cornfield”, 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 2024 are also based on the Constantin Film Group’s own digital distribution operations and consistently good sales figures for catalog products.

In 2024, sales in free TV exploitation will be generated by “Family Affairs”, “Monster Hunter”, “Welcome to Raccoon City”, “Liebesdings” (an Anika Decker movie starring Elyas M’Barek), “After Forever” and “Rehragout-Rendezvous”, among others. Titles that will generate significant revenue on pay TV include “Manta Manta 2”, “Sonne und Beton”, “Caveman”, “Das Beste kommt noch!” and “Perfect Addiction”.

The subsidiaries of Constantin Film AG are constantly working to develop innovative TV formats in the 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.

For the coming year, Constantin Film expects demand for content in the area of service, licensed and co-productions for TV and streaming services to remain largely stable. Accordingly, Constantin Film’s subsidiaries are preparing a number of projects, including more seasons of the daily soap opera “Dahoam is Dahoam” (BR), “Heiland” (ARD), new episodes of the TV series “Kroatien-Krimi” (ARD) and “Passau-Krimi” (Degeto), and major projects/premium series including a second season of “Friedrichstadtpalast”.

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

The Ad Spend Report published by the agency group Dentsu forecasts growth in advertising expenditure of 1.8 % in Germany in 2024 – provided there are no major changes in the economic and political environment. Major sporting events such as the UEFA EURO and the Summer Olympics in Paris, for example, will ensure this growth. Digital also continues to grow – albeit at a single-digit rate since 2023 – and thus remains a growth driver.

JOM also anticipates moderate growth in net advertising expenditure for the German market – up 1.2 % on 2023 to just over EUR 26 billion. JOM sees the reason for this in an improved economic situation and an improved consumer climate.

The European Football Championship is likely to provide an important impetus and a noticeable upturn in the advertising market is expected in the second half of the year. The highest growth rates are predicted for online moving images and the shift of traditional TV budgets to the digital world is set to continue. Radio and outdoor advertising are expected to continue to grow, as is the online advertising category.

The auditing firm PricewaterhouseCoopers expects an average annual growth rate of 2.1 % for the German entertainment and media industry between 2022 and 2027. Total revenue in 2027 is expected to reach EUR 73.1 billion. Digitalization remains the major growth driver for the industry, with average annual growth of 4.8 % expected in the forecast period. Non-digital areas are expected to remain stable at 0.3 % per year.

The positive trend in advertising revenue is expected to continue: PwC assumes an average annual growth rate of 3.5 % to EUR 29.0 billion for the period from 2022 to 2027. Digital advertising is expected to generate the largest share of revenue at EUR 16.2 billion, which would correspond to average annual growth of 4.7 %.

Analysis of the individual segments:

- Newspapers and magazines: Revenue is expected to fall by an average of 1.8 % per year to EUR 8.5 billion in 2027. 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 3.5 % between 2022 and 2027 to a value of EUR 5.6 billion. The rate of revenue growth is expected to slow from 7.5 % in 2023 to 1.1 % in 2027.
- Cinema: The post-pandemic recovery effect will continue with expected average growth of 7.5 % to EUR 1.1 billion in 2027. This would mean that the pre-pandemic level would be reached again for the first time.
- Television: TV households are forecast to decline by an average of 0.5 % per year until 2027. In the forecast period from 2022 to 2027, revenue in the television and subscription segment is expected to decline by an average of 0.6 % per year to EUR 6.3 billion.
- TV advertising: Advertising income from TV broadcasting is also declining (–4.2 %), while online TV advertising is expected to grow by an average of 2.1 % per year. However, at EUR 299.1 million, the share is not high enough to compensate for the losses in linear TV advertising. Between 2022 and 2027, total TV advertising revenue is expected to decline by an average of 0.8 % per year to EUR 4.3 billion.
- Internet video: Expenditure on VoD services in Germany is expected to continue to grow over the next few years, averaging 7.0 % per year to EUR 4.7 billion in 2027. This growth is due to the fact that more and more households are using multiple streaming services.
- Online advertising: Average growth of 4.5 % to EUR 15.7 billion in 2027. At 6.3 % per year, mobile advertising is growing almost three times as fast as desktop advertising (2.2 % per year on average). Revenues from display advertising are expected to continue to gain ground on paid search.

Key areas

TEAM Group

In the first half of 2024, 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 third and final season of the three-year rights cycle from 2021/22 to 2023/24. The UEFA Champions League final will take place in London (United Kingdom) at Wembley for the first time since 2012. The finals of the UEFA Europa League and UEFA Europa Conference League will be played in Dublin (Republic of Ireland) and Athens (Greece) respectively.

Sport1 Medien AG

In fiscal 2024, the focus will again be on the systematic use, distribution and capitalization of 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 remain central. In particular, the core sports include football, darts, motorsports, ice hockey, volleyball, US sports and esports. Given the continued massive growth in the digital and cross-platform use of media content, the Sports segment will also continue to promote the digital diversification of the SPORT1 brand, while at the same time creating new content and marketing environments. On the basis of the wide reach of its platforms, the rights acquired on a long-term basis and the existing target group, the SPORT1 MEDIEN Group plans to successively create its own digital products geared toward its platforms' target group and hence make itself less dependent on the advertising market. Another focal point is the planning and implementation of promising Web3 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 2024.

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

In 2024, Highlight Event AG will again primarily focus on the successful consulting, performance and fulfillment of the agency agreements with the Vienna Philharmonic and with the European Broadcasting Union (EBU) for the Eurovision Song Contest, as well as the associated media and marketing agreements.

The Eurovision Song Contest 2024 will be held in Malmö.

In addition to the two major events in Vienna – the New Year's Concert at the Musikverein and the Summer Night Concert in the Schönbrunn Palace Gardens – events for the Vienna Philharmonic will be realized in New York, Berlin, Madrid and Paris. Activities will also concentrate on contractual negotiations and preparations for the coming years, including events in Seoul, Milan and Paris, as well as the sale of the sponsorship rights for the Eurovision Song Contest 2025 alongside existing partners such as the main sponsor, Moroccanoil.

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.

Inflation, consumer behavior and the Ukraine and Middle East crises are generating increased planning uncertainty for fiscal 2024.

The Constantin Film Group expects to release commercially successful movies in German theaters once again in fiscal 2024. Overall, the Board of Directors therefore expects sales from German theatrical exploitation to be significantly higher than in the previous year. One candidate with particular commercial potential at the box office is the new movie from director Bora Dagtekin, “Chantal im Märchenland”. Following the outstanding success of his last four productions (“Suck Me Shakespeer 1–3” and “Das perfekte Geheimnis”), all of which attracted more than five million moviegoers in Germany, this new title is set to continue Dagtekin’s string of successful releases. The major international production “Hagen”, which will run in theaters and as a six-part series on RTL, is another important and promising cornerstone of a varied and broad-based slate comprising at least twelve theatrical releases.

In home entertainment, sales in Germany are expected to be down slightly on the previous year. The top titles for exploitation in 2024 are set to be “Chantal im Märchenland”, “Das Beste kommt noch!” and “Wow! Nachricht aus dem All”. Movies that are released in theaters in the first half of the year typically 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 for German movies. An industry agreement in 2023 reduced the holdback period from six months to 120 days, which has been proven to make the marketing of productions even more economically efficient.

In license trading/TV exploitation (pay TV and free TV), sales generated in Germany from fictional productions are expected to be higher than in the previous year. Key movies with high sales in 2024 will include “Family Affairs”, “Monster Hunter”, “Welcome to Raccoon City”, “After Forever”, “The Pool” and “Rehragout-Rendezvous”.

Sales from the international exploitation of in-house and co-productions are expected to be higher in 2024 than in the previous year. The main sales drivers in this area will be the international productions “In the Lost Lands”, “Wir Kinder vom Bahnhof Zoo” and “Monster Hunter”, as well as revenues from the international exploitation of the Resident Evil movie series.

As many market developments need to be closely observed for the time being and projects may be requested at extremely short notice, the Board of Directors expects sales from service productions in the fiction segment to be lower in 2024 than in the previous year. The main projects that will lead to significant sales in 2024 include season 21 of “Dahoam is Dahoam”, “Cassandra”, “Achtsam Morden” and “Exterritorial”. In the non-fiction segment, the Constantin Entertainment Group expects to generate higher sales than in the previous year. As such, total sales from service productions (fiction and non-fiction) are forecast to be around the same as in the previous year.

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 last season of the 2021–22 to 2023–24 period and the first season of the new commercial cycle, which will see the introduction of a new format.

SPORT1 will again focus on the use, distribution and capitalization of content in 2024. In addition to the exploitation of key sports, it is still working intensively on expanding its cross-platform media content to push the diversification of the SPORT1 brand. SPORT1's activities will be guided by the "Maximize Moments in Sports & Entertainment" vision – with the brand promise of being in the heart of the action with the respective B2C and B2B target groups.

In 2024, 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 2024

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.


The cast of “WOW! Message from outer space” celebrates the premiere on the red carpet.

2023

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2023 of Highlight Communications AG, Pratteln

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2023

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2023	Dec. 31, 2022
Non-current assets			
In-house productions		189,193	148,381
Third-party productions		6,810	6,971
Film assets	6.1	196,003	155,352
Other intangible assets	6.2	49,977	55,351
Goodwill	6.2	107,901	114,207
Property, plant and equipment	6.3	18,129	19,879
Right-of-use assets	6.4	28,876	35,391
Investments in associates and joint ventures	6.6	47	1,963
Non-current receivables	6.7	16,699	18,861
Other assets	6.9	24,851	4,527
Deferred tax assets	6.8	8,125	8,610
		450,608	414,141
Current assets			
Inventories	6.10	7,486	11,546
Trade receivables and other receivables	6.11	84,389	147,490
Contract assets	6.12	26,175	28,992
Receivables from associates and joint ventures	12	7	65
Income tax receivables	6.13	4,649	2,105
Cash and cash equivalents	6.14	25,498	29,909
		148,204	220,107
Assets		598,812	634,248

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

EQUITY AND LIABILITIES (TCHF)		Note	Dec. 31, 2023	Dec. 31, 2022
Equity		6.15		
	Issued capital		63,000	63,000
	Treasury shares		–6,255	–6,255
	Capital reserves		–104,136	–104,458
	Other reserves		–77,264	–66,049
	Profit carryforward		282,994	296,846
	Equity attributable to shareholders		158,339	183,084
	Non-controlling interests		2,052	2,938
			160,391	186,022
Non-current liabilities				
	Financial liabilities	6.18	3,470	77,058
	Lease liabilities	6.4	25,123	31,154
	Other liabilities		81	168
	Pension obligations	6.16	3,545	2,942
	Deferred tax liabilities	6.17	22,457	26,943
			54,676	138,265
Current liabilities				
	Financial liabilities	6.18	153,715	112,267
	Lease liabilities	6.4	6,306	6,725
	Advance payments received	6.19	42,068	36,381
	Trade payables and other liabilities	6.20	149,879	121,108
	Contract liabilities	6.21	28,482	21,633
	Provisions	6.22	690	1,375
	Income tax liabilities	6.23	2,605	10,472
			383,745	309,961
Equity and liabilities			598,812	634,248

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

CONSOLIDATED INCOME STATEMENT 2023

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Sales		**421,300**	**523,847**
Capitalized film production costs and other own work capitalized	7.2	**76,525**	**64,579**
Other operating income	7.3	**15,248**	**25,563**
Costs for licenses, commissions and materials		–53,390	–59,462
Cost of purchased services		–166,398	–226,247
Cost of materials and licenses	7.4	**–219,788**	**–285,709**
Salaries		–145,697	–154,007
Social security, pension costs		–19,183	–21,095
Staff costs		**–164,880**	**–175,102**
Amortization, impairment and reversals of impairment of film assets	6.1	–43,902	–57,858
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	6.2/6.3	–15,682	–14,542
Amortization, depreciation and impairment of right-of-use assets	6.4	–6,861	–7,052
Amortization and impairment of goodwill	6.2	–	–249
Amortization, impairment and reversals of impairment		**–66,445**	**–79,701**
Other operating expenses	7.5	**–55,060**	**–58,782**
Impairment/reversals of impairment of financial assets	7.6	**–34**	**–111**
Gains/losses from the derecognition of financial assets at amortized cost		**–7**	**–10**
Profit from operations		**6,859**	**14,574**
Net income from equity investments in associates and joint ventures	6.6	**–3,928**	**–1,456**
Financial income	7.7	5,145	8,416
Financial expenses	7.8	–18,075	–18,549
Financial result		**–12,930**	**–10,133**
Profit before taxes		**–9,999**	**2,985**
Income taxes		–3,705	–1,998
Deferred taxes		3,093	–3,486
Taxes	7.9	**–612**	**–5,484**
Net profit for the period		**–10,611**	**–2,499**
thereof shareholders' interests		–10,613	–2,939
thereof non-controlling interests		2	440

Earnings per share (CHF)		
Earnings per share attributable to shareholders (basic)	–0.19	–0.05
Earnings per share attributable to shareholders (diluted)	–0.19	–0.05
Average number of shares outstanding (basic)	56,745,482	56,711,344
Average number of shares outstanding (diluted)	56,745,482	56,711,344

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS 2023

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Net profit for the period		**–10,611**	**–2,499**
Unrealized gains/losses from currency translation		–11,445	–9,124
Reclassification of realized gains/losses through profit or loss		–	–
Currency translation differences	6.15	–11,445	–9,124
Gains/losses from cash flow hedges	6.15	173	536
Items that can be reclassified to profit or loss		**–11,272**	**–8,588**
Actuarial gains/losses of defined benefit pension plans	6.15	–1,066	1,646
Gains/losses from financial assets at fair value through other comprehensive income	6.15	–2,173	–
Items that cannot be reclassified to profit or loss		**–3,239**	**1,646**
Total other comprehensive income/loss, net of tax		**–14,511**	**–6,942**
Total comprehensive income/loss		**–25,122**	**–9,441**
thereof shareholders' interests		–25,067	–9,616
thereof non-controlling interests		–55	175

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2023

Highlight Communications AG, Pratteln

(TCHF)	Note	Equity Issued capital	 Treasury shares
Balance as of January 1, 2023		63,000	–6,255
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		–	–
Capital increase		–	–
Dividend payments		–	–
Personnel expenses from share-based payment		–	–
Balance as of December 31, 2023	6.15	63,000	–6,255
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

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
–104,458	**–66,049**	**296,846**	**183,084**	**2,938**	**186,022**
–	–11,388	–	–11,388	–57	–11,445
–	173	–	173	–	173
–	**–11,215**	–	**–11,215**	**–57**	**–11,272**
–	–	–1,066	–1,066	–	–1,066
–	–	–2,173	–2,173	–	–2,173
–	–	**–3,239**	**–3,239**	**–**	**–3,239**
–	**–11,215**	**–3,239**	**–14,454**	**–57**	**–14,511**
–	–	–10,613	–10,613	2	–10,611
–	**–11,215**	**–13,852**	**–25,067**	**–55**	**–25,122**
109	–	–	109	105	214
–	–	–	–	–936	–936
213	–	–	213	–	213
–104,136	**77,264**	**282,994**	**158,339**	**2,052**	**160,391**
–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**

CONSOLIDATED STATEMENT OF CASH FLOWS 2023

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Net profit for the period		–10,611	–2,499
Deferred taxes		–3,093	3,486
Income taxes		3,705	1,998
Research grant		–554	–
Financial result (without currency result)		12,740	8,205
Net income from equity investments in associates and joint ventures	6.6	3,928	1,456
Amortization, impairment and reversals of impairment of non-current assets	6.1/6.2/6.3/6.4	66,445	79,701
Gain (–)/loss (+) from disposal of non-current assets	7.3/7.5	–57	–7,041
Other non-cash items		–2,265	–1,756
Increase (–)/decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities		51,167	41,305
Decrease (–)/increase (+) in trade payables and other liabilities not classified as investing or financing activities		41,628	–7,437
Dividends received from associated companies and joint ventures		–	4
Interest paid		–12,288	–8,430
Interest received		439	172
Income taxes paid		–11,688	–8,189
Income taxes received		23	283
Research grant received		1,181	–
Cash flow from operating activities		**140,700**	**101,258**

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

(TCHF)	Note	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Payments for intangible assets	6.2	–4,738	–6,416
Payments for film assets		–97,124	–92,080
Payments for property, plant and equipment	6.3	–5,470	–5,772
Payments for financial assets	6.9	–515	–
Payment for acquisition of equity investments in associates and joint ventures	6.6	–2,148	–3,342
Proceeds from disposals of intangible assets and film assets		30	–
Proceeds from disposal of property, plant and equipment		61	116
Cash flow for investing activities		**–109,904**	**–107,494**
Repayment of current financial liabilities	6.18	–59,168	–48,170
Repayment of lease liabilities	6.4	–6,647	–6,719
Proceeds from receipt of non-current financial liabilities	6.18	15,716	1,439
Proceeds from receipt of current financial liabilities	6.18	16,968	43,695
Dividend payments	6.15	–936	–1,050
Cash flow for financing activities		**–34,067**	**–10,805**
Cash flow for the reporting period		**–3,271**	**–17,041**
Cash and cash equivalents at the beginning of the reporting period	6.14	29,909	48,345
Effects of currency differences		–1,140	–1,395
Cash and cash equivalents at the end of the reporting period	6.14	25,498	29,909
Change in cash and cash equivalents		**–3,271**	**–17,041**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2023

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 23, 2024 and require the approval of the Annual General Meeting to be held in June 2024.

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 IFRS Accounting Standards and the additional provisions of Swiss commercial law. All IFRSs/IASs and SICs/IFRICs applicable as of December 31, 2023, 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

The following new standards and amendments to existing standards were required to be applied in the fiscal year but did not give rise to any material changes to the consolidated financial statements:

- IFRS 17 Insurance Contracts (including amendments)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2): The amendments relate to the guidance for applying the materiality criterion to the disclosure of accounting policies
- Definition of Accounting Estimates (Amendments to IAS 8): The amendments clarify the distinction between a change in an accounting policy and a change in an accounting estimate
- Amendments to IAS 12 Income Taxes: The amendments relate to international tax reform (Pillar 2 model rules) and deferred taxes relating to assets and liabilities arising from a single transaction

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.

3. SCOPE OF CONSOLIDATION

3.1 Newly formed companies

Constantin Film Verleih GmbH, Munich, a wholly owned subsidiary of Constantin Film AG, Munich, was founded effective January 1, 2023. The company is included in consolidation.

T Squared AG, Lucerne, a wholly owned subsidiary of TEAM Holding AG, Lucerne, was founded effective November 13, 2023. The company is included in consolidation.

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

3.2 Other changes

The consolidated company Constantin Entertainment RO SRL, Bucharest, was liquidated on January 30, 2023. The effect of this transaction on these consolidated financial statements is insignificant.

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, 2023

	Activity	Country	Cur-rency	Subscribed capital	Share in capital*	Voting rights of the respec-tive 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%
T Squared AG	Marketing	CH	CHF	100,000	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%
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%
Dahoam Television GmbH	TV entertainment production	DE	EUR	25,000	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 CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	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	104,000	51%	51%
Olga Film GmbH	Film and TV production	DE	EUR	603,000	100%	100%
Constantin Film Verleih GmbH	Theatrical distribution	DE	EUR	25,000	100%	100%
Constantin Film Vertriebs 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%
Constantin Film Production Services GmbH	Film and TV production	DE	EUR	100,000	100%	100%
Königskinder Music GmbH	Record label and music consulting	DE	EUR	50,000	50%	50%
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%

	Activity	Country	Cur-rency	Subscribed capital	Share in capital*	Voting rights of the respec-tive parent company
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*

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. Its assumed fair value is equal to its carrying amount.

Companies not included in consolidation as of December 31, 2023

	Country	Currency	Subscribed capital	Share in capital
Impact Pictures LLC*	US	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, 2023	EUR	25,565
Upgrade Productions LLC	25%	Jan. 01 to Dec. 31, 2023	USD	40,000

The annual financial statements of BECO Musikverlag GmbH as of December 31, 2022 were used for reporting as the 2023 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, 2023	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 in fiscal year 2022. The company has since been included in the consolidated financial statements pro rata through the measurement at equity of High-end productions GmbH.

4. SUMMARY OF KEY ACCOUNTING POLICIES

The balance sheet is structured by maturity. Assets and liabilities are reported as current if they are due within one year or one business cycle or they are primarily held for trading. Conversely, assets and liabilities are classified as non-current if they are held by the Group for more than one year or one business cycle. Trade accounts receivable, trade accounts payable, contract assets, contract liabilities and inventories are reported as current items. Deferred tax assets and liabilities are reported as non-current items.

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 and deconsolidated, 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 and deconsolidation.

4.2.4 Exchange rates

		Closing rate		Annual average rate	
		Dec. 31, 2023	Dec. 31, 2022	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Euro	(EUR)	0.92883	0.98992	0.97173	1.00523
US dollar	(USD)	0.84153	0.92460	0.89874	0.95457
British pound	(GBP)	1.07112	1.11844	1.11711	1.17978
Canadian dollar	(CAD)	0.63503	0.68260	0.66602	0.73382

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.

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.

4.9 Impairment of non-financial assets

Goodwill is tested for impairment at the level of cash-generating units, intangible assets with an indefinite useful life and internally generated assets not yet in use 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. In a 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.

Current service productions are recognized as contract assets or contract liabilities in the amount of the difference between the revenue realized and invoiced. 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, are included in inventories.

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

Revenue recognition is based on the contractual terms of the respective project. The Group has an interest in the earnings from the respective project. This comprises fixed remuneration and a variable component based on the revenue generated by the project. The project earnings are calculated using project accounting. The annual project accounting period does not have to be the same as the fiscal year. If it becomes clear that the latest expectations differ from the expectations previously applied, the variable revenue from the respective project is adjusted over the remaining project term in line with the latest expectations. Revenue received for services performed over a defined period and invoiced on a periodic basis is recognized over the period in which the services are performed.

In the free TV and online video business, revenue is generated in the form of advertising revenue (sale of advertising time). This takes the form of traditional advertisements as well as program sponsorship. Advertising revenue comprises net revenue after discounts, rebates, agency commission and value-added tax. TV advertising revenue is recognized at a point in time when the respective advertisements are broadcast on the SPORT1 channel. Online advertising revenue includes revenue from the marketing of digital services. As online advertising space is sold to an external agency on an annual basis, this revenue is recognized over time.

Production revenue is generally recognized over time (output-oriented method), as the programs produced are created over an extended period, the contractual provisions mean there is no alternative use for their content, and there is a legal right to payment for production services already rendered. The degree of progress is determined by reference to the number of programs produced or the broadcast duration. The normal payment period is generally 30 days. As a matter of principle, there is no right of return for live productions.

4.17 Government grants

4.17.1 Project promotion

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 loans

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 December 31, 2022. Grants received from this program in the reporting year are reported under other operating income. The "Restart culture" program ended on June 30, 2023.

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.

4.18 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 Service productions

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 2023			
January 1, 2023	381,366	1,476,299	1,857,665
Currency translation differences	–18,864	–94,838	–113,702
Additions	3,392	93,086	96,478
Disposals	13,399	3,604	17,003
Balance on December 31, 2023	**352,495**	**1,470,943**	**1,823,438**
Accumulated amortization, impairment and reversals of impairment 2023			
January 1, 2023	374,395	1,327,918	1,702,313
Currency translation differences	–18,422	–83,373	–101,795
Depreciation for the year	3,955	36,818	40,773
Impairment	45	6,684	6,729
Reversals of impairment losses	889	2,711	3,600
Disposals	13,399	3,586	16,985
Balance on December 31, 2023	**345,685**	**1,281,750**	**1,627,435**
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, impairment and reversals of impairment 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
Reversals of impairment losses	278	726	1,004
Disposals	35,313	1,145	36,458
Balance on December 31, 2022	**374,395**	**1,327,918**	**1,702,313**
Net carrying amounts on December 31, 2023	**6,810**	**189,193**	**196,003**
Net carrying amounts on December 31, 2022	**6,971**	**148,381**	**155,352**

Impairment losses of TCHF 6,729 (previous year's period: TCHF 5,219) 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 6.76 % and 7.47 % (previous year: between 6.0 % and 6.10 %). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review. Reversals of impairment losses 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 16,497 (previous year's period: TCHF 18,557), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to TCHF 15,515 as of December 31, 2023 (previous year: TCHF 8,005). Project promotions of TCHF 2,249 were repaid in the year under review (previous year's period: TCHF 2,509).

In addition, sales subsidies and distribution loans of TCHF 3,281 (previous year's period: TCHF 4,470) 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.

Deferred distribution loans amounted to TCHF 46 as of December 31, 2023 (previous year: TCHF 0). Distribution loans of TCHF 1,587 (previous year's period: TCHF 1,085) were repaid over the year under review. As of December 31, 2023, there were receivables for subsidies and grants of TCHF 19,812 (previous year: TCHF 26,631).

Directly attributable financing costs of TCHF 3,510 (previous year's period: TCHF 1,297) 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 4.0 % to 12.19 % (previous year: 3.4 % 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 2023						
January 1, 2023	70,775	11,542	11,510	3,150	96,977	120,531
Currency translation differences	–122	–324	–647	–167	–1,260	–6,548
Additions	488	1,885	–	2,365	4,738	–
Disposals	–	47	–	–	47	–
Transfers	–	–	2,996	–2,996	–	–
Balance on December 31, 2023	**71,141**	**13,056**	**13,859**	**2,352**	**100,408**	**113,983**
Accumulated amortization/ impairments 2023						
January 1, 2023	24,716	8,349	8,561	–	41,626	6,324
Currency translation differences	–76	–206	–423	–	–705	–242
Depreciation for the year	5,712	1,759	2,086	–	9,557	–
Disposals	–	47	–	–	47	–
Balance on December 31, 2023	**30,352**	**9,855**	**10,224**	**–**	**50,431**	**6,082**
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/ impairments 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**
Net carrying amounts on December 31, 2023	**40,789**	**3,201**	**3,635**	**2,352**	**49,977**	**107,901**
Net carrying amounts on December 31, 2022	**46,059**	**3,193**	**2,949**	**3,150**	**55,351**	**114,207**

Goodwill

The table below shows the allocation of goodwill:

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Sport1 Medien AG (Sports and Event segment)	83,520	88,661
Jackpot50 GmbH (Sports and Event segment)	7,176	8,000
Constantin Film Vertriebs GmbH (Film segment)	12,025	12,025
Constantin Entertainment GmbH (Film segment)	3,229	3,441
Constantin Television GmbH (Film segment)	1,475	1,572
Hager Moss Film GmbH (Film segment)	437	466
Other (Film segment)	39	42
Total	**107,901**	**114,207**

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- or five-year earnings planning. The growth rate beyond the detailed planning period was set at 1 % for the impairment test of Constantin Film Vertriebs GmbH (previous year: 1 %), 2 % for Sport1 Medien AG (previous year: 2 %) and between 0 % and 0.5 % for other items (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, 2023, the CAPM-based discount factor before taxes was set at 10.52 % (previous year: 9.52 %) for the impairment test of Constantin Film Vertriebs GmbH, at 9.56 % for Sport1 Medien AG (previous year: 7.15 %) and at 9.97 % to 10.99 % for other items (previous year: 7.92 % to 8.17 %).

As of December 31, 2023, goodwill was tested for impairment as part of the annual impairment test. This did not result in any impairment losses. The impairment of TCHF 249 recognized in the previous year related to the goodwill of PSSST! Film GmbH, whose activities are reported in the Film segment.

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 44.4 million (previous year: CHF 85.2 million). The following changes in the significant assumptions would lead to the value in use corresponding to the net carrying amount:

Sensitivities

	2023	
	Assumption	Sensitivity
Revenue growth in 2028 with EBITDA margin unchanged as compared to the business plan	2.6 %	–3.2 %
Normalized EBITDA margin in 2028	17.7 %	12.2 %
Discount rate after taxes	7.9 %	10.7 %
Long-term growth rate	2.0 %	–2.0 %

	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 %

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 2023					
January 1, 2023	4,509	27,029	20,127	–	51,665
Currency translation differences	–94	–1,771	–906	–4	–2,775
Additions	102	4,079	1,208	81	5,470
Disposals	–	5	507	–	512
Balance on December 31, 2023	**4,517**	**29,332**	**19,922**	**77**	**53,848**
Accumulated depreciation 2023					
January 1, 2023	3,627	13,857	14,302	–	31,786
Currency translation differences	–76	–1,023	–597	–	–1,696
Depreciation for the year	402	4,205	1,518	–	6,125
Disposals	–	–	496	–	496
Balance on December 31, 2023	**3,953**	**17,039**	**14,727**	**–**	**35,719**
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	–365	–	–947
Depreciation for the year	380	3,553	1,728	–	5,661
Disposals	–	60	395	–	455
Balance on December 31, 2022	**3,627**	**13,857**	**14,302**	**–**	**31,786**
Net carrying amounts on December 31, 2023	**564**	**12,293**	**5,195**	**77**	**18,129**
Net carrying amounts on December 31, 2022	**882**	**13,172**	**5,825**	**–**	**19,879**

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 2023					
January 1, 2023	48,787	1,500	4,019	420	54,726
Currency translation differences	–2,413	–102	–227	–28	–2,770
Additions	1,259	324	70	288	1,941
Disposals	206	129	551	265	1,151
Balance on December 31, 2023	**47,427**	**1,593**	**3,311**	**415**	**52,746**
Accumulated depreciation 2023					
January 1, 2023	15,866	919	2,166	384	19,335
Currency translation differences	–957	–69	–137	–16	–1,179
Depreciation for the year	5,747	404	642	68	6,861
Disposals	206	129	551	261	1,147
Balance on December 31, 2023	**20,450**	**1,125**	**2,120**	**175**	**23,870**
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**
Net carrying amounts on December 31, 2023	**26,977**	**468**	**1,191**	**240**	**28,876**
Net carrying amounts on December 31, 2022	**32,921**	**581**	**1,853**	**36**	**35,391**

Reconciliation of liabilities arising from financial liabilities

(TCHF)	
Balance on December 31, 2021	**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**
Additions (net)	1,937
Interest cost	853
Payments	–7,500
Cash change from repayment	*–6,647*
Cash change from interest	*–853*
Currency translation	–1,740
Balance on December 31, 2023	**31,429**
thereof non-current lease liabilities	25,123
thereof current lease liabilities	6,306

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, 2023	Jan. 01 to Dec. 31, 2022
Expenses from short-term leases	1,595	1,623
Expenses from leases of low-value assets (if not already short-term)	15	15
Expenses from variable lease payments (not included in lease liabilities)	1,056	943
Amortization on right-of-use assets from leases	6,861	7,052
Interest expenses from lease liabilities	853	872
Total	**10,380**	**10,505**

The ancillary costs from renting buildings are recognized as variable lease expenses.
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, 2023	Jan. 01 to Dec. 31, 2022
Short-term leases	1,595	1,623
Leases for low-value assets	15	15
Variable lease payments	1,056	943
Repayment and interest on lease liabilities	7,500	7,591
Total	**10,166**	**10,172**

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, 2023								
Due within one year	495	15	600	94	–	–	232	1,436
Due between one year and five years	–	1	986	4,377	–	3,125	–	8,489
Due after five years	–	–	947	8,027	–	948	–	9,922
Total	**495**	**16**	**2,533**	**12,498**	**–**	**4,073**	**232**	**19,847**
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**

6.5 Financial information of subsidiaries with material non-controlling interests

As in the previous year, all non-controlling interests are immaterial.

6.6 Investments in associates and joint ventures

Associated companies

As in the previous year, the Group holds interests in two associated companies that are included in the consolidated financial statements using the equity method as of December 31, 2023 (see note 3.1).

Carrying amounts

(TCHF)

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**
Additions	1,866
Share of earnings	4
Impairment	–3,499
Currency translation	–133
Balance on December 31, 2023	**47**

Financial information

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Earnings after taxes	9	–1,021
Other comprehensive income/loss (OCI)	–	–
Total earnings	**9**	**–1,021**

	Dec. 31, 2023	Dec. 31, 2022
Contingent liabilities (proportional)	–	–

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2022 were used for reporting on associated companies as the annual financial statements as of December 31, 2023 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.

An operating loss of TCHF 1,980 at Upgrade Productions LLC was not included in the consolidated financial statements in the fiscal year. An impairment test was conducted due to serious financial difficulties. This resulted in the equity interest being written off in full in the amount of TCHF 3,499.

Joint ventures

As of December 31, 2023 – 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, 2021	**–**
Additions	573
Share of earnings	–431
Currency translation	12
Balance on December 31, 2022	**154**
Additions	282
Share of earnings	–433
Currency translation	–3
Balance on December 31, 2023	**–**

Financial information

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Earnings after taxes	–867	–862
Other comprehensive income/loss (OCI)	–	–
Total earnings	**–867**	**–862**

	Dec. 31, 2023	Dec. 31, 2022
Contingent liabilities (proportional)	–	–

The pro-rata loss of companies accounted for using the equity method not recognized in the reporting year is TCHF 7 (previous year's period: TCHF 0). The cumulative unrecognized pro rata loss was TCHF 7 (previous year: TCHF 0).

6.7 Non-current receivables

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Non-current trade accounts receivable (financial assets)		
Non-current trade accounts receivable	13,421	15,488
Credit losses expected over the entire term (level 2)	–	–9
Total	**13,421**	**15,479**
Non-current other receivables (financial assets)		
Non-current other receivables	1,022	977
Total	**1,022**	**977**
Non-current other receivables (non-financial assets)		
Non-current other receivables	2,256	2,405
Total	**2,256**	**2,405**
Total non-current receivables	**16,699**	**18,861**

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**	**–**
Reduction due to a decrease in the volume of receivables	–9	–
Balance on December 31, 2023	**–**	**–**

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 previous year.

6.8 Deferred tax assets

Breakdown of deferred tax assets

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Tax loss carryforwards	6,192	8,298
Intangible assets/film assets	9,849	8,594
Property, plant and equipment	487	523
Trade receivables and other receivables	8,887	15,974
Contract assets	2	2
Other financial assets	9	130
Inventories	30,660	29,586
Lease liabilities	7,830	9,501
Trade payables and other liabilities	2,327	700
Contract liabilities	1,134	1,116
Advance payments received	5,050	2,237
Provisions	45	27
Pension obligations	355	295
Total	**72,827**	**76,983**
Netting with deferred tax liabilities	–64,702	–68,373
Deferred tax assets (net)	**8,125**	**8,610**

Maturities

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Current deferred tax assets	837	–
Non-current deferred tax assets	7,288	8,610

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 8,125 (previous year: TCHF 8,610) result as of December 31, 2023.

The Group has total loss carryforwards of TCHF 73,510 (previous year: TCHF 72,286) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

2023 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	18,365	55,145	32,283

2022 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	18,365	53,921	31,978

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, 2023	Jan. 01 to Dec. 31, 2022
Changes in deferred taxes (assets and liabilities)	4,001	–3,197
thereof:		
Change in income statement	3,093	–3,486
Change in other comprehensive income/loss	38	–421
Change in currency translation	870	710

6.9 Other assets

Other financial assets

Other non-current financial assets

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in Geenee Holdings Inc.	–	–
Investment in AGF Videoforschung GmbH	–	–
Investment in Summacum GmbH	28	30
Profit participation rights	1,636	2,969
Investment in Deutsche Streaming Allianz GmbH	1,908	–
Investment in Starzz LLC	1,624	–
Investment in Tigerspin GmbH	6,020	–
Investment in Footbao.world AG	4,253	–
Investment in Car4Sports GmbH	8,573	–
Other investments	14	8
Total	**24,056**	**3,007**

0.754 % of the shares in Geenee Holdings Inc. are held by Sport1 GmbH, 0.636 % by Rainbow Home Entertainment AG and 0.118 % by Constantin Entertainment 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). 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.

Profit participation rights were acquired in return for advertising services in the previous 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 rights contain 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). Due to business performance falling short of expectations, a fair value adjustment of CHF -1,150 thousand was recognized in other comprehensive income in the reporting year.

The investment in Mister Smith Entertainment Ltd. (previous year: carrying amount TCHF 0), assigned to level 3 of the fair value hierarchy, was sold for TCHF 0 in the first quarter of 2023.

An investment of 1.256 % in Corint Media GmbH, Berlin, was acquired for TCHF 6 in the first quarter of 2023. The reporting period also saw the acquisition of investments of 17.5 % in Car4Sports GmbH, 25 % in Deutsche Streaming Allianz GmbH, 19.5 % in Tigerspin GmbH, 12.51 % in Starzz LLC (Kingstown/St. Vincent and the Grenadines) and 10 % in Footbao.world AG (Zug/Switzerland) in media-for-equity deals. These equity interests are measured at fair value through other comprehensive income (FVTOCI) and, with the exception of Footbao.world AG, allocated to level 3 of the fair value hierarchy (see note 8.4). The investment in Footbao.world AG is allocated to level 2 of the fair value hierarchy on the basis of a valuation of past transactions as at the reporting date (initial valuation was based on the discounted cash flow method). Based on the valuation method as at the reporting date, a fair value adjustment of CHF -1,023 thousand was recognized in other comprehensive income.

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).

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 795 (previous year: TCHF 1,520).

6.10 Inventories

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Net balance		
Unfinished goods and services	6,861	10,874
Blu-rays/DVDs	527	540
Constants	98	132
Total	**7,486**	**11,546**

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 1,490 (previous year's period: TCHF 550) and reversed in the amount of TCHF 58 (previous year's period: TCHF 4).

6.11 Trade receivables and other receivables

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Trade accounts receivable	36,459	71,743
Other receivables	47,930	75,747
Total	**84,389**	**147,490**

6.11.1 Trade accounts receivable

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Trade accounts receivable (financial assets)		
Current receivables	33,195	69,694
Liabilities due to related parties	122	5
Credit losses expected over the entire term (level 2)	–119	–252
Individual value adjustments (level 3)	–2,471	–2,675
Total	**30,727**	**66,772**
Trade accounts receivable (non-financial assets)		
Receivables from countertrades	5,732	4,971
Total	**5,732**	**4,971**
Total trade accounts receivable	**36,459**	**71,743**

Trade accounts receivable include receivables of TCHF 69 (previous year: TCHF 153) 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 237 (previous year: TCHF 300) were recognized under other financial assets. These items were measured at TCHF 92 (previous year: TCHF 128) in financial income through profit or loss and TCHF 90 (previous year: TCHF 156) 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, 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
Utilization	–	–105
Balance on December 31, 2022	**252**	**2,675**
Currency translation differences	–9	–160
Addition due to an increase in the volume of receivables	50	–
Reduction due to a decrease in the volume of receivables	–174	–
Additions	–	162
Utilization	–	–206
Balance on December 31, 2023	**119**	**2,471**

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, 2023	Dec. 31, 2022
CHF	500	750
EUR	33,274	40,997
USD	2,646	29,870
Other	39	126
Total	**36,459**	**71,743**

6.11.2 Other receivables

Other receivables (financial assets)

(TCHF)		Expected credit losses			
Dec. 31, 2023	Gross	Level 1	Level 2	Level 3	Net
Suppliers with debit balances	1,057	–1	–	–	1,056
Receivables from loans	788	–1	–	–232	555
Subsidies receivables	19,815	–2	–	–	19,813
Positive fair value of derivative financial instruments without hedging relationships	517	–	–	–	517
Receivables due from personnel (financial)	754	–	–	–	754
Other assets (financial)	4,249	–4	–	–285	3,960
Other receivables due from related parties	9,894	–	–	–	9,894
Total	**37,074**	**–8**	**–**	**–517**	**36,549**

(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**

Receivables from loans essentially include loans to co-producers and service producers of ongoing productions.

Other financial assets essentially include options for script rights and deposits paid. In the previous year, this item also contained receivables from foreign project funding. These tax credits were 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, 2021	**40**	**–**	**2,577**
Currency translation differences	–2	–	–25
Reduction due to a decrease in the volume of receivables	–11	–	–
Additions	–	–	27
Utilization	–	–	–27
Balance on December 31, 2022	**27**	**–**	**2,552**
Currency translation differences	–1	–	–35
Reduction due to a decrease in the volume of receivables	–18	–	–
Additions	–	–	25
Utilization	–	–	–2,025
Balance on December 31, 2023	**8**	**–**	**517**

No material impairment was taken on receivables from the public sector.

Other receivables (non-financial assets)

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Prepaid expenses	5,935	7,389
Input tax	1,329	429
Other taxes	185	220
Advance payments	621	348
Other assets (non-financial)	3,311	3,346
Total	**11,381**	**11,732**

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

Currency profile

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
CHF	12,685	22,583
EUR	33,825	24,160
USD	1,027	3,612
CAD	–	10,336
PLN	296	12,234
Other	97	2,822
Total	**47,930**	**75,747**

6.12 Contract assets

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Contract assets	26,182	29,000
Credit losses expected over the entire term (level 2)	–7	–8
Total	**26,175**	**28,992**

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, 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**
Currency translation differences	–834
Additions	26,750
Impairment	–7
Reclassification to trade accounts receivable	–28,726
Balance on December 31, 2023	**26,175**

Impairment losses

(TCHF)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2021	**6**	**–**
Addition due to an increase in the volume of receivables	2	–
Balance on December 31, 2022	**8**	**–**
Currency translation differences	–1	–
Balance on December 31, 2023	**7**	**–**

6.13 Income tax receivables

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Income taxes Switzerland	1,150	33
Income taxes Germany	3,349	1,907
Income taxes rest of the world	150	165
Total	**4,649**	**2,105**

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%).

6.15 Equity

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

Subscribed capital

As of December 31, 2023, 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, 2023, the separately reported item “Treasury stock” amounted to TCHF –6,255 (previous year: TCHF –6,255). 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, 2023 (previous year: 6,254,518). No treasury shares were purchased or sold in the year under review.

Capital reserves

As of December 31, 2023, the Group’s capital reserve amounted to a total of TCHF –104,136 (previous year: TCHF –104,458).

Based on the loan agreement, it is not permitted to distribute dividends, implement nominal value reductions or carry out share buybacks at the level of Highlight Communications AG.

The capital reserve increased by TCHF 213 (previous year: TCHF 228) as a result of share-based remuneration (see note 9). Furthermore, the conversion of a loan served to increase the capital reserve by TCHF 109.

Non-controlling interests

Non-controlling interests in consolidated subsidiaries amounted to TCHF 2,052 as of December 31, 2023 (previous year: TCHF 2,938).

Dividend payments in the reporting year amounted to TCHF 936 (previous year’s period: TCHF 1,050) and the net profit for the period attributable to non-controlling interests was TCHF 2 (previous year’s period: TCHF 440). Differences from currency translation amounted to TCHF –57 (previous year: TCHF –265).

Other reserves

Other reserves totaled TCHF –77,264 as of the end of the reporting period (previous year: TCHF –66,049).

As of December 31, 2023, these relate to the translation of the equity of companies that do not use Swiss francs as their functional currency (December 31, 2023: TCHF –77,841; previous year: TCHF –66,453) and to other cash flow hedge reserves of TCHF 577 (previous year: TCHF 404).

The cash flow hedge reserve before taxes developed as follows as of December 31, 2023:

Reconciliation of the market valuation of financial instruments

(TCHF)	
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**
Gains or losses from effective hedging relationships	250
Balance as of December 31, 2023	**835**

The changes in other components of equity in fiscal years 2023 and 2022 were as follows:

Other comprehensive income/loss (OCI)

2023 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	–11,445	–	–11,445
Reclassification of realized gains/losses through profit or loss	–	–	–
Currency translation differences	–11,445	–	–11,445
Gains/losses from cash flow hedges	250	–77	173
Items that can be reclassified to profit or loss	**–11,195**	**–77**	**–11,272**
Actuarial gains/losses of defined benefit pension plans	–1,181	115	–1,066
Gains/losses from financial assets at fair value through other comprehensive income	–2,173	–	–2,173
Items that cannot be reclassified to profit or loss	**–3,354**	**115**	**–3,239**
Other comprehensive income/loss	**–14,549**	**38**	**–14,511**

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**

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 Highlight Communications AG relate to EBITDA, gearing and reported equity including non-controlling interests, while the financial covenants of Constantin Film AG relate to the economic equity ratio, the level of economic equity and the interest coverage ratio. 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, 2023.

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 2024 amount to TCHF 1,812.

Maturity profile of defined benefit obligation

(TCHF)	2023	2022
Less than 1 year	5,140	5,864
Weighted average maturity of defined benefit obligation (in years)	13.0	12.5

Change in defined benefit liabilities

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

Pension liabilities

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Present value of defined benefit obligation	41,672	35,844
Fair value of plan assets	43,403	40,214
Asset ceiling	4,481	5,792
Carrying amount	**2,750**	**1,422**

The pension liabilities totaling TCHF 2,750 (previous year: TCHF 1,422) consist of pension assets of TCHF 795 (previous year: TCHF 1,520, see note 6.9) and pension liabilities of TCHF 3,545 (previous year: TCHF 2,942).

The figure to be included as assets is limited to the amount of the employer contribution reserve, resulting in an asset ceiling of TCHF 4,481 as of December 31, 2023 (previous year: TCHF 5,792).

Development of defined benefit obligation

(TCHF)	2023	2022
Present value of defined benefit obligation as of January 1	**35,844**	**40,878**
Current service cost (without employee contributions and administrative expenses)	1,758	2,158
Employee contributions	996	932
Interest cost	687	120
Amendment	–666	60
Benefits paid	–167	–2,773
Actuarial losses/(gains) from experience adjustments	–76	1,029
Actuarial losses/(gains) from changes in financial assumptions	3,280	–6,560
Actuarial losses/(gains) from changes in demographic assumptions	16	–
Present value of defined benefit obligation as of December 31	**41,672**	**35,844**
thereof actively insured persons	35,914	32,924
thereof pensioners	5,758	2,920

Development of plan assets

(TCHF)	2023	2022
Fair value of assets as of January 1	**40,214**	**43,338**
Interest income	665	112
Employee contributions	996	932
Employer contributions	1,057	1,653
Administrative expenses of the foundation	–90	–90
Benefits paid	–167	–2,773
Income from plan assets (excluding amounts contained in net interest cost)	130	–
Actuarial (losses)/gains from experience adjustments	598	–2,958
Fair value of assets as of December 31	**43,403**	**40,214**

Retirement benefit expenses broke down as follows:

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Current service cost (without employee contributions and administrative expenses)	1,758	2,158
Administrative expenses of the foundation	90	90
Effects from curtailments	–666	60
Net interest cost (income)	22	8
Total income statement	**1,204**	**2,316**

Plan assets

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

(TCHF)	2023	2022
Cash and cash equivalents	395	1,126
Bonds with quoted market prices on active markets	6,750	5,463
Shares with quoted market prices on active markets	14,012	11,947
Real estate	15,343	15,525
Insurance surrender value	4,212	3,531
Other	2,691	2,622
Total	**43,403**	**40,214**

The actual return on plan assets in the year under review amounted to TCHF 1,393 (previous year's period: TCHF −2,846).

Actuarial assumptions

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

	2023	2022
Discount rate	1.50	2.25
Pension trend	0.00	0.00
Salary trend	2.00	2.00
Average life expectancy after pension men (in years)	22.95	22.82
Average life expectancy after pension women (in years)	24.70	25.59

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
2023 (TCHF)	+25 BP	−25 BP	+25 BP	−25 BP	+25 BP	−25 BP	+ 1 year
Effect on defined benefit obligation	−1,316	1,423	690	–	232	−201	1,110

	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

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 pension plans

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 7,034 in the year under review (previous year's period: TCHF 7,605).

6.17 Deferred tax liabilities

Breakdown of deferred tax liabilities

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Film assets	37,628	43,774
Intangible assets	10,722	12,245
Right-of-use assets	7,153	8,844
Inventories	2	2
Trade receivables and other receivables	4,785	454
Contract assets	3,153	3,468
Other financial assets	65	82
Pension assets	107	204
Trade payables and other liabilities	3,630	2,288
Contract liabilities	165	168
Advance payments received	19,749	23,787
Total	**87,159**	**95,316**
Netting with deferred tax assets	−64,702	−68,373
Deferred tax liabilities (net)	**22,457**	**26,943**

Maturities

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Current deferred tax liabilities	–	–
Non-current deferred tax liabilities	22,457	26,943

6.18 Financial liabilities

Reconciliation of liabilities arising from financial liabilities

			Non-cash changes			
(TCHF)	Jan. 01, 2023	Cash	Accrual of interest	Currency translation	Reclassification	Dec. 31, 2023
Non-current financial liabilities	**77,058**	15,716	108	−402	−89,010	**3,470**
Current financial liabilities	**112,267**	−42,200	468	−5,830	89,010	**153,715**
Total financial liabilities	**189,325**	**−26,484**	**576**	**−6,232**	**–**	**157,185**

			Non-cash changes			
(TCHF)	Jan. 01, 2022	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**

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 152,545 (previous year: TCHF 109,433), TCHF 60,611 (previous year: TCHF 82,463) of which relates to the financing of film projects. Furthermore, current financial liabilities as of December 31, 2023 included liabilities from sale and leaseback agreements with buyback options amounting to TCHF 1,170 (previous year: TCHF 2,834), which are reported as a financing transaction.

The Highlight Group had free short-term credit facilities totaling around TCHF 141,359 (previous year: TCHF 156,731) 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 196,003 (previous year: TCHF 155,334) and the resulting proceeds from exploitation in addition to receivables and contract assets of TCHF 32,963 (previous year: TCHF 67,731). 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 five facilities. Facility A1 amounts to EUR 7.6 million (nominal value EUR 7.6 million), Facility A2 amounts to EUR 7.7 million (nominal value EUR 7.7 million) and Facility B amounts to CHF 10.0 million (nominal value CHF 10 million). Facilities A1 and B have to be amortized by 20 % per year. Facility A2 was amortized by EUR 1.1 million in 2022 and EUR 2.2 million in 2023, and will be amortized by EUR 7.7 million in 2024. Facility C amounts to CHF 49.9 million (nominal value CHF 50 million) and is not due until 2024. Facility D involves a credit facility of CHF 13.3 million that was taken out in fiscal year 2023 and will be amortized in 2024. Highlight Communications AG's credit facility of TCHF 73,333 and TEUR 15,274 (previous year: TCHF 70,000 and TEUR 25,048) is secured by shares in Sport1 Medien AG and Constantin Film AG.

The Board of Directors is currently in discussions with the bank syndicate with regard to extending the expiring agreement for an additional year until June 30, 2025.

As of the end of the reporting period, the SPORT1 MEDIEN Group has a floating-rate working capital facility of TCHF 10,217 (previous year: TCHF 10,889) and guarantee lines of TCHF 7,430 (previous year: TCHF 7,920). 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 15,619 (previous year: 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 23,012) were pledged in total for these credit facilities as of December 31, 2023 and a global assignment of TCHF 8,934 in receivables from Sport1 GmbH (TCHF 8,533) and TCHF 1,659 from PLAZAMEDIA GmbH (TCHF 3,659) 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, 2023	Dec. 31, 2022
CHF	73,181	10,000
EUR	60,181	56,683
USD	18,799	35,289
CAD	1,554	10,295
Total	**153,715**	**112,267**

6.18.2 Non-current financial liabilities

Non-current financial liabilities of TCHF 3,470 as of December 31, 2023 (previous year: TCHF 2,481) relate to the non-current portion of sale and leaseback agreements with buyback options, which are reported as financing transactions.

6.19 Advance payments received

Advance payments received of TCHF 42,068 in total (previous year: TCHF 36,381) essentially include amounts received from productions for which revenue has not yet been recognized.

6.20 Trade payables and other liabilities

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Trade accounts payable	56,813	42,095
Other liabilities	93,066	79,013
Total	**149,879**	**121,108**

6.20.1 Trade accounts payable

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Trade accounts payable (financial)		
Current liabilities	37,809	20,170
Liabilities to related parties	57	89
Outstanding invoices	15,960	18,790
Total	**53,826**	**39,049**
Trade accounts payable (non-financial)		
Liabilities from countertrades	2,987	3,046
Total	**2,987**	**3,046**
Total trade accounts payable	**56,813**	**42,095**

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, 2023	Dec. 31, 2022
CHF	659	753
EUR	52,555	34,351
USD	2,424	5,701
Other	1,175	1,290
Total	**56,813**	**42,095**

6.20.2 Other current liabilities

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Other liabilities (financial)		
Liabilities from conditional loan repayment (subsidies)	14,174	9,139
Customers with credit balances	643	293
Commissions, licenses and royalty payments	30,856	32,222
Current other loans	–	221
Negative fair value of derivative financial instruments without hedging relationships	1,908	1,976
Personnel-related liabilities (financial)	18,189	16,599
Other current liabilities (financial)	1,956	1,531
Other liabilities to related parties	254	131
Total	**67,980**	**62,112**
Other liabilities (non-financial)		
Value-added tax liabilities	3,858	2,404
Other taxes	2,895	3,704
Social security	500	533
Deferred income	16,868	9,422
Personnel-related liabilities (non-financial)	965	828
Other current liabilities (non-financial)	–	10
Total	**25,086**	**16,901**

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, 2023	Dec. 31, 2022
CHF	16,546	14,261
EUR	53,653	33,693
USD	22,593	24,184
CAD	–	6,660
Other	274	215
Total	**93,066**	**79,013**

6.21 Contract liabilities

Development of contract liabilities

(TCHF)	
Balance on December 31, 2021	**13,654**
Currency translation differences	–271
Additions	20,249
Amounts utilized due to performance	–11,999
Balance on December 31, 2022	**21,633**
Currency translation differences	–891
Additions	29,006
Amounts utilized due to performance	–21,266
Balance on December 31, 2023	**28,482**

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, 2023	Currency translation differences	Utilization	Reversal	Addition	Dec. 31, 2023
Provisions for litigation risks	328	–12	128	88	24	124
Staff provisions	1,029	–45	430	–	–	554
Other provisions	18	–2	4	–	–	12
Total	**1,375**	**–59**	**562**	**88**	**24**	**690**
thereof current provisions	1,375	–59	562	88	24	690

(TCHF)	Jan. 01, 2022	Currency translation differences	Utilization	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

The provisions for litigation risks were recognized to provide for various pending and possible legal proceedings. The provision is expected to be utilized in fiscal 2024.

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, 2023	Dec. 31, 2022
Income taxes Switzerland	240	234
Income taxes Germany	2,219	9,891
Income taxes rest of the world	146	347
Total	**2,605**	**10,472**

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 571 (previous year's period: TCHF 106).

Future revenue from contracts with customers

Revenue expected to be recognized (TCHF)	Dec. 31, 2023	Dec. 31, 2022
within one year	234,247	238,855
between one and five years	112,972	130,893
after five years	2,758	3,387
Total	**349,977**	**373,135**

7.2 Capitalized film production costs and other own work capitalized

Capitalized film production costs and TV service productions increased to TCHF 73,822 (previous year: TCHF 61,165) due to the higher value of the production volume. Other own work capitalized of TCHF 2,703 (previous year's period: TCHF 3,414) mainly relates to digital internally generated intangible assets.

7.3 Other operating income

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Income from the reversal of provisions and deferred liabilities	3,717	1,454
Prior-period income	839	1,833
Recharges	480	395
Price gains	1,879	3,523
Income from rents and leases	105	25
Write-off of liabilities	7	382
Income from the disposal of non-current assets	47	7,069
Income from deconsolidation	54	–
Income from settlements of claims for damages and settlement agreements	4,654	4,461
Miscellaneous operating income	3,466	6,421
Total	**15,248**	**25,563**

Income from the reversal of provisions and deferred liabilities is primarily due to the discontinuation of obligations for licenses. No material provisions for potential litigation were reversed in the reporting year.

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.

In the previous year, income from the disposal of non-current assets primarily included revenue from the disposal of domains amounting to TCHF 7,037.

As in the previous year, miscellaneous operating income essentially includes refunds from the default fund, sales proceeds from productions (such as costume sales) and income from benefits in kind, as well as a number of items that cannot be allocated to any of the separate items named.

7.4 Cost of materials and licenses

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Licenses and commission	42,567	49,173
Other costs of material	10,823	10,289
Total licenses, commissions and material	**53,390**	**59,462**
Production costs	155,507	210,516
Purchased services	644	886
Royalty payments in the Film segment	10,247	14,845
Total purchased services	**166,398**	**226,247**

7.5 Other operating expenses

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Rental costs	2,775	4,326
Repair and maintenance costs	970	844
Advertising and traveling expenses	7,321	7,172
Legal, consulting and auditing costs	8,222	9,985
IT costs	6,610	6,538
Administrative costs	1,351	1,361
Other personnel-related expenses	1,997	1,886
Insurance, dues and fees	2,121	2,609
Expenses relating to other periods	182	353
Price losses	2,307	4,277
Vehicle costs	673	567
Bank fees	229	302
Losses from the disposal of non-current assets	2	28
Other taxes	421	338
Release and promotion expenses	13,886	11,941
Expenses from short-term leases	1,595	1,623
Expenses from leases of low-value assets (if not already short-term)	15	15
Expenses from variable lease payments (not included in lease liabilities)	1,056	943
Miscellaneous operating expenses	3,327	3,674
Total	**55,060**	**58,782**

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. These mainly relate to purchased services.

7.6 Impairment/reversals of impairment on financial assets

This item includes impairment losses on financial assets of TCHF 237 (previous year's period: TCHF 318) and reversals of impairment losses on financial assets totaling TCHF 203 (previous year's period: TCHF 207).

7.7 Financial income

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Interest and similar income	1,374	2,203
Gains from changes in the fair value of financial instruments	394	1,889
Currency exchange gains	3,377	4,324
Total	**5,145**	**8,416**

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 lower income in the reporting year than in the previous year.

7.8 Financial expenses

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Interest and similar expenses	13,300	8,781
Losses from changes in the fair value of financial instruments	355	2,644
Currency exchange losses	3,567	6,252
Interest expenses from lease liabilities	853	872
Total	**18,075**	**18,549**

Other interest and similar expenses have risen year-on-year on account of higher interest rates.

Losses 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.

The developments in exchange rates resulted in lower expenses from the remeasurement of bank balances, financial liabilities and derivative financial instruments without hedges in the reporting period.

7.9 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, 2023	Jan. 01 to Dec. 31, 2022
Profit before taxes	–9,999	2,985
Expected taxes based on a tax rate of 17.93 % (previous year: 17.93 %)	1,793	–535
Differing tax rates	1,262	595
Reversal of deferred tax assets	–	17
Write-down on deferred tax assets	–119	–157
Tax-exempt income	–	2
Permanent differences	1,458	–391
Tax rate changes	–	–457
Non-deductible expenses	–2,792	–2,716
Non-deductible value adjustments of shares	–2,568	–
Aperiodic income taxes	330	922
Other effects	962	1,266
Unrecognized deferred taxes	–938	–4,030
Actual tax expense	**–612**	**–5,484**
Effective tax rate in %	**n/a**	**n/a**

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, 2023

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

Note	Classification category IFRS 9	Carrying amount as on Dec. 31, 2023	thereof not relevant under IFRS 7*	Valuation in the balance sheet under IFRS 9			Fair value on Dec. 31, 2023
				Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	
	AC	**25,498**	–	25,498	–	–	**25,498**
6.11.1	AC	**36,459**	–5,732	30,727	–	–	**30,727**
6.12	without category	**26,175**	–26,175	–	–	–	**–**
12	AC	**7**	–	7	–	–	**7**
6.11.2							
	FVTPL	**517**	–	–	–	517	**517**
	AC	**47,413**	–11,381	36,032	–	–	**36,032**
6.7							
	FVTPL	**13,334**	–	–	–	13,334	**13,334**
	AC	**3,365**	–2,256	1,109	–	–	**1,109**
6.9							
	FVTPL	**–**	–	–	–	–	**–**
	FVTOCI	**24,056**	–	–	24,056	–	**24,056**
6.18	AC	**156,350**	–	156,350	–	–	**156,494**
	AC	**835**	–	835	–	–	**835**
6.4	without category	**31,429**	–	–	–	–	**–**
6.20.1	AC	**56,813**	–2,987	53,826	–	–	**53,826**
6.21	without category	**28,482**	–28,482	–	–	–	**–**
6.20.2							
	AC	**91,239**	–25,086	66,153	–	–	**66,153**
	FLTPL	**1,908**	–	–	–	1,908	**1,908**
	AC	112,742	–19,369	93,373	–	–	93,373
	FVTPL	13,851	–	–	–	13,851	13,851
	FVTOCI	24,056	–	–	24,056	–	24,056
	AC	305,237	–28,073	277,164	–	–	277,308
	FLTPL	1,908	–	–	–	1,908	1,908

**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, 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

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. Of the receivables (current and non-current) totaling TCHF 81,719, an amount of 69.7 % is attributable to the film industry.

Note	Classification category IFRS 9	Carrying amount as on 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 on Dec. 31, 2022
	AC	**29,909**	–	29,909	–	–	**29,909**
6.11.1	AC	**71,743**	–4,971	66,772	–	–	**66,772**
6.12	without category	**28,992**	–28,992	–	–	–	**–**
12	AC	**65**	–	65	–	–	**65**
6.11.2							
	FVTPL	**1,047**	–	–	–	1,047	**1,047**
	AC	**74,700**	–11,732	62,968	–	–	**62,968**
6.7							
	FVTPL	**13,689**	–	–	–	13,689	**13,689**
	AC	**5,172**	–2,405	2,767	–	–	**2,767**
6.9							
	FVTPL	**–**	–	–	–	–	**–**
	FVTOCI	**3,007**	–	–	3,007	–	**3,007**
6.18	AC	**188,740**	–	188,740	–	–	**177,983**
	AC	**585**	–	585	–	–	**585**
6.4	without category	**37,879**	–	–	–	–	**–**
6.20.1	AC	**42,095**	–3,046	39,049	–	–	**39,049**
6.21	without category	**21,633**	–21,633	–	–	–	**–**
6.20.2							
	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

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.

Offsetting as of December 31, 2023

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	517	–	517	–71	446

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	1,908	–	1,908	–71	1,837

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

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

2023 (TCHF)	Carrying amount Dec. 31, 2023	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
Non-derivative financial liabilities										
Liabilities due to banks and similar liabilities*	157,185	–	5,105	151,480	–	–	3,689	–	–	91
Lease liabilities	31,429	–	–	6,892	–	–	18,482	–	–	8,572
Other interest-bearing and non-interest-bearing financial liabilities	119,979	940	–	119,039	–	–	–	–	–	–
Derivative financial liabilities										
Derivatives without hedging relationships	1,908	–	–	29,445	–	–	4,335	–	–	–
Derivative financial assets										
Derivatives without hedging relationships	517	–	–	5,793	–	–	–	–	–	–

2022 (TCHF)	Carrying amount Dec. 31, 2022	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
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	–	–	–

*Financial liabilities include sale and leaseback transactions. For this reason, only monthly payments are shown in the repayment column in the liquidity risk table.

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 –618 (previous year's period: TCHF –2,682) were recognized in profit or loss in the year under review. In addition, currency differences from the translation of foreign subsidiaries of TCHF –11,445 (previous year's period: TCHF –9,124) and from cash flow hedges of TCHF 173 (previous year's period: TCHF 536) 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, 2023 (TCHF)	Interest rate risk –1 %	+1 %
Financial assets		
Cash and cash equivalents	–255	255
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)	1,572	–1,572
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	**1,317**	**–1,317**
thereof through OCI	–	–
thereof through profit or loss	–	–

Dec, 31, 2022 (TCHF)	Interest rate risk –1 %	+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	–	–

Exchange rate risk									
EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–784	784	–11	13	–1	1	–796	798	–	–
–30	30	–1,455	1,779	–	–	–1,485	1,809	–	–
–148	148	–90	111	–	–	–238	259	–	–
–	–	–616	753	–	–	–616	753	–	–
–	–	–	–	–	–	–	–	–2,429	2,429
1,420	–1,420	1,709	–2,089	141	–173	3,270	–3,682	–	–
–	–	158	–193	–	–	158	–193	–	–
152	–152	220	–270	–	–	372	–422	–	–
1	–1	2,050	–2,505	–	–	2,051	–2,506	–	–
–	–	–1,775	2,169	–	–	–1,775	2,169	–	–
611	**–611**	**190**	**–232**	**140**	**–172**	**941**	**–1,015**	**–2,429**	**2,429**
–	–	–	–	–	–	–1,023	837	–	–
–	–	–	–	–	–	1,964	–1,852	–	–

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	–	–

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

2023 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Derivative financial instruments	FVTPL/without category	–	280	237	517
Financial assets at fair value through profit or loss	FVTPL	–	13,334	–	13,334
Financial assets at fair value through OCI	FVTOCI	–	4,253	19,803	24,056
Financial liabilities at fair value					
Derivative financial instruments	FLTPL	–	1,908	–	1,908

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 at fair value through OCI	FVTOCI	–	–	3,007	3,007
Financial liabilities at fair value					
Derivative financial instruments	FLTPL	–	1,976	–	1,976

Disclosures on level 3 financial instruments

	Equity investments	Profit partici-pation rights	Embedded derivatives
Fair value on December 31, 2021	**40**	**–**	**239**
Gains/(losses) through profit or loss	–	–	–28
Gains/(losses) through equity	–2	–	–7
Purchase	–	2,969	96
Fair value on December 31, 2022	**38**	**2,969**	**300**
Gains/(losses) through profit or loss	–	–	–60
Gains/(losses) through equity	–247	–1,333	–16
Purchase	18,376	–	62
Sale	–	–	–49
Fair value on December 31, 2023	**18,167**	**1,636**	**237**

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 valuation of the investment in level 2 of the fair value hierarchy was based on past transactions.

Level 3 equity instruments are measured at fair value through other comprehensive income. On the one hand, present value methods are used with discount rates in the double-digit percentage range on the basis of the five-year planning of the corresponding companies. Venture capital measurement is also performed as a hedge of fair value. An exit scenario after five years is assumed and the corresponding EBIT is discounted to the value as of the end of the reporting period with multiples using discount factors. The estimated fair value of all financial instruments in level 3 would decrease by TCHF 4,738 if the discount rate were to increase by 300 basis points or increase by TCHF 8,346 if the discount rate were to decrease by 300 basis points. A discounted cash flow method was used to determine the fair value of level 3 derivative financial instruments.

There were no reclassifications between the individual levels of the fair value hierarchy. They are reclassified quarterly in each reporting period if circumstances requiring a different classification arise.

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, 2023 and December 31, 2022, 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 and loans. 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, 2023, the currency risk component of non-derivative financial liabilities with a nominal amount of TCHF 10,155 (previous year: TCHF 10,823) 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 250 (previous year: TCHF 585).

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:

Primary financial instruments in hedges

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2023 Nominal volume	Annual average rate
Primary financial instrument (financial liability)					
USD	10,155	–	–	10,155	0.98829

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2022 Nominal volume	Annual average rate
Primary financial instrument (financial liability)					
USD	10,823	–	–	10,823	0.98829

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)	2023	2022
Cumulative fair value changes to determine ineffectiveness	250	585
Carrying amount of financial liabilities	835	585
Nominal value	10,155	10,823

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)	2023	2022
Cumulative fair value changes to determine ineffectiveness	–250	–585
Reserve for active cash flow hedges	–835	–585

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, 2023	Jan. 01 to Dec. 31, 2022
Unrealized gains and losses from hedging instruments	250	585
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 2023 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, 2023 and 2022 are as follows:

Derivative financial instruments without a hedge

(TCHF)	Dec. 31, 2023 Nominal value	Dec. 31, 2023 Fair value	Dec. 31, 2022 Nominal value	Dec. 31, 2022 Fair value
Foreign currency forwards (sale)				
CZK	4,508	–360	6,573	–405
PLN	–	–	2,155	–81
USD	5,729	279	6,106	193
thereof credit balance	5,729	279	6,106	193
thereof debit balance	4,508	–360	8,728	–486
Foreign currency forwards (acquisition)				
CZK	4,934	–63	6,239	360
PLN	1,055	–7	–	–
USD	23,283	–1,478	20,121	–1,455
ZAR	64	1	–	–
CAD/USD swap	–	–	4,528	–35
PLN/USD swap	–	–	1,723	194
thereof credit balance	64	1	7,962	554
thereof debit balance	29,272	–1,548	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 Dec. 31, 2021	**220,000**	**26.60**
Expired	2,000	–
Outstanding as of Dec. 31, 2022	**218,000**	**–**
Expired	14,000	–
Outstanding as of Dec. 31, 2023	**204,000**	**–**

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 213 (previous year's period: TCHF 228).

The table below shows the measurement parameters used:

(TCHF)	2023	2022
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 July 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

Segments and segment reporting are defined on the basis of internal reporting (Management Approach) 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.

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 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 2023

(TCHF)	Film	Sports and Event	Other	Reconciliation	Group
External sales	253,580	167,720	–	–	421,300
Intragroup sales	157	651	–	–808	–
Total sales	253,737	168,371	–	–808	421,300
Other segment income	85,544	6,442	–	–213	91,773
Segment expenses	–330,544	–170,920	–5,771	1,021	–506,214
thereof amortization and depreciation	*–45,264*	*–18,052*	*–*	*–*	*–63,316*
thereof impairment and reversals of impairment	*–3,129*	*–*	*–*	*–*	*–3,129*
Segment earnings	**8,737**	**3,893**	**–5,771**	**–**	**6,859**
Timing of revenue recognition					
Over time	144,883	63,099	–	–	207,982
Point in time	108,697	104,621	–	–	213,318
	253,580	**167,720**	**–**	**–**	**421,300**
Sales by product type					
Film	101,004	–	–	–	101,004
Production services	152,576	–	–	–	152,576
Sports and Event	–	64,688	–	–	64,688
Platform	–	84,572	–	–	84,572
Services	–	18,460	–	–	18,460
	253,580	**167,720**	**–**	**–**	**421,300**

Segment information 2022

(TCHF)	Film	Sports and Event	Other	Recon-ciliation	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 and depreciation	*–57,097*	*–17,136*	*–*	*–*	*–74,233*
thereof impairment	*–5,468*	*–*	*–*	*–*	*–5,468*
Segment earnings	**15,206**	**5,569**	**–6,201**	**–**	**14,574**
Timing 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 type					
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**

The elimination of inter-segment transactions is reported in the reconciliation column.

Segment information by region

Jan. 01 to Dec. 31, 2023 (TCHF)	Switzer-land	Germany	Rest of Europe	Rest of world *	Total
External sales	75,391	195,731	87,149	63,029	421,300
Non-current assets	120,565	280,368	-	-	400,933

** TCHF 62,216 of which attributable to US*

Jan. 01 to Dec. 31, 2022 (TCHF)	Switzer-land	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*

External sales by customers

	2023		2022	
(TCHF)	nominal	in %	nominal	in %
Customer A (Sports and Event segment, previous year: Film segment)	60,952	14	98,594	19
Customer B (Film segment; previous year: Sports and Event segment)	47,509	11	63,438	12
Customer C (Film segment)	28,521	7	32,749	6
Sales with other customers	284,318	68	329,066	63
Total external sales	**421,300**	**100**	**523,847**	**100**

In total, the Highlight Group generated more than 10 % of total revenue with two customers (previous year: two customers).

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, 2023						
Due within one year	39,659	–	49,229	21,597	1,436	111,921
Due between one year and five years	–	–	21,896	16,830	8,489	47,215
Due after five years	25	–	–	282	9,922	10,229
Total	**39,684**	**–**	**71,125**	**38,709**	**19,847**	**169,365**

(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**

11.2 Financial commitments

As of December 31, 2023, there were guarantees to various TV stations for the completion of service productions totaling TCHF 39,684 (previous year: TCHF 33,553). 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 16,790 (previous year: TCHF 9,924).

Furthermore, the purchase commitments for licenses include TCHF 54,335 (previous year: TCHF 92,034) for broadcasting and transmission rights of Sport1 GmbH – chiefly for the Bundesliga rights purchased in 2020.

11.5 Other financial obligations not recognized in the balance sheet

Other financial obligations not recognized in the balance sheet include TCHF 16,127 (previous year: TCHF 19,372) 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 22,582 (previous year: TCHF 27,997).

11.6 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, 2023	Dec. 31, 2022
Receivables	–	–
Liabilities	77	74

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Sales and other income	–	–
Cost of materials and licenses and other expenses	66	45

Parent company and its direct subsidiaries

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Receivables	10,016	19,801
Liabilities	234	228

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
Sales and other income	504	7,465
Cost of materials and licenses and other expenses	232	359

Associates and joint ventures

(TCHF)	Dec. 31, 2023	Dec. 31, 2022
Receivables	7	65
Liabilities	–	–

(TCHF)	Jan. 01 to Dec. 31, 2023	Jan. 01 to Dec. 31, 2022
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 145 in the reporting year (previous year: TCHF 220).

As of December 31, 2023, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 77 (previous year: TCHF 74).

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)	2023 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)	1,376	179	10	1,565
Peter von Büren, executive member of the BoD	695	90	10	795
Total	**2,071**	**269**	**20**	**2,360**

(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**

** 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

An extensive cooperation with the international media company ACUNMEDYA, Istanbul, was agreed on February 22, 2024. This involves the sale of a 50% stake in the Group company Sport1 GmbH for a purchase price of EUR 30 million. Under the agreement, ACUNMEDYA undertakes to produce its internationally successful entertainment and sports entertainment programs for SPORT1. The SPORT1 MEDIEN Group and the Highlight Group will continue to include Sport1 GmbH in their consolidated financial statements. The closing of the transaction is subject to various conditions, especially approval from media and antitrust regulators.

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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 2023, the consolidated income statement, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated 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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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.

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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 253.6 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 64.7 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 114 (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 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 2023/2024 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.

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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 196.0 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 105 (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.

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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 83.5 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 107 (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.

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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 Accounting Standards 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.

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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, 24 April 2024

MAZARS AG

Roger Leu
Licensed Audit Expert
(Auditor in Charge)

Fabio Cavalieri
Licensed Audit Expert

Financial statements

as of December 31, 2023 of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2023

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2023	Dec. 31, 2022
Current assets		
Cash and cash equivalents	96	378
Other current receivables		
from third parties	22	23
from shareholders	9,788	19,708
from Group entities	18,709	214
from related parties	43	29
Current prepaid expenses/accrued income	1,622	1,942
	30,280	22,294
Non-current assets		
Non-current receivables		
from Group entities	0	11,073
Non-current prepaid expenses/accrued income	0	163
Equity investments	465,556	465,556
	465,556	476,792
Total assets	495,836	499,086

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2023	Dec. 31, 2022
Liabilities		
Trade accounts payable		
due to third parties	198	102
due to Group entities	0	1
Current interest-bearing liabilities		
due to banks	87,522	20,055
due to Group entities	10,344	18,792
Other current liabilities		
due to third parties	334	159
due to Group entities	8,004	3,431
due to shareholders	100	57
Deferred income/accrued expenses	2,844	3,212
	109,346	45,809
Non-current liabilities		
Non-current interest-bearing liabilities		
due to banks	0	74,740
	0	74,740
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	193,509	166,529
Net profit/loss for the year	7,953	26,980
Treasury shares		
Against reserves from capital contributions	–372	–372
	386,490	378,537
Total equity and liabilities	495,836	499,086

INCOME STATEMENT 2023

Highlight Communications AG, Pratteln

(TCHF)	2023	2022
License income	12	26
Other income	98	249
Income from equity investments	21,900	39,101
Total income	**22,010**	**39,376**
License expenses	–	–6
Staff costs	–3,174	–3,597
Office and administrative expense	–3,581	–4,204
Amortization, depreciation and impairment on non-current assets	–1,600	–1,000
Earnings before interest and taxes (EBIT)	**13,655**	**30,569**
Financial expense		
Interest expense	–6,093	–3,923
Price losses	–1,384	–517
Financial income		
Interest income	417	184
Price gains	1,358	667
Profit/loss before taxes	**7,953**	**26,980**
Income taxes	–	–
Net profit/loss for the year	**7,953**	**26,980**

NOTES TO THE FINANCIAL STATEMENTS 2023

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 2024 is recognized as current.

Equity

The share capital of Highlight Communications AG amounts to CHF 63,000,000 and is divided into 63,000,000 bearer shares with a par value of CHF 1.00 each; all issued shares are fully paid up.

The capital band was approved by the Annual General Meeting on June 22, 2023. The Board of Directors may introduce a capital band with an upper limit of CHF 94,500,000 (corresponding to an increase of 50% of the current share capital) and a lower limit of CHF 50,400,000.

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.

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 1.6 million (with subordination). Total subordination amounted to CHF 19 million.

3. PLEDGED ASSETS AS COLLATERAL FOR OWN OBLIGATIONS

	Dec. 31, 2023	Dec. 31, 2022
Shares in Sport1 Medien AG		
Number of shares	93,600,000	93,600,000
Carrying amount in TCHF	162,746	162,746
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	87,520	94,795

4. CONTINGENT LIABILITIES

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

5. NOTES ON MATERIAL INVESTMENTS

The list of all companies with their 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 on February 2, 2022. The squeeze-out thus became effective. The purchase price per share was EUR 2.30.

6. CHANGE IN LEGAL CAPITAL RESERVES

No dividend was paid in the reporting period.

7. SHAREHOLDER STRUCTURE

Shareholders with holdings of over 5%	Dec. 31, 2023	Dec. 31, 2022
Highlight Event and Entertainment AG	52.94%	51.61%
Stella Finanz AG	11.11%	11.11%
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, 2023	72,000	372	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2023	72,000	372	–

	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	–

Indirectly

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2023	6,182,518	37,396	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2023	6,182,518	37,396	–

	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	–

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

As of December 31, 2023, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2023	2022
Bernhard Burgener, Chairman and Delegate, executive member	–	–
Peter von Büren, executive member	–	–
Edda Kraft, non-executive member	–	–
Stefan Wehrenberg, non-executive member	–	–

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)	**2023**
Dividend payment	0
Withdrawal from the legal reserves from capital contributions	**0**

APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(TCHF)	**2023**
Profit carryforward	193,509
Net profit for the year	7,953
Available retained earnings	**201,462**

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

(TCHF)	
Retained earnings	201,462
Dividend payment	0
Carryforward to new account	**201,462**

The Board of Directors of Highlight Communications AG recommends carrying forward all gains for fiscal 2023 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.

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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 2023, 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 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.

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Impairment of equity investments

Key audit matter

We treated the assessment of the recoverability of equity investments amounting to CHF 465.6 million (94% 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 material 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.

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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, 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.

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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, 24 April 2024

MAZARS AG

Roger Leu
Licensed Audit Expert
(Auditor in Charge)

Fabio Cavalieri
Licensed Audit Expert

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Highlight

Highlight Communications AG

EVENTS

2024

CINEMA	Cannes Film Festival	May 14 – 25
	Locarno Film Festival	August 7 – 17
	Venice Film Festival	August 28 – September 7
	Toronto Film Festival	September 5 – 15
FOOTBALL	UEFA Europa League final	May 22
	UEFA Europa Conference League final	May 29
	UEFA Champions League final	June 1
INVESTOR RELATIONS	Interim reports	May/August/November
	Annual General Meeting	June 27
	German Equity Forum	November 25 – 27

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