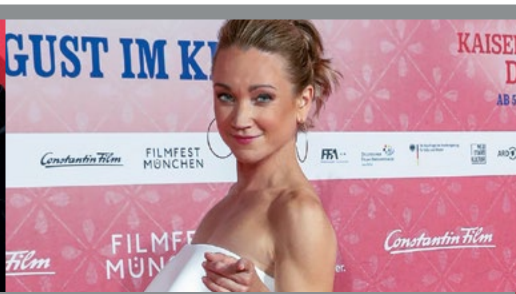
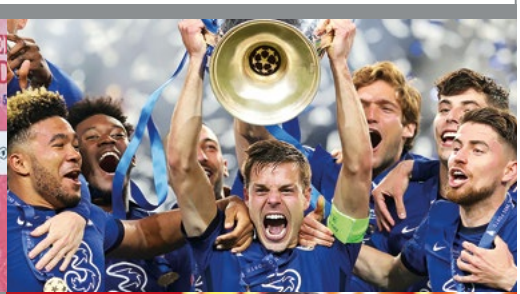
Highlight

Highlight Communications AG





ANNUAL REPORT 2021

KEY FIGURES

in TCHF		2021	2020 (restated)
CONSOLIDATED BALANCE SHEET	Balance sheet total	674,530	652,228
	Film assets	127,066	161,975
	Cash and cash equivalents	48,345	48,178
	Financial liabilities	190,647	172,735
	Equity	196,123	197,962
	Equity ratio	29.08 %	30.35 %
CONSOLIDATED INCOME STATEMENT	Sales	508,161	414,567
	■ Film	331,483	261,358
	■ Sports- and Event-Marketing	68,354	61,463
	■ Sports	108,324	92,245
	Profit from operations (EBIT)	28,567	25,573
	■ Film	15,863	13,262
	■ Sports- and Event-Marketing	27,273	27,241
	■ Sports	–7,723	–9,036
	Net profit (Highlight shareholders)	14,800	12,179
	Earnings per share (CHF)	0.26	0.21
	Earnings per share (EUR)	0.25	0.2
CONSOLIDATED STATEMENT OF CASH FLOWS	Cash flow from operating activities	59,336	71,211
	Cash flow for investing activities	–71,490	–48,501
	thereof payments for film assets	–71,006	–41,036
	Cash flow for/from financing activities	13,798	–26,961
	thereof dividend payments	–1,116	–1,176
	Cash flow for/from the reporting period	1,644	–4,251
PERSONNEL	Average number of employees	1,541	1,440

CONTENTS

EVENTS IN 2021

Q1

JANUARY

At the start of 2021, movie theaters are still closed due to measures to contain the Covid-19 pandemic.

The Constantin TV production “Ferdinand von Schirach: Feinde” achieves a market share of 21.8 % with the version “Gegen die Zeit” and a market share of 19.5 % with the version “Recht oder Gerechtigkeit?” on ARD. The criminal case was filmed from two different perspectives and broadcast simultaneously.

SPORT1 enters into cooperation agreements for the distribution of the two German-language pay TV channels SPORT1+ and eSPORTS1 on Joyn and eSPORTS1 on Amazon Prime Video Channels.

FEBRUARY

On February 8, “Der CHECK24 Doppelpass” brought SPORT1 a new record in the current season, underscoring its role as the Number 1 soccer talk show in Germany. At its peak, the number of viewers watching the talk show hosted by Thomas Helmer and Laura Papendick reached a million.

“Wir Kinder vom Bahnhof Zoo” is released on Amazon Prime Video on February 19. The modern interpretation of the international bestseller is released in Germany, Austria, and Switzerland. Over the course of the year, the series is broadcast in 19 countries.

MARCH

The 71st Berlinale is held from March 1 to 5. The Constantin Film production “Tides” from director Tim Fehlbaums celebrates its world premiere there. The science fiction thriller is presented in the “Spotlight” category for outstanding productions in the current year.

The thriller “Jackpot”, produced by Constantin Television, throws Rosalie Thomass, Thomas Loibl, and Friedrich Mücke into a suspense-packed fight to fulfill their lifelong dreams. ARD shows the movie from award-winning director Emily Atef on March 24.

Q2

APRIL

A prestigious award for Jonas Nohe – and another success for the SPORT1 editorial team: The 30-year-old impresses the jury of the Association of German Sports Journalists (Verband Deutscher Sportjournalisten, VDS), who award him the top prize in the “Major Online Award” category.

The sixth Eberhofer adaptation “Leberkäs-junkie” is recognized at the 2021 Bavarian Film Awards on April 28. The movie wins in the “Audience Film of the Decade” category. Nilam Farooq also wins the Bavarian Film Award for her role as Naima in “Contra.”

Richard S. Wright is appointed as the new Senior Vice President of Physical Production at Constantin Film, Los Angeles.

MAY

To cater to the growing market for outstanding and innovative documentaries, Constantin Film establishes its own documentary label with the name Constantin Dokumentation.

The successful collaboration between Constantin Television and Netflix is continued. Constantin Television and MOOVIE produce the feature film “Der Parfumeur,” directed by Nils Willbrandt.

JUNE

The UEFA European Football Championships begin on June 11. The “EM-Doppelpass” show analyzes the tournament with numerous experts.

Back to movie theaters at last: The comedy “Breaking News in Yuba County” starring Allison Janney is released on June 24.

The Annual General Meeting of Highlight Communications AG is held on June 29. Bernhard Burgener is re-elected as President of the Board of Directors for another term of office, while Martin Hellstern, Peter von Büren, and Alexander Studhalter are also re-elected as members of the Board of Directors for another year.

Bavarian Film Award: “Tides”

Bavarian Film Award: “Contra”

Bavarian Film Award: “Leberkäsjunkie”

Movie theater premiere: “Breaking News in Yuba County”

World premiere at the Berlinale: “Tides”

Modern adaptation: “Wir Kinder vom Bahnhof Zoo” on Amazon Prime

Suspense-packed thriller on ARD: “Jackpot”

Movie theater premiere in July: “Monster Hunter”

Q3

JULY

On July 1, the fantasy action thriller “Monster Hunter” starring Milla Jovovich and Tony Jaa is released in German theaters, after the release date had to be postponed several times due to the Covid-19 pandemic.

The German Netflix Original “Blood Red Sky” from director Peter Thorwarth is released exclusively and worldwide on Netflix for a national and international audience on July 23. The title is called up more than 50 million times worldwide, making it the most internationally successful German film on Netflix.

AUGUST

Since its release on August 5, “Kaiserschmarrndrama” has been storming the German box office charts. The seventh film in the Eberhofer series attracts more than a million moviegoers by the end of the year. With more than 230,000 viewers on its opening weekend already, “Kaiserschmarrndrama” recorded the most successful start in the Eberhofer movie series.

“Tides” celebrates its public premiere at Filmfest München and can be seen in theaters starting from August 26.

SEPTEMBER

SPORT1 launches the new podcast “Fussball-Kult. Der 2. Liga-Talk mit Peter Neururer und Hartwig Thöne”. From now on, the iconic coach and the SPORT1 presenter will discuss current topics each month.

Great cinema: Constantin Film and RTL Deutschland further expand their successful collaboration. The two companies agree a multi-year framework contract for the licensing of exclusive free TV and subscription video-on-demand rights to all theatrical productions in Germany.

SPORT1 launches “SPORT1 Extra”, a new multisport streaming platform in Germany, Austria, and Switzerland.

Constantin announces the new six-part family comedy series “Wendehammer”. The Constantin Film subsidiary MOOVIE produces the series for ZDF.

Movie theater premiere in August: “Kaiserschmarrndrama”

Q4

OCTOBER

A major success for the German high-end production “Ferdinand von Schirach – The Allegation”: CANNESERIES presents the series with the “Best Script” award and the “Dior Grand Prize” for its outstanding innovative storytelling.

Matt Brodlie and Jonathan Kier establish Upgrade Productions together with Constantin Film. This production company develops and produces high-quality, non-English-language content for a global audience.

While “Kaiserschmarrndrama” continues to entertain viewers in the movie theaters, filming for the next installment, “Gugelhupfgeschwader”, is completed on October 20. The eighth Eberhofer adaptation will be released in August 2022.

The Constantin Film production “Contra” starring Nilam Farooq and Christoph Maria Herbst is released in German theaters on October 28.

SPORT1 tops the two-million mark with the DFB Cup match between Borussia Dortmund and FC Ingolstadt, which is watched by 2.06 million viewers at its peak.

NOVEMBER

“Die Heiland” is back! A total of 4.43 million viewers tune in for the start to the third season on ARD, representing a market share of 15.4%.

Susen Schadwinkel becomes a producer at Constantin Entertainment. Constantin Entertainment thus succeeds in getting one of Germany’s best showrunners on board.

“Eiffel in Love” has already won the hearts of audiences and the press in France – as of November 18, the monumental love story can finally also be seen on the big screen in Germany.

Golden Lola 2021: “Tides”

Award-winner at CANNESERIES: “Ferdinand von Schirach – The Allegation”

DECEMBER

HIGH END PRODUCTIONS announces the production of a series together with the internationally renowned novelist and screenwriter William Boyd (e.g. “Spy City”) about the tragic life of Emperor Maximilian of Mexico and his wife, Charlotte of Belgium. Filming for the four-part miniseries “Maximilian and Carlota” will begin in late summer 2022.

It is the TV event of 2021: With “Eldorado KaDeWe – Jetzt ist unsere Zeit”, the multi-award-winning director Julia von Heinz has created an extraordinary epic series. All six episodes will be broadcast consecutively on ARD on December 27.

Due to the latest developments in the Covid-19 pandemic, movie theater capacity is limited again, meaning that planned theatrical releases including “Caveman”, “Der Nachname”, and “Liebesdings” have to be postponed by Constantin Film.

TV event in 2021: “Eldorado KaDeWe – Jetzt ist unsere Zeit” on ARD

Foreword by the Chairman

Dear shareholders and other interested parties,

2021 was an extraordinary year as well. The Covid-19 pandemic and its repercussions again dominated the fiscal year. Based on the experience gathered in the previous year in handling the pandemic, we have had a successful fiscal year despite this challenge. Above all, our positive achievements are thanks to the dedication of our management and our employees. Though 2021 was still defined by the pandemic and the related restrictions and planning uncertainty, there was nonetheless a significant improvement as against the previous year, which fills us with confidence for the time ahead and our forthcoming projects.

In particular, 2021 began with strict measures in place to curb the Covid pandemic. Constantin Film was especially affected by these measures, as all movie theaters had to remain closed, while the Sports- and Event-Marketing and Sports segments were severely impacted by the pandemic as well. Most measures were eased over the course of the year, though some were then reintroduced towards the end of the year. Nevertheless, the Highlight Group responded accordingly with forward-looking action and adjustments. This is another reason why we have enjoyed a successful fiscal year.

Consolidated sales climbed by a respectable CHF 93.6 million to CHF 508.2 million in the reporting year, with all segments (Film, Sports- and Event-Marketing and Sports) generating higher external sales. There were significant improvements in earnings as well: EBIT rose by 11.7 % to CHF 28.6 million. With a consolidated net profit attributable to shareholders of CHF 14.8 million, which was CHF 2.6 million higher than in the previous year, earnings per share for our shareholders amounted to CHF 0.26, likewise CHF 0.21 higher than in the previous year.

Despite movie theater closures at the start of the year, the Constantin Film Group released ten productions to theaters. Releases in Germany in July included “Monster Hunter” and “Ostwind – Der große Orkan”. These were followed by “Kaiserschmarrndrama” and “After Love”. Despite fresh restrictions, “Wrong Turn”, “Welcome to Raccoon City”, and “Eiffel in Love” were released in theaters in November. Moreover, several successful TV productions were produced, including for ARD and ZDF. The positive trend in digital exploitation formats continued as well. Partly on account of contact restrictions, digital exploitation formats are still experiencing rapid growth. They can be considered one of the “crisis winners” of the pandemic.

In the Sports- and Event-Marketing segment, one of the key areas of development in 2021 was the rapid growth of Non-Fungible Tokens (NFTs) as a source of revenue and fan engagement for sports rights holders. Many sports properties have created NFTs in the form of photos, collectible cards or even video clips and sold them to fans. UEFA, with TEAM’s support, launched a tender for the 2021/22 – 2023/24 cycle in November seeking commercial partners in the cryptocurrency, blockchain and NFT space.

The Vienna Philharmonic’s concert was successfully staged at the Sagrada Familia, thereby allowing Highlight Event AG to fulfill all its sponsorship agreements. The concert will be marketed in more than 50 countries in the coming months. After the Eurovision Song Contest was able to go ahead under special conditions, we are now focusing on marketing ESC 2022. This year’s ESC will be held in Turin’s PalaOlimpico in May.

In the Sports segment, Sport1 GmbH launched the new multisport streaming platform “SPORT1 extra” in Germany, Austria, and Switzerland in 2021. When the DFB Cup media rights were awarded, SPORT1 secured an extensive package for the seasons 2022/2023 to 2025/2026 inclusively.

The successful partnership with DAZN was expanded as well, with a number of new shows produced by Plazamedia. Cooperations were entered into with Joyn and Amazon Prime Video Channels to continue promoting the Sport1 pay TV channels SPORT1+ and eSPORTS1.

Despite the ongoing pandemic, at Constantin Film we are continuing to focus on maintaining high quality and the continuous optimization of our productions. In theatrical operations especially, there is planning certainty for 2022 again, with the prospect of being able to work with more capacity and without closures this year. Subject to all uncertainty, at Constantin Film we are planning to release at least ten productions in theaters in the current fiscal year, including the movies held over from 2021. Releases will include “Caveman”, “Der Nachname”, “Lieblingsding”, and “Gugelhupfgeschwader”.

The TEAM Group will focus on the marketing of the UEFA club competitions for the 2021/22 to 2023/24 seasons together with UEFA. The TEAM Group is continuing to assist UEFA in staging further club matches.

In February 2022, following the conclusion of the invitation to tender by UEFA and the European Club Association (ECA), TEAM was named as UEFA’s marketing partner for the UEFA club competitions.

The global marketing agency mandate is for the worldwide marketing of the media, sponsorship and licensing rights (except the marketing of media rights in the US) for 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.

In 2022 as well, Highlight Event AG is concentrating on completing its existing sponsorship agreements for its two major projects, the Eurovision Song Contest and sponsor events of the Vienna Philharmonic.

SPORT1 will also focus on multimedia content use and distribution in 2022. Besides the exploitation of key sports, it is also still working intensively on expanding its cross-platform media content to push the diversification of the SPORT1 brand.

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

Yours,

B. Burgener

Bernhard Burgener
Chairman and Delegate of the Board of Directors

Members of the Board of Directors

Bernhard Burgener (born 1957) Chairman and Delegate of the Board of Directors

Businessman. Mr. Burgener has worked in the film business since 1982. His professional career began in 1983 with the founding of Rainbow Video AG (today: Rainbow Home Entertainment AG), Pratteln. Mr. Burgener 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 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.

Martin Hellstern (born 1934) Non-executive member of the Board of Directors

Businessman. Mr. Hellstern's work in the media industry began in 1963 at Rialto Film AG, Zurich, which he gradually built into the largest independent film company in Switzerland. He was a member of the Board of Directors and a shareholder of the largest Swiss cinema operator KITAG, of Teleclub AG as well as still of CineStar SA, Lugano. Mr. Hellstern has been a shareholder of Highlight Communications AG since 2003 and a member of the company's Board of Directors since 2004.

Peter von Büren (born 1955) Executive member of the Board of Directors

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

Alexander Studhalter (born 1968) Non-executive member of the Board of Directors

Business economist. Mr. Studhalter started his career in 1993 as a financial expert. As an innovative entrepreneur, he established what is now Studhalter International Group AG – a successful national and international group in the field of private equity, equity investments, real estate and property development, and multi-client family office. He has also held management positions as an active board member for several private, semi-public, and public companies. In 2017 he invested in Highlight Event and Entertainment AG via the private equity holding company, Swiss International Investment Portfolio AG, and at the 2020 Annual General Meeting he was elected as a non-executive member of the Board of Directors of Highlight Communications AG and an executive member of the Board of Directors of Highlight Event and Entertainment AG.

Corporate governance

INTRODUCTION

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

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 three segments "Film", "Sports- and Event-Marketing" as well as "Sports".

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, 2021, the market capitalization of the company was around EUR 226.8 million at a closing stock price for the year of EUR 4.00.

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, 2020, 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	49.63 %
Stella Finanz AG	12.26 %
Axxion S.A.	9.89 %

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

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

In the year under review no treasury shares were bought back. As of December 31, 2021, treasury stock comprised 6,299,501 shares, equivalent to 9.99 % of the company's subscribed capital.

1.5 Cross-holdings

Sport1 Medien AG holds 9.81 % of the share capital of Highlight Communications AG as of December 31, 2021. Sport1 Medien AG has been included in consolidation by the Highlight Group since the 2018 reporting period.

2. CAPITAL STRUCTURE

2.1 Capital

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

2.2 Authorized capital

On June 20, 2019, the Annual General Meeting extended the authorized share capital of CHF 31,500,000 until June 20, 2021, and thereby authorized the Board of Directors to execute a capital increase by issuing 31,500,000 bearer shares at CHF 1 each within a period of two years. A partial increase is permitted.

2.3 Changes in capital – changes in nominal value

There were no changes in capital in the reporting period.

2.4 Shares, participating and profit-sharing rights

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

2.5 Restrictions on the transferability of shares and registration of nominees

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

3. BOARD OF DIRECTORS

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

3.1 Members of the Board of Directors

The Board of Directors currently comprises four members. The list below provides an overview of the composition of the Board of Directors on December 31, 2021, 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, Emmen, 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
Member of the Board of Directors of Sport1 Medien AG, Munich, Germany

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

Other (corporate) activities and interests:
Member of the Board of Directors of CineStar SA, Lugano, Switzerland
President and Delegate of the Board of Directors of Praesens-Film AG, Zurich, Switzerland
President of the Board of Directors of Atlantis Investment AG, Wil, Switzerland
Delegate of the Board of Directors of Atlantic-Immobilien und Investment AG, Zurich, Switzerland
Member of the Board of Directors of Stella Movie SA, Comano, Switzerland
President of the Board of Directors of Kart-Bahn-Wohlen AG, Waltenschwil, Switzerland
President of Fondazione Stella Chiara, Comano, Switzerland
President of Recomat AG, Glarus, 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, Emmen, Switzerland
Member of the Board of Directors of World Boxing Super Series AG, Pratteln, Switzerland
Member of the Board of Directors of Chameleo AG, Pratteln, Switzerland
President of the Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland
Member of the Board of Directors of FC Basel Holding AG, Basel, Switzerland
Member of the Board of Directors of Plazamedia Swiss AG, Pratteln, Switzerland, in liquidation
President of the Board of Directors of Escor Automaten AG, Düdingen, Switzerland, in liquidation
Member of the Board of Directors of Sport1 Medien AG, Munich, Germany

Alexander Studhalter
Member of the Board of Directors since 2020
Swiss national, business economist, non-executive member.

Member of the Board of Directors of Highlight Event and Entertainment AG, Pratteln, Switzerland
Member of the Board of Directors of World Boxing Super Series AG, Pratteln, Switzerland
President of the Board of Directors of Studhalter International Group AG, Lucerne, Switzerland
President of the Board of Directors of Swiss International Investment Portfolio AG, Lucerne, Switzerland
President of the Board of Directors of Swiss International Real Estate Portfolio AG, Lucerne, Switzerland
President of the Board of Directors of Swiss International Advisory Group AG, Lucerne, Switzerland
President of the Pension fund of Swiss International Advisory Group AG, Lucerne, Switzerland
President of the Board of Directors of Swiss International Asset Consulting AG, Lucerne, Switzerland
President of the Board of Trustees of the Charitable Foundations Fondation Aline, Lucerne and Human Diversity Foundation, Lucerne, Switzerland
Member of the Board of Directors of AUVISIO Audio Visual Solutions AG, Emmen, Switzerland

President of the Board of Directors of avony AG, Emmen, Switzerland
Member of the Board of Directors of Augusta Eisenwaren AG, Lucerne, Switzerland
Member of the Board of Directors of Brituleca Holding AG, Lucerne, Switzerland
Member of the Board of Directors of Genar Services AG, Lucerne, Switzerland
Member of the Board of Directors of MediLounge AG, Lucerne, Switzerland
Member of the Board of Directors of My Event AG, Lucerne, Switzerland
Member of the Board of Directors of Parkleitsystem AG, Lucerne, Switzerland
Member of the Board of Directors of PMS Property Management Services AG, Lucerne, Switzerland
Advisory Board of Papa Oscar Ventures, Frankfurt, Germany
Member of the Board of Directors of Ramona Productions AG, Lucerne, Switzerland
Member of the Board of Directors of R-Direct AG, Lucerne, Switzerland
Member of the Board of Directors of Shaddow AG, Lucerne, Switzerland
Member of the Supervisory Board of Sport1 Medien AG, Ismaning/Munich, Germany

3.2 Election and tenure

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

3.3 Internal organization

3.3.1 Constituent meeting and allocation of duties

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

3.3.2 Meetings of the Board of Directors

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

3.3.3 Committees

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

At the Annual General Meeting on June 29, 2021, the members of the Board of Directors Alexander Studhalter and Martin Hellstern 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, 2021.

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.

Dr. Paul Graf, Managing Director, Head Mergers & Acquisitions and Secretary of the Board of Directors
Swiss national, businessman, previously Managing Director of electronics at Ciba Specialty Chemicals, a member of Group management since 2000.

Management of the respective segments

4.1.2 TEAM (Sports- and Event-Marketing segment)

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

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

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

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

Ian Warbrick, Executive Director Sponsorship 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 and since 2016 Executive Director Sponsorship Sales at TEAM.

Thomas Höher, Executive Director Media Rights Sales
German national, Sales Executive, worked for various companies in the telecommunications and banking sectors from 1999 to 2002, including VIAG Interkom (now O_2) and Consors AG,

at Deutsche Telekom AG from 2002 to 2007, including as project manager for FIFA World Cup 2006 sponsorship for T-Mobile International AG, at TEAM in various positions since 2007 and as Executive Director Media Rights Sales since October 2017.

Oliver Holland, Managing Director TEAM Marketing 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 and, from 2015 on, as Executive Director of Commercial Affairs.

Iain Downie, Executive Director of Development and Marketing
British national, research executive before joining TEAM in 2011 as Research Manager. Senior Strategy and Research Manager from 2013 to 2015 and Head of Strategy and Research from 2015–2017. Left TEAM in 2017 to join FIFA as Director of Marketing Sales and Strategy. Returned to TEAM in 2019 as Director of Development and Marketing and since 2020 as Executive Director of Development and Marketing.

4.1.3 Highlight Event AG (Sports- and Event-Marketing segment)

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

4.1.4 Rainbow Home Entertainment (Film segment)

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

4.1.5 Constantin Film (Film segment)

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

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.

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

4.1.6 Sport1 Medien AG (Sports segment)

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

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

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. PricewaterhouseCoopers AG in Lucerne audited our annual financial statements for the year ending December 31, 2001 for the first time. Mr. Norbert Kühnis has been the auditor in charge for the audit mandate since fiscal year 2021.

8.2 Auditing fees

A sum of TCHF 182 was paid for auditing services of PricewaterhouseCoopers AG in fiscal year 2021. Additional fees of TCHF 13 were invoiced by PricewaterhouseCoopers AG for tax consulting relating to Highlight Communications AG and the Group.

9. INFORMATION POLICY

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

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

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

Remuneration report

This remuneration report for fiscal year 2021 sets out the remuneration system and remuneration to members of the Board of Directors and the management team of Highlight Communications AG. The content and scope of the details comply with the regulations of the Ordinance Against Excessive Compensation in Stock-Exchange Companies (VegüV), passed by the Swiss Federal Council, which came into force on January 1, 2014, and the Corporate Governance Directive (RCGL) of the SIX Swiss Exchange. Remuneration is posted in accordance with the "accrual principle".

The remuneration report of May 2, 2022 of Highlight Communications AG for the fiscal year ending December 31, 2021 has been audited by the statutory auditor. The audit was limited to the disclosures in accordance with Art. 14 – 16 VegüV.

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

1. RESPONSIBILITIES AND AUTHORIZATIONS FOR REMUNERATION

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

The main tasks of the full Board of Directors are:

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

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

2. REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

2.1 Principles

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

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

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

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

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

2.1.1 Directors' fee

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

The Directors' fee also includes remuneration for work in the compensation committee, comprising the Directors Alexander Studhalter and Martin Hellstern, and in the audit committee, comprising the Directors Bernhard Burgener (Chairman), Alexander Studhalter and Martin Hellstern.

2.1.2 Pension benefits

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

2.2 Remuneration to the individual members of the Board of Directors

Fiscal year 2021

In 2021, the executive and non-executive members of the Board of Directors received overall remuneration of TCHF 153.2 (2020: TCHF 151.0). Compensation for the various activities at the subsidiaries is set out in section 3 "Remuneration to members of the management team".

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

audited

(TCHF) Name/role	Directors' fee, gross	Pension benefits	Total remuneration as member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10.0	0.8	10.8
Peter von Büren, executive member	10.0	–	10.0
Alexander Studhalter, non-executive member	50.0	4.0	54.0
René Camenzind[1], non-executive member	25.0	1.1	26.1
Martin Hellstern, non-executive member	50.0	2.3	52.3
Total	**145.0**	**8.2**	**153.2**

audited

Fiscal year 2020

(TCHF) Name/role	Directors' fee, gross	Pension benefits	Total remuneration as member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10.0	0.6	10.6
Peter von Büren, executive member	10.0	0.4	10.4
Alexander Studhalter[2], non-executive member	25.0	1.6	26.6
René Camenzind, non-executive member	50.0	1.7	51.7
Martin Hellstern, non-executive member	50.0	1.7	51.7
Total	**145.0**	**6.0**	**151.0**

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

[2]Alexander Studhalter was elected as a non-executive member of the Board of Directors of Highlight Communications AG by the Annual General Meeting on June 25, 2020.

No remuneration not in line with the market was granted to current or former members of the Board of Directors or related parties either in the year under review or in fiscal year 2020, and no such remuneration is outstanding.

3. REMUNERATION TO MEMBERS OF THE MANAGEMENT TEAM

3.1 Principles

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

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

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

3.1.1 Basic remuneration

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

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

3.1.2 Variable remuneration

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

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

3.1.3 Indirect remuneration for activities at subsidiaries

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

3.1.4 Pension benefits

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

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

Fiscal year 2021

In 2021, the members of the management team (including executive members of the Board of Directors, BoD) received total remuneration of TCHF 3,231 (2020: TCHF 3,276). The total remuneration of the members of the management team thus decreased slightly compared to the previous year.

audited

(TCHF) Name/role	Basic remu-neration, gross[1]	Variable remu-neration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as a member of the manage-ment team	Total remu-neration as a member of the Board of Directors[2]	Total remu-neration
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	833	427	161	234	1,665	11	1,666
Peter von Büren, executive member of the BoD	406	271	41	114	832	10	842
Other member of the management team	328	188	108	99	723	-	723
Total	**1,567**	**886**	**310**	**447**	**3,210**	**21**	**3,231**

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

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

audited

Fiscal year 2020

(TCHF) Name/role	Basic remu-neration, gross[1]	Variable remu-neration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as a member of the manage-ment team	Total remu-neration as a member of the Board of Directors[2]	Total remu-neration
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	833	407	182	231	1,653	11	1,664
Peter von Büren, executive member of the BoD	392	258	61	106	817	11	828
Other member of the management team	328	216	139	101	784	-	784
Total	**1,553**	**881**	**382**	**438**	**3,254**	**22**	**3,276**

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

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

No remuneration not in line with the market was granted to current or former members of the management team or related parties either in the year under review or in fiscal year 2020, and no such remuneration was outstanding.

4. ADVISORY BOARD

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

5. BENEFITS AND CONTRACTUAL AGREEMENTS ON LEAVING HIGHLIGHT COMMUNICATIONS AG

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

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

6. LOANS AND CREDITS TO EXECUTIVE BODIES

As of December 31, 2021 and December 31, 2020, there were no outstanding loans or credits granted by Highlight Communications AG to current or former members of the Board of Directors, the management team or related parties.

7. REMUNERATION TO RELATED PARTIES

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

As of December 31, 2021 and December 31, 2020, there were no outstanding loans or credits granted by Highlight Communications AG to related parties.

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

As of December 31, 2021 and December 31, 2020, the company had not paid any non-market-compliant remuneration to related parties.

8. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

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

9. MANAGEMENT CONTRACTS

There are no management contracts with third parties.

10. SHAREHOLDINGS IN HIGHLIGHT COMMUNICATIONS AG

As of December 31, 2021, the members of the Board of Directors and the management team (including related parties) held a total of 0.40 % of the outstanding bearer shares in Highlight Communications AG (previous year: 1.40 %).

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

	2021		2020	
	Number of shares	Share in capital	Number of shares	Share in capital
Bernhard Burgener	–	–	–	–
René Camenzind	–	–	628,715	1.00 %
Martin Hellstern	200,000	0.32 %	200,000	0.32 %
Alexander Studhalter	–	–	–	–
Peter von Büren	–	–	–	–
Dr. Paul Graf	50,000	0.08 %	50,000	0.08 %

Report of the statutory auditor

to the General Meeting of Highlight Communications AG

Pratteln

We have audited the accompanying remuneration report of Highlight Communications AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 17 to 20 of the remunera-tion report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report of Highlight Communications AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Norbert Kühnis	Bastian Stolzenberg
Audit expert Auditor in charge	Audit expert

Luzern, 25 May 2022

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CANNESERIES
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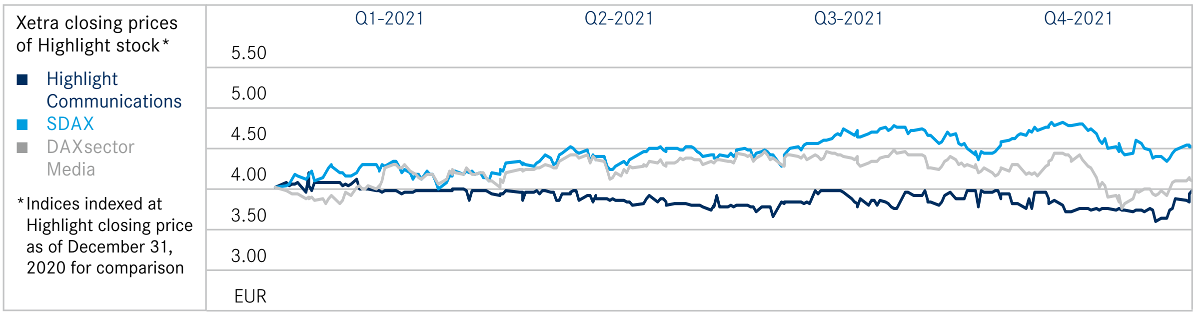
HIGHLIGHT STOCK 2021

Performance of the Highlight Group stock in the year 2021

- **Year-end quotation:** At EUR 4.0, on the level of the previous year (EUR 4.04).
- **Market capitalization:** EUR 226.8 million based on shares outstanding.
- **Turnover per trading day:** Decrease from around 4,300 to 3,150 shares.

Double award: The series “Ferdinand von Schirach: The Allegation” wins both the “Best Script” category and the “Dior Grand Prize” at the CANNESERIES festival.



Highly positive performance on stock markets in 2021

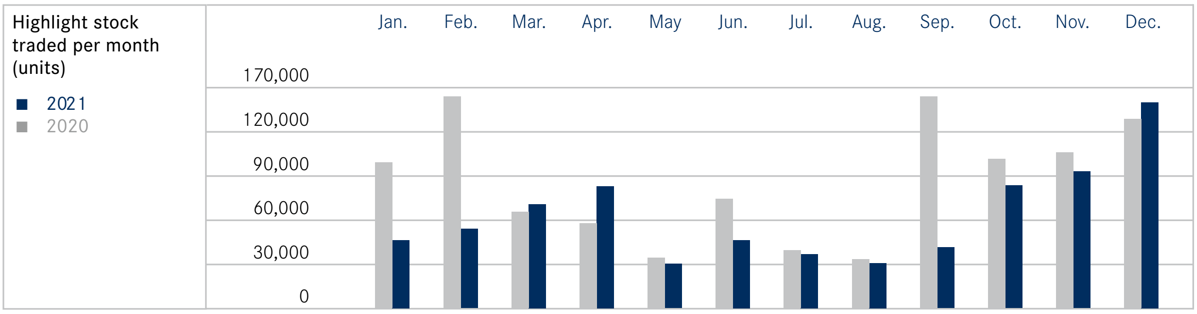
After a turbulent year on the global markets due to the pandemic in 2020, the high expectations for a significant recovery in prices in 2021 were entirely fulfilled. Driven by a positive economic performance and mostly tangible increases in companies' profits, the main indexes experienced highly positive developments.

The US benchmark index, the Dow Jones Industrial Average, rose by 18.7 % to 36,364 points in the reporting year, reaching a new all-time high shortly before the end of the year. The trend was much more moderate on the Japanese Nikkei 225, which rose only relatively slightly by 4.9 % to 28,792 points after performing positively in 2020.

By contrast, the performance of many European stocks was highly dynamic. The EURO STOXX 50 ended the year at 4,300 points, an increase of 21 %.

The year was similarly positive for investors on the Swiss Market Index (SMI), which closed at 12,876 points and was therefore up by 20.3 % compared to the end of the previous year.

The DAX ended 2021 at 15,885 points, an increase of 15.9 %. The SDAX small cap index did not quite keep up in the reporting year, but nonetheless rose by a gratifying 11.2 % over the year to 16,415 points in December 2021. German media stocks were not particularly favored by investors in 2021. This is reflected by the hardly changed year-on-year development in the DAXsector Media index, which climbed only slightly by 1.9 % to 443 points over the period from January to December 2021.



Highlight stock virtually unchanged in 2021

Highlight's shares were unable to positively stand out from the general trend on the sector index in the reporting period. After a good start to the year, which saw the shares rise from EUR 4.04 to their high for the year of EUR 4.20 by the middle of January, the price trended downwards until mid-2021, remaining in a relatively narrow corridor between EUR 4.12 and EUR 3.72. The share price climbed in the second half of the year and into the fourth quarter, but suffered from profit-taking from November to the middle of December. As a result, the shares fell to their low for the year at EUR 3.66 on December 15. Investor demand rallied at this price level, allowing Highlight's stock to end the year at EUR 4.00, a drop of 1 %.

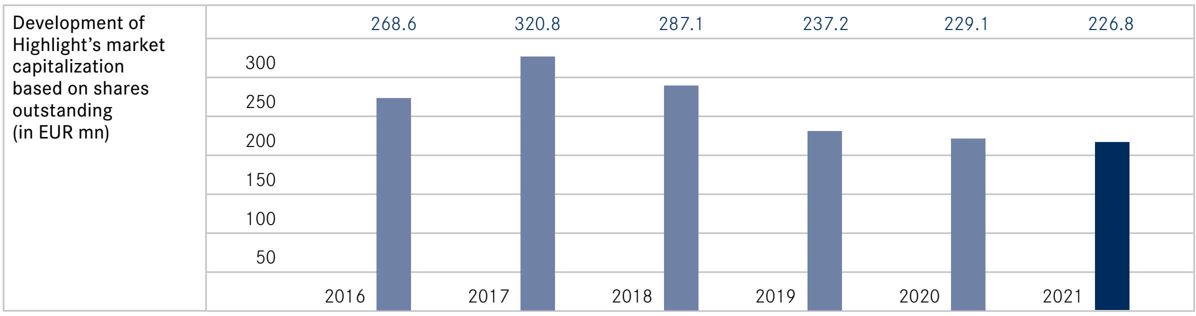
Trading volume down slightly

In the period from January to December 2021, around 0.8 million Highlight shares were traded on Deutsche Börse AG's Xetra trading system, a decline of around a quarter as against the previous year (around 1.1 million). The average number of shares traded per day thus fell from around 4,300 to around 3,150.

No changes in shareholder structure

As of December 31, 2021, 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 2021 reporting year and account for around 9.9 % of issued capital. Not including these shares, there were 56.70 million shares outstanding as of December 31, 2021.

Our company's principal shareholders are still Highlight Event and Entertainment AG (49.63 %), Stella Finanz AG (12.26 %) and Axxion S.A. (9.89 %). Further significant share packages are held by members of the Board of Directors and by private investors. As of December 31, 2021, the free float amounted to 19.25 % as per Deutsche Börse AG's index weighting.



Investor relations activities focusing on direct communications

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

However, the core element of our investor relations work is and will remain personal communication through active and open dialog. Owing to the COVID-19 pandemic and the resulting cancellation of many events held in person, the task at hand this year was again to achieve far-reaching communication without physical contact. In 2021 we were therefore available to field questions, again virtually, from market players at the German Equity Forum – Europe's leading investor fair for small and medium-sized stock corporations. Our stated aim is to use this type of PR work to achieve a fair valuation of Highlight's stock and to convince potential shareholders of the intrinsic value of an investment in our company.

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

Information on Highlight stock as of December 31, 2021

Subscribed capital	CHF 63.0 million
Number of shares	63,000,000
Stock class	Ordinary bearer shares
Shares outstanding	56.70 million
Market capitalization (based on shares outstanding)	EUR 226.80 million
Year-end price	EUR 4.00
52-week high (January 1)	EUR 4.20
52-week low (December 15)	EUR 3.66
Earnings per share	EUR 0.26

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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REPORT ON THE HIGHLIGHT GROUP'S SITUATION 2021

Very positive development of operations, net assets and financial position in 2021

- **Group sales:** Up 22.6 % year-on-year to CHF 508.2 million.
- **Net profit for the period:** Increase to CHF 15.4 million.
- **Equity ratio:** Up to 29.08 % at year-end (December 31, 2020: 30.35 %).

Audience award for "Leberkäsjunkie": At the Bavarian Film Awards, the sixth Eberhofer adaptation wins the "Audience Award of the Decade". Director Ed Herzog and author Rita Falk accept the award.

"Kaiserschmarrndrama" attracted more than a million moviegoers

BASIC INFORMATION ON THE GROUP

GROUP STRUCTURE AND OPERATING ACTIVITIES

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

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).

"Ostwind – Der große Orkan" is the final installment in the successful movie series

Sports- and Event-Marketing segment

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

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

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

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

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

Sports segment

The Sports segment comprises the activities of Sport1 Medien AG (until December 31, 2019: Constantin Medien AG), Ismaning, which is 95,32 % owned by Highlight Communications AG.

The main sources of income in the Sports segment 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.

CONTROL SYSTEM AND PERFORMANCE INDICATORS

Group management

Highlight Communications AG's Board of Directors is responsible for the strategic orientation and management of the Highlight Group. By contrast, responsibility for operating activities lies with the management body of the relevant subsidiary. At Constantin Film AG, this body is the Management Board, which consists of four members, at TEAM Holding AG it is the Board of Directors, which is also made up of four people, and at Sport1 Medien AG it is the two-member Management Board.

Management of all activities within the Highlight Group is based on short-term and medium-term planning and on regular reporting.

The third installment of the successful "After" series charms viewers again: "After We Fell"

Financial performance indicators

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

Non-financial performance indicators

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

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

A comedy for the whole family: “100 % Wolf”

LEGAL INFLUENCING FACTORS

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

Film segment

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

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

Sports segment

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

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

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

Gripping science fiction thriller from director Tim Fehlbaum: “Tides”

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 2022, global economic performance increased by 5.9 % in 2021. The pandemic-driven losses of the previous year were therefore largely made up for and the pre-crisis level was attained again.

The organization cites the extensive vaccination of the population with vaccines in many parts of the world as the core reason for this. Other factors were political stimulus to support economic growth and the continually favorable financial conditions due to the sustained low-interest environment. Despite the positive development, there is still uncertainty due to the unpredictable course of the Covid-19 pandemic and the shortage of raw materials and supply bottlenecks that emerged in many industries in the reporting year.

Despite these threats, emerging and developing countries posted growth of 6.5 % compared with a decline of –2.0 % in the previous year. With an increase of 8.1 %, China was one of the fastest-growing nations after growing only 2.3 % in 2020.

The economies of the industrialized nations likewise reported a high growth rate of 5.0 % in 2021 after –4.5 % in the previous year. The UK saw the largest growth at 7.2 % (2020: –9.4 %). The IMF calculated an increase of 5.2 % for the euro area. The US economy also posted strong growth of 5.6 %.

Action and excitement with Milla Jovovich in the lead role: “Monster Hunter”

In 2021, Switzerland’s economic output also exceeded the pre-crisis level of the end of 2019.

According to projections by the State Secretariat for Economic Affairs (SECO) published in mid-December 2021, gross domestic product (GDP) increased by 3.3 % in the past year after a decline of 3.3 % in 2020. This was mainly due to a low base level after the economic slump in 2020 and a recovery in all economic sectors.

According to calculations published by the German Federal Statistical Office (Destatis), the growth of the German economy was positive in 2021 at 2.9 % (2020: 4.9 %), but the pre-crisis level was not achieved again. In 2021, the economy in Germany was again heavily dependent on the measures to contain the Covid-19 pandemic. There were also supply and material shortages. Nevertheless, the German economy recovered in the past year and posted positive economic growth.

In Austria, the economy likewise underwent a sharp upturn in 2021. This was dampened by ongoing supply shortages and high raw material prices. Private consumer spending increased palpably as against the previous year (–8.5 %) by 3.4 %; gross fixed capital formation climbed by 5.7 % (2020: –5.2 %). According to provisional calculations released in December 2021, the Austrian Institute of Economic Research (WIFO) is forecasting GDP growth of 4.1 % in 2021.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

The development of the media and entertainment industry in Germany is closely linked to that of the economy as a whole. However, companies generally respond to economic changes in their spending on advertising more directly and more promptly than consumers. In recent years, the market in Germany has been characterized by moderate but steady growth, which was recently ultimately due to the increasingly widespread use of digital devices such as smartphones and tablets, and the expansion of broadband technologies and infrastructure. After a slump in most sectors in the previous year, the industry largely recovered in 2021.

In its September 2021 estimates, the audit company PricewaterhouseCoopers (PwC) forecast sales growth of 6.5 % to around EUR 54.3 billion for the media and entertainment industry as a whole in Germany for 2021. On the basis of final figures, there was a decline of –9.9 % to EUR 55.4 billion in the previous year.

The sectors that benefited significantly from the measures to contain the pandemic posted particularly clear growth in 2021. For example, the live music segment in 2021 grew by 104.5 % on the very weak figure for the previous year, but is not expected to reach its pre-crisis level until 2024. Box office sales did not increase as sharply in 2021 with a rise of 42.7 %, which is primarily because movie theaters were closed for almost the entire first and second quarters.

Between now and 2025, PwC is assuming average growth in the media and entertainment industry of 4.5 %, with developments in individual areas varying greatly. The clear winners are those that make their content available online.


UST IM KI
KAISERSCHMARRN
DRAMA
AB 5. AUGUST IM KINO
Constantin Film
FILMFEST MÜNCHEN
FFF Bayern
DEUTSCHER FILMFÖRDERFONDS
NEU START KULTUR
ARD Degeto
BR
dtv

2020

MANAGEMENT REPORT: FILM SEGMENT

2021

Report on business performance and the situation

Great cinema: Lisa-Maria Potthoff and Nina Eichinger celebrate the premiere of the seventh installment in the Eberhofer series “Kaiserschmarrndrama” with colleagues and fans.

Pure excitement: “Resident Evil: Welcome to Raccoon City”

INDUSTRY CONDITIONS

Preliminary remarks

Movie theaters in Germany were ordered by the government to remain closed until the middle of June 2021. Since then, movie theaters have had to maintain strict hygiene concepts, which meant that they could not be filled to capacity and that ticket sales were limited. At the same time, the individual federal states have stipulated different criteria for going to the movies (relating to vaccination, recovery or test status). In total, the cultural and creative industries’ sales losses in the reporting year amount to 6.3 % as against 2020 and 11.0 % as against 2019.

Given the ongoing pandemic situation, the comments below only apply to a more or less short period. They do not apply to the medium term as there is no comparative data for this situation.

The “Default Fund I” (EUR 50 million for theatrical movie and TV productions), which is financed by the German government and other agencies, was previously reported on in the 2020 financial statements. This is intended to mitigate the effects of production disruptions due to Covid-19, and allow production to resume on theatrical movies and high-end series in Germany. The default fund is part of the RESTART CULTURE program, which is planned to provide EUR 165 million in total to support the film industry.

The government resolved on March 24, 2021 to increase Default Fund I. The Ministry for Culture and the Media is providing up to EUR 69 million for the fund. In total, the participating states will provide approximately EUR 100 million.

In the period under review (specifically from January 2021), additional production assistance can be applied for under the “Default Fund II” (TV and streaming productions), which has been launched by the German federal states and TV stations. Effective retrospectively from November 1, 2020, the fund provides production companies with financial support for the duration of filming if they incur financial losses as a result of coronavirus-related disruptions to production that are not covered by their standard insurance.

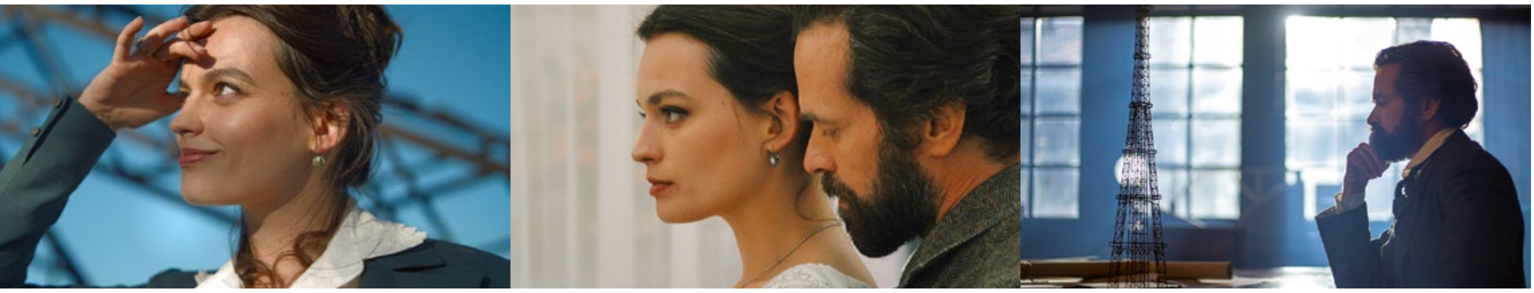
Theatrical distribution

The number of moviegoers (German movie theater market) in 2021 fell by 64.5 % compared to 2019, the last non-pandemic year, to 42.1 million, and sales by 63.6 % to EUR 373.2 million. Compared to 2020, the number of moviegoers increased by 10.4 %, sales by 17.4 %.

The most successful releases in 2021 were “No Time to Die” with an audience of around 5.9 million and “Spider-Man: No Way Home”, which has sold 2.6 million tickets since it was released on December 15.

Home entertainment

As in 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 2.071 billion, an increase of 32 % as against the previous year (EUR 1.570 billion). The sales increase in digital exploitation (electronic sell-through, transactional video-on-demand) was unable to continue owing to the coronavirus pandemic and the associated product shortage; sales declined by EUR 0.474 billion (12 %) as against 2020 to EUR 0.414 billion.



“Eiffel in Love” tells an epic love story set in Paris

The decline in physical media is continuing, on account of the pandemic and the lack of new releases, with sales down 23.5 % last year at EUR 0.399 billion (previous year: EUR 0.522 billion). Including digital proceeds, sales amounted to EUR 0.825 billion in 2021, down 19 % on the previous year’s figure (EUR 1.022 billion). This decrease primarily resulted from falling sales volumes for purchases and rentals of physical media (DVD and Blu-ray).

The growth in sales from SVoD compensated for the decline in physical media in the reporting year, resulting in an increase of 12 % for the market as a whole (2021: EUR 2.896 billion; 2020: EUR 2.593 billion).

OPERATIONAL DEVELOPMENT

Nine theatrical movies in production

There were nine in-house and co-productions in total in the period from January to December 2021. In the first half of 2021, filming took place on the in-house production “Liebesdings” (AT), with Elyas M’Barek, and on the follow-up to “Der Vorname”, with Christoph Maria Herbst and Florian David Fitz.

“Guglhupfgeschwader”, from the hit Eberhofer series, and “Freibad”, directed by Doris Dörrie, were filmed in the second half of 2021. In 2021 there was also filming on the German remake of a hit French film “Le meilleur reste à venir” starring Til Schweiger, who is also directing.

Furthermore, in France filming began on the international co-production of two new movies based on Alexandre Dumas’ classic “The Three Musketeers”. The star cast of this major production includes Vincent Cassel, Romain Duris and Eva Green. Filming will continue into 2022.

Theaters closed due to pandemic in theatrical distribution operations

The Constantin Film Group released ten movies in total in German theaters in 2021, including “Kaiserschmarrndrama” from the Eberhofer series, “Contra” starring Christoph Maria Herbst, “After Love” from the hit “After” series and the next installment in the ongoing series “Ostwind – Der große Orkan”. The above titles all made it into the top 20 most successful movies released in Germany in 2021. Several titles that had been planned to be released in 2021 were delayed due to the pandemic. They will be rescheduled and exploited at a later time in the following year.

Home entertainment market share maintained

As expected, the market share in home entertainment was maintained year-on-year thanks to a balanced portfolio: the major international production “Monster Hunter”, the hit “After Truth” and the reboot of the classic “Wrong Turn: The Foundation”. The strong position on the home entertainment market for German film was therefore confirmed. Shortly before the end of the year, the movies “Ostwind – Der große Orkan”, “After Love” and “Kaiserschmarrndrama” were released exclusively on digital. Consistently strong catalog business also contributed to this success.

Sequel to the hit movie with Christoph Maria Herbst: "Der Nachname"

Major license launches in TV exploitation/license trading

In 2021 as well, licenses were sold for several national and international in-house and co-productions, and for third-party productions, with established and also new partners.

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

As usual, the conventional exploitation stages of free TV and pay TV accounted for the transactions relevant to sales in this business area. After 2020, there was strong growth on the Subscription VoD market in 2021 as well.

In free TV, sales were generated in particular by the initial licenses for "After" and "Papillon" (ProSieben), "Der Fall Collini" (ARD) and "Der Vorname" (ProSieben). Also, in the pay TV sector (PPC), there were the initial sales of "After Truth" (Sky and blue entertainment, formerly Teleclub AG), "La belle époque" (Sky) and – brought forward on account of the pandemic and shown for the first time on Sky Cinema Premiere: "Monster Hunter", "Wrong Turn: The Foundation" and "Horizon Line" (all Sky).

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

The establishment and expansion of the business area for productions not intended for primary theatrical exploitation continued successfully in 2021. Highlights in Germany mainly include the major productions/high-end series "Wir Kinder vom Bahnhof Zoo" (Amazon Prime), "Der Palast" (ZDF), "Eldorado KaDeWe" (ARD), "Ferdinand von Schirach – Glauben" (RTL+), "Wendehammer" (ZDF), "Lauchhammer" (ARD).

Moreover, TV movies such as "Ferdinand von Schirach: Feinde" (two versions for ARD), "Blood Red Sky" (Netflix), "Weil wir Champions sind!" (RTL+), "One Night Off" (Amazon Prime), "Die Heimsuchung" and "Jackpot" (both ARD), plus further episodes of the TV series "Kroatien-Krimi" (ARD), "Kommissarin Lucas" (ZDF), "Daheim in den Bergen" (Degeto) and the soap opera "Dahoam is Dahoam" (BR) were also produced.

In non-fiction, two seasons of the comedy show "LOL: Last One Laughing" (Amazon Prime) and further episodes of "Shopping Queen" (VOX) and "K11 – Die neuen Fälle" (Sat.1) were produced and exploited.

Moritz Bleibtreu and Laura Tonke captivate viewers in the comedy "Caveman"

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Focus on long-term collaboration

Especially in times of the pandemic, it is important – as in previous years – to focus on long-term cooperations/agreements. The Constantin Film Group therefore signed numerous producers with creative control, a large number of executive producers and many filmmakers, writers, directors, and actors.

Audience figures in theatrical distribution

On the overall market for German movies released in 2021, Constantin took second place with "Kaiserschmarrndrama" (more than 1.1 million moviegoers), third place with "Contra" (around 635 thousand moviegoers) and fifth place with "Ostwind – Der große Orkan" (approximately 600 thousand moviegoers).

In 2021, the Constantin Film Group ranked fifth among distributors in Germany by sales and audience numbers and took first place among independent distributors.

Three new releases achieve good sales figures in home entertainment

Of the past year's new releases, in particular the Constantin Film in-house production "Monster Hunter" and the international production "After Truth" lived up to sales expectations. "After Truth" did very well with 338,000 video-on-demand and electronic sell-through transactions and 150,000 discs sold. Shortly before the end of the year, "Kaiserschmarrndrama" was near the top of the list for in-house productions with 120,000 electronic sell-through transactions.

TV exploitation still at good level

In TV exploitation/license trading, premiere broadcasts of Constantin Film theatrical productions in particular again achieved good ratings on free TV in 2021. The biggest hit with audiences was "Der Fall Collini" (ARD; 15.4 % share of the overall market).

Strong ratings for TV service productions

On the market as a whole, "Ferdinand von Schirach: Feinde" (ARD) with 20.65 %, another episode of "Kommissarin Lucas – Nürnberg" (ZDF) with 22.1 %, another episode of "Hartwig Seeler" (ARD) with 18.7 %, the TV movie "Die Heimsuchung" (ARD) with 17.7 %, the episodes of season three of "Die Heiland – Wir sind Anwalt" (ARD) with an average market share of 15.4 % and "Eldorado KaDeWe" (ARD) with around 11 % were particularly successful in broadcasting.

There were also seven-figure numbers for the hit streaming productions "Wir Kinder vom Bahnhof Zoo" (Amazon Prime) and "Blood Red Sky" (Netflix).

Furthermore, the miniseries "Eldorado KaDeWe" was accessed 5.1 million times in the ARD media library in its first three weeks.


PORTO

2021

MANAGEMENT REPORT: SPORTS- AND EVENT-MARKETING SEGMENT

Report on business performance and the situation

Victory celebration: FC Chelsea beat Manchester City 1:0 in the Champions League Final in Porto.

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

INDUSTRY CONDITIONS

TEAM Group

In December 2021, the media planning and purchasing company ZenithOptimedia estimated that global advertising expenditure had grown by 15.6 %, to around USD 705 billion, in 2021. This increase follows a period of contraction in 2020, when the Covid-19 pandemic resulted in the postponement of several major sports events, including the 2020 Summer Olympics and UEFA Euro 2020, to 2021. The forecasts for the economy and the advertising market in 2022 are positive, as they are catching back up on the declines from 2020. However, the forecasts are not reliable and still depend heavily on the further development of the pandemic

Highlight Event AG

The event industry – in particular smaller and mid-sized events without TV coverage – was one of the business areas hit hardest by the coronavirus crisis. Concert halls were kept entirely closed for a long time, or crowd sizes were greatly reduced. Top music events – which mainly focused on their TV broadcast – such as the Eurovision Song Contest, the New Year's Day Concert and the Summer Night Concert were held with restrictions. Unlike most other events at that time of year, the New Year's Day Concert did take place – albeit purely as a TV event without a live audience.

Key areas

TEAM Group

In 2021, a major area of development in the Sports- and Event-Marketing industry was the rapid growth of Non-Fungible Tokens (NFTs) as a source of revenue and fan engagement for sports rights holders. NFTs use a digital ledger to provide a public certificate of authenticity or proof of ownership. Many sports properties, such as the NBA, have created NFTs in the form of photos, collectible cards or even video clips and sold them to fans, creating significant new revenue streams. In November, UEFA, with TEAM's support, launched a tender for the 2021/22 – 2023/24 cycle seeking commercial partners in the cryptocurrency, blockchain and NFT space.

Highlight Event AG

Highlight Event AG focused on the following core areas in conjunction with its two projects (Eurovision Song Contest and the Vienna Philharmonic) in the fiscal year: The successful sale of media and marketing packages on the one hand and, on the other, contract fulfillment and on-site event management.

With regard to the Eurovision Song Contest, the tasks under the sponsorship agreements that have been concluded related in particular to avoiding cancellations in spite of the difficult conditions and restrictions, providing the European Broadcasting Union (EBU) with the best possible support in its negotiations with partners, and negotiating with these partners in such a way as to minimize the financial risks for the EBU.

In conjunction with the Vienna Philharmonic project, it was possible to hold further sponsorship events in Italy, the Netherlands and Denmark in addition to the two major events in Vienna (New Year's Day Concert and Summer Night Concert). The long, trusting partnership and the healthy dialog with TV and marketing partners made it possible to entirely fulfill all the Orchestra's media and marketing contracts in 2021 as well despite the coronavirus crisis, or to agree suitable alternatives with partners.

OPERATIONAL DEVELOPMENT

TEAM Group

Successful finalisation of sales for the 2021/22 – 2023/24 cycle

The focus of the TEAM Group in the first half of 2021 was on completing sales of commercial rights for the UEFA Champions League, the UEFA Europa League, and the UEFA Europa Conference League for the 2021/22 – 2023/24 cycle. Efforts centred around finalising any outstanding contracts of media and sponsor partners ahead of the start of the new commercial rights cycle. Despite the difficulties caused by the Covid-19 pandemic, the sales period finished successfully with the TEAM Group reaching its sales projection target range.

Successful delivery of the previous commercial cycle's end and the new cycle's start

The TEAM Group's other focus in 2021 was on supporting UEFA in delivering a successful end to the 2018/19 to 2020/21 commercial cycle in the Covid-19-affected environment. Despite new waves of Covid-19 emerging in Europe, UEFA and TEAM managed to continue with the 2020/21 season competition as normal. A last minute venue change for the UEFA Champions League Final was dealt with efficiently and the final took place on its scheduled date in Porto, Portugal, as opposed to Istanbul, Turkey, with partners' commercial rights successfully delivered.

The UEFA Champions League Final between Manchester City and FC Chelsea was held on May 29, 2021 at the Estádio do Dragão in Porto. FC Chelsea won the game 1:0.

In the final of the UEFA Europa League, which saw FC Villarreal take on Manchester United in Gdańsk, Poland, on May 26, 2021, FC Villarreal held its nerve in a nail-biting game to emerge victorious with an 11:10 win on penalties, thereby winning the competition for the first time.

In the UEFA Super Cup Final on August 11, 2021, FC Chelsea then beat Villarreal 6:5 in penalty shootouts at the stadium in Belfast.

In addition, with the new 2021/22 – 2023/24 commercial cycle beginning, TEAM's partnership teams focused on supporting UEFA with on-boarding all new commercial partners and started the delivery of the partners' commercial rights.

Highlight Event AG

Vienna Philharmonic Orchestra & Eurovision Song Contest

In Highlight Event AG's event marketing operations, the Eurovision Song Contest 2021 and the TV events of the Vienna Philharmonic Orchestra in 2021, the New Year's Day Concert (Wiener Musikverein) and the Summer Night Concert (Open Air in the Gardens of Schönbrunn Palace) and a special TV event in the Sagrada Familia were successfully staged, thereby completely fulfilling all major media and sponsorship agreements despite the Covid crisis. The planned sponsor events in conjunction with the Vienna Philharmonic concerts in Beijing, China (NCPA Concert Hall), had to be postponed by another year from 2021 to 2022. Instead, alternative events were successfully held in Italy, the Netherlands and Denmark. The Eurovision Song Contest was held with a live audience in Rotterdam, which also allowed the marketing to be implemented successfully. The rock band Måneskin was crowned the winner, the first time that Italy has won since 1992.

Spectacular events: Vienna Philharmonic Orchestra concert and Eurovision Song Contest in Rotterdam

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

TEAM Group

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

The official social media accounts of the UEFA Champions League extended their dominant position among sports rights holders. The UEFA Champions League Instagram account is still the most followed sports rights holder account on the platform with almost 87 million followers. Also in 2021, the UEFA Champions League Twitter account became the number 1 most followed sports property on the platform, overtaking the NBA. UEFA Champions League's newest social media account, on the TikTok platform, generated three times more interactions and views than any other sports property on the platform in 2021, despite only being launched in April.

The 2021 Final of the UEFA Champions League was broadcast in more than 200 countries and seen by over 85 million TV viewers on average – down by 24% on the previous year's Final. However, the 2020 audience number was elevated due to the format change of the previous year's tournament and by additional free-to-air broadcast sublicensing deals. The 2021 audience figure is a 5% increase on the comparable 2019 Final (81 million).

Average viewer figures for the UEFA Europa League Final, which was broadcast in over 100 countries worldwide, was over 42 million, a 8% increase on last year's figure. The UEFA Super Cup was broadcast in more than 50 markets and was seen by an audience of around 24 million, which is an increase over the previous year's 22 million.

Highlight Event AG

ESC and New Year's Day Concert again draw large audiences

The Eurovision Song Contest was broadcast live from the AHOY Arena in Rotterdam with 25 cameras on site to more than 40 countries, achieving record ratings with more than 180 million TV viewers in total (all three shows). The nine events were watched in the arena by more than 30,000 fans. The rock band Måneskin was crowned the winner, the first time that Italy has won since 1992. As in previous years, the 2021 New Year's Day Concert was seen by more than 40 million TV viewers in over 90 countries, though without an audience in attendance, which increased ratings by around 10% compared to the previous year. The biggest annual open air highlight in the classical music calendar was held in the gardens of Schönbrunn Palace, though the audience was reduced to just 3,500 people in person. In turn, the event was broadcast to more than 80 countries.



MANAGEMENT REPORT: SPORTS SEGMENT 2021

Report on business performance and the situation

Germany's most famous soccer talk show: “Doppelpass” on SPORT1


Leverkusen
REWE

Grand Slam winner: Barbora Krejčíková

INDUSTRY CONDITIONS

According to Nielsen, gross advertising spending by German media and marketers came to just under EUR 38 billion in 2021, up 6.6 % on the pandemic-affected figure for 2020 (EUR 35.6 billion). Television again achieved the highest sales share on the market as a whole at EUR 18.1 billion, almost half of all advertising spending. In terms of gross advertising budgets, the biggest year-on-year growth was also generated here with an increase of 12.7 %. The second-largest percentage increase compared with 2020 was attained by movie theaters, a sector hit hard by the pandemic, at EUR 44.1 million (+9 %). Out-of-home (EUR 2.5 billion, +8.1 %), online (EUR 4.7 billion, +6.5 %) and newspapers (EUR 5.3 billion, +2.6 %) also increased their sales. By contrast, general interest magazines (EUR 2.9 billion, −0.7 %), radio (EUR 1.9 billion, −0.7 %) and direct mailings (EUR 2.5 billion, −9.3 %) were down on the previous year.

According to Nielsen, online sales do not include advertising forms that are not offered via publishers and their marketers, such as sales from Google, YouTube or Facebook. The Nielsen figures stated relate to gross sales that do not provide details of actual expenditure and income, but do give a clear picture of advertising pressure and the development of the individual sectors and segments.

OPERATIONAL DEVELOPMENT

In 2021, SPORT1 continued to focus 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.

Success in DFB Cup rights allocation, and acquisition of further rights

In 2021, Sport1 GmbH acquired further rights for its free and pay TV, digital, audio and social media channels:

In football, in the allocation of the DFB Cup media rights, SPORT1 acquired an extensive package for the seasons 2022/2023 to 2025/2026 inclusive, covering highlight rights to all 63 DFB Cup matches per season for exploitation on all TV and digital channels, as well as rights to selected qualifying matches for the UEFA Champions League, UEFA Europa League and the new UEFA Europa Conference League. During the European Football Championship, SPORT1 presented “EM Doppelpass”, “EM Aktuell” and “SNICKERS® Fan Talks” – a new talk format on its digital and social media platforms. At the start of the new Bundesliga rights period, premieres included the new Saturday evening top match in Bundesliga 2, as well as the chat show “Der Maschinensucher Doppelpass 2. Bundesliga” and the magazine “Bundesliga Analyse” on the newly scheduled football Mondays. In motorsports, rights to the FIA WEC, the ADAC GT Masters and a highlights format for the FIA World Rally Championship (WRC) were acquired, including exploitation in “AvD Motor & Sport Magazin”, which kicked off the new season as part of an extended cooperation with Automobilclub von Deutschland e.V. In addition, SPORT1 secured handball rights to the women’s DHB Cup and the Olympic preparation tournament of the German national men’s team.

Enthralling its fans all around the world: Formula 1

In US sports, SPORT1 agreed a long-term partnership with Major League Baseball (MLB) up to 2026, which covers up to 500 live matches per season on pay TV on SPORT1+ and on the new multisport streaming platform SPORT1 Extra, as well as selected games on free TV. For the e-sports portfolio, in partnerships with Activision Blizzard and Psyonix, rights were acquired to leading e-sports titles and competitions such as Overwatch League, Hearthstone Masters Tour and Grandmasters as well as World of Warcraft's Arena World Championship and Mythic Dungeon International, and the Rocket League Championship Series.

Last year, SPORT1 became the first German broadcaster to transmit the US action show "The Titan Games" with Hollywood star Dwayne "The Rock" Johnson, and launched "SKI & BERGE – Das DSV Magazin" in cooperation with the German Ski Association.

Launch of the multisport streaming platform SPORT1 Extra

In September 2021, Sport1 GmbH launched the new multisport streaming platform "SPORT1 Extra" in Germany, Austria and Switzerland. sport1extra.de offers a variety of different sports and competitions live and on-demand with a flexible selection and pricing model that includes pay-per-view for events or league and club passes. One of the highlights is the German Women's Volleyball League: The exclusive cooperation with the Volleyball-Bundesliga (VBL) that provides for selected matches on free TV along with the new pay TV service has been extended until the 2025/26 season.

Further expansion of distribution

Distribution partnerships have been agreed with Joyn for the two pay TV channels SPORT1+ and eSPORTS1, and with Amazon Prime Video Channels for eSPORTS1.

"SPORT1 Akademie" range expanded

Following the successful start with "SPORT1 Akademie – Darts" at the end of 2020, SPORT1 further expanded its new e-learning range in 2021, publishing "SPORT1 Akademie – Poker" with Germany's best-known poker expert Jan Heitmann as well as a further "SPORT1 Akademie – Darts" with record world title winner Phil Taylor.

Launch of "Doppelpass on Tour"

Germany's best-known football talk format has been on a major German tour with its own stage show since August 2021 – in cooperation with the events agency S-Promotion, the new event series has been staged in numerous cities, and is continuing in 2022.

New advertising and sponsorship partnerships

On the marketing front, SPORT1 Business and MAGIC SPORTS MEDIA secured a number of well-known advertising partners for football and other operations, including STAHLWERK as the new title sponsor for "Doppelpass", as well as Polestar and Tipico as co-presenters for the new second-division top match on Saturday evening. New sponsors have been signed up: PENNY, Brillux and UNIBET for the Ice Hockey World Championship, and Tipico, URSAPHARM and ELTEN for the World Darts Championship. SPORT1 expanded its partnership with Media Impact once again and launched the new marketing range SPORT POWERHOUSE for advertising customers.

Excitement guaranteed: Canada defeats Finland in the final of the 2021 Ice Hockey World Championship

"Mittendrin Studios" on air

In May 2021, SPORT1 went on air with its new studio landscape, which will combine five studio sets moving ahead: The "Mittendrin Studios" provide a 24/7 studio environment for all TV, digital and social media channels.

PLAZAMEDIA successfully delivers major projects in 2021

In the year under review, PLAZAMEDIA focused in particular on studio production for all 51 matches of UEFA EURO 2020™ and an extensive program for Deutsche Telekom's MagentaTV. PLAZAMEDIA GmbH had been commissioned by Deutsche Telekom as a general contractor to handle studio production for four channels in UHD and HD on 22 live production days in total between June 11 and July 11.

In addition, the partnership with DAZN was expanded: The world's leading sports platform commissioned PLAZAMEDIA in the DACH region to produce numerous show formats in the newly created "DAZN Space" as a multifunctional broadcast environment.

The first-ever fully digital ISPO – the world's leading trade fair for the sports and outdoor sector with over 30,000 attendees from 110 nations – was produced as "ISPO Munich Online" at the SPORT1 studio in Ismaning with assistance from PLAZAMEDIA.

In conjunction with ARRI, PLAZAMEDIA installed a mixed-reality studio on a 360 m^2 site in Ismaning in November 2021. The unique pilot project in the media hub of Munich is intended to optimize complex mixed-reality technology for TV productions in a practical way, and has attracted lots of interested from media and customers.

Match IQ delivers international football events

In 2021, the events and sports consultancy organized events such as the "Audi Football Summit" with the match between Bayern Munich and Ajax Amsterdam in Munich's Allianz Arena and the "#AthletesVersus Cup" between Real Madrid and AC Milan at the Wörthersee stadium in Klagenfurt.

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

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Free TV distribution consistently high

The free TV broadcaster SPORT1 was available in 32.79 million (2020: 32.78 million) of all reachable households in Germany in 2021 (84.6 %; 2020: 84.9 %) – and therefore almost nationwide.

With its free TV channels, SPORT1 achieved market shares of 0.6 % among viewers aged three and over in 2021 (2020: 0.5 %) and 0.9 % in the core target group of men aged 14 to 59 (2020: 0.8 %).

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

Dresden Monarchs win German Bowl in the GFL Final

Pay TV distribution still at high level

The pay TV broadcaster SPORT1+ had around 2.33 million subscribers in total as of December 31, 2021 (December 31, 2020: 2.34 million). eSPORTS1 had around 2.22 million subscribers as of December 31, 2021 (December 31, 2020: 2.19 million), and the pan-European broadcaster eSportsONE, launched at the end of 2020, had 2.22 million.

New visit and video records set in digital business

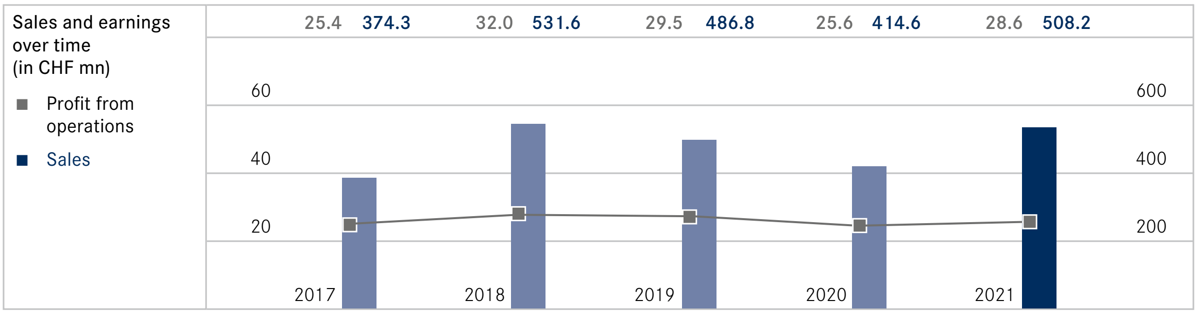
In the year under review, despite the lasting effects of the pandemic, SPORT1 remained by far the most popular outlet with sports fans, including with its digital content relaunched in the summer – and its video offering, expanded once again, proved a particular hit. The corresponding marketing activities in the digital sector also developed positively throughout the year. In terms of visits, SPORT1 also set a record in June with the highlights for the Ice Hockey World Championship and the European Football Championship at 93.13 million, beating the previous high of 92.4 million visits set in May 2016. In particular, visits and unique users of the mobile website benefited from the increase in traffic from search engines in the 2nd half of the year, as in the previous year. Regarding the development of page impressions (PI), it is again necessary to bear in mind the strategic business decision to focus even more on strong marketing tactics such as videos and articles, rather than methods that generate high numbers of page impressions but are less effective in terms of marketing, such as galleries. In the fourth quarter, not all reach figures were measured for visits and PIs due to data protection related restrictions, meaning that the actual numbers were higher than those measured. The shift in content consumption from desktop to mobile, which has been under way for years, continued in general in 2021.

Strong performance of video views continues; podcast range expanded and leading social media position consolidated

On its own platforms, i.e. its YouTube channels, SPORT1 generated over 14 million video views per month on average. SPORT1 achieved an all-time high in June, particularly with its reporting on the Ice Hockey World Championship and the European Football Championship, and a significant increase in video use was posted in the third and fourth quarters thanks to the new Bundesliga digital rights and product improvements. Reach levels were huge on the SPORT1 YouTube channel in the first half of the year – with a high for the year in June during the European Football Championship. From August 2021, the number of views decreased due to legal restrictions and a lower number of in-house productions.

SPORT1 launched its own podcast family in September 2019. At the end of December 2021, it comprised around 20 podcasts. These podcasts are available on the usual streaming platforms, Spotify, Apple Podcasts, Google Podcast, Amazon Music, Deezer and Podigee, and on SPORT1.de and the SPORT1 apps.

On its social media channels – Facebook, Instagram, Twitter, TikTok and YouTube – SPORT1 had over 6.6 million fans and followers in total at the end of December 2021 (December 2020: 6.3 million). TikTok continues to post particularly strong growth: SPORT1 is the leading sports medium on this platform in Germany with over 880,000 followers.



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

OVERALL ASSESSMENT OF THE REPORTING PERIOD

In the opinion of the company and given the ongoing coronavirus pandemic, the business performance of the Highlight Group was satisfactory overall in 2021. At CHF 508.2 million, consolidated sales were up 22.6 % on the prior-year figure of CHF 414.6 million.

EBIT increased by 11.7 % to CHF 28.6 million, while consolidated net profit was also up significantly year-on-year at CHF 15.4 million (previous year: CHF 12.0 million).

With a consolidated net profit attributable to shareholders of CHF 14.8 million after CHF 12.2 million in the previous year, earnings per share increased from CHF 0.21 in the previous year to CHF 0.26.

RESULTS OF GROUP OPERATIONS

Increase in consolidated sales

The Highlight Group generated consolidated sales of CHF 508.2 million in the past fiscal year, an increase of CHF 93.6 million as against the previous year (CHF 414.6 million).

All segments (Film, Sports- and Event-Marketing and Sports) generated higher external sales than in the previous year.

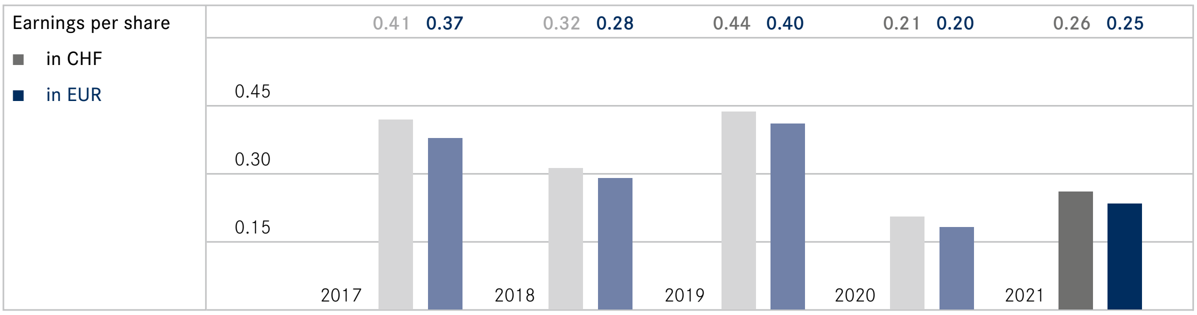
At CHF 123.0 million, capitalized film production costs and other own work capitalized increased significantly by CHF 29.8 million compared with the figure for 2020 (CHF 93.2 million).

Other operating income doubled to CHF 34.3 million (previous year: CHF 16.0 million).

EBIT up significantly on previous year

At CHF 636.9 million in total, consolidated operating expenses were up CHF 138.6 million or 27.8 % on the figure for 2020 (CHF 498.3 million). The cost of materials and licenses rose by CHF 42.0 million to CHF 260.2 million (previous year: CHF 218.3 million), while staff costs also increased by CHF 43.0 million to CHF 196.0 million (previous year: CHF 153.0 million). At CHF 123.6 million, amortization, depreciation and impairment were up CHF 48.9 million on the previous year's figure (CHF 74.7 million). Amortization on film assets is performance-based, reflecting the loss in value of the film rights used based on the recoverable sales. The increase in amortization is therefore essentially due to the higher sales in the Film segment in the reporting year.

As a result of the higher level of sales and capitalized film production costs as well as the relative increase in consolidated operating expenses, EBIT rose by CHF 3.0 million or 11.7 % to CHF 28.6 million (previous year: CHF 25.6 million).



Increase in consolidated net profit

The financial result fell by CHF 2.0 million to CHF –7.3 million (previous year: CHF –5.4 million). Financial income rose by CHF 1.5 million to CHF 5.6 million (previous year: CHF 4.2 million), while financial expenses increased by CHF 3.5 million to CHF 13.0 million (previous year: CHF 9.5 million). Taking into account tax expenses (current and deferred taxes) in the amount of CHF 5.9 million (previous year: CHF 8.2 million), the Highlight Group reported a consolidated net profit for fiscal 2021 of CHF 15.4 million (previous year: CHF 12.0 million). CHF 0.6 million (previous year: CHF –0.2 million) of this profit is attributable to non-controlling interests. The share of earnings attributable to Highlight's shareholders therefore increased to CHF 14.8 million after CHF 12.2 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 0.26 (previous year: CHF 0.21).

RESULTS OF SEGMENT OPERATIONS

Film: Earnings up

Theatrical distribution continued to feel the impact of the Covid-19 pandemic in 2021. Although audience figures increased by 10.4 % year-on-year, this was still 64.5 % lower than in 2019. In theatrical production, there were a total of nine in-house and co-productions. The first half of 2021 saw filming work on the in-house production “Liebesdings” and the follow-up to the hit movie “Der Vorname”, while “Guglhupfgeschwader” from the successful Eberhofer series and the “Freibad” production were filmed in the second half of the year.

In theatrical distribution, a total of ten movies were released in German theaters, including “Kaiserschmarrndrama” from the Eberhofer series, “Contra” starring Christoph Maria Herbst, “After Love” from the hit “After” series and the next installment in the ongoing series “Ostwind – Der große Orkan”. Several titles that had been planned to be released in 2021 were delayed due to the pandemic. They will be rescheduled and exploited at a later time in the following year.

Home entertainment exploitation retained a strong market position thanks to a balanced portfolio, including the major international production “Monster Hunter” and the hit movie “After Truth”.

In TV exploitation/license trading, numerous license sales of in-house and third-party productions took place with established and new partners in 2021. Among other things, Constantin Film and RTL Deutschland are planning to further expand their successful collaboration. In free TV, sales were generated in particular by the initial licenses for “After” and “Papillon” (ProSieben), “Der Fall Collini” (ARD) and “Der Vorname” (ProSieben). In the pay TV sector, the premiere broadcasts of “Monster Hunter”, “Wrong Turn: Foundation” and “Horizon Line” (all Sky) were brought forward on account of the pandemic.

Sales in the Film segment increased to CHF 331.5 million in the year under review (previous year: CHF 261.3 million). Other segment income, which is largely influenced by capitalized film production costs, rose by 35.7 % to CHF 141.5 million (previous year: CHF 104.3 million). Due to significantly higher amortization in particular, segment expenses increased by 29.7 % in total to CHF 457.1 million (previous year: CHF 352.4 million), which resulted in segment earnings rising by 19.6 % to CHF 15.9 million (previous year: CHF 13.3 million).

"Wir Kinder vom Bahnhof Zoo" enthralls an international audience

Sports- and Event-Marketing: Sales increased

The TEAM Group successfully completed the development of commercial concepts and rights packages for the 2022/23 to 2024/25 cycle of the UEFA Champions League, the UEFA Europa League and the UEFA European Conference League in the reporting year.

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

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

At CHF 68.4 million, external sales in the Sports- and Event-Marketing segment were 11.2 % higher than in the previous year (CHF 61.5 million). Segment expenses increased from CHF 34.8 million to CHF 41.8 million, while other income rose by CHF 0.6 million to CHF 0.7 million.

As a result, segment earnings increased slightly year-on-year to CHF 27.3 million (previous year: CHF 27.2 million).

Sports: Earnings contribution increases but remains negative

In the reporting year, the Sports segment continued to focus 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.

The segment generated external sales of CHF 108.3 million in fiscal 2021, up 18.1 % on the figure for the previous year (CHF 91.8 million). Other income more than tripled, increasing from CHF 4.9 million to CHF 16.5 million. Expenses amounted to CHF 132.8 million, up 25.1 % year-on-year (CHF 106.2 million), as a result of which segment earnings were also above the previous year's level at CHF –7.7 million (previous year: CHF –9.0 million).

Holding costs above prior-year level

The costs of holding activities increased by CHF 1.0 million in fiscal 2021 to CHF 6.8 million (previous year: CHF 5.9 million).

NET ASSETS SITUATION

Total assets up year-on-year

As of December 31, 2021, the total assets of the Highlight Group amounted to CHF 674.5 million, an increase of CHF 22.3 million as against the end of 2020 (CHF 652.2 million).

On the assets side of the statement of financial position, the increase was exclusively due to current assets, which rose by CHF 58.8 million to CHF 282.6 million (December 31, 2020: CHF 223.8 million). This development was largely influenced by inventories of CHF 69.3 million (December 31, 2020: CHF 24.1 million), which increased by a total of CHF 45.2 million. At the same time, trade receivables and other receivables rose by CHF 15.0 million to CHF 133.1 million. At CHF 48.3 million, cash and cash equivalents were almost unchanged compared with the prior-year figure of CHF 48.2 million.

"Eldorado KaDeWe": An extraordinary epic series

Total non-current assets declined by CHF 36.5 million to CHF 391.9 million (December 31, 2020: CHF 428.4 million). This was due in particular to the CHF 34.9 million decrease in film assets to CHF 127.1 million, whereas the strongest offsetting effect was the CHF 10.1 million increase in right-of-use assets to CHF 48.3 million (December 31, 2020: CHF 38.3 million). The share of non-current assets in total assets therefore fell to 58.1 % (previous year: 65.7 %).

Film assets below prior-year level

The value of film assets as of the end of the reporting period was CHF 127.1 million, a drop of CHF 34.9 million as against the end of 2020 (CHF 162.0 million). CHF 117.1 million of this total related to in-house productions (December 31, 2020: CHF 146.2 million) and CHF 10.0 million to third-party productions (December 31, 2020: CHF 15.7 million).

Additions to film assets amounted to CHF 72.9 million in fiscal 2021 – an increase of CHF 31.0 million as against the previous year (CHF 41.9 million). This was offset by amortization of CHF 96.5 million (previous year: CHF 45.3 million) and impairment losses of CHF 5.5 million (previous year: CHF 8.8 million).

Decrease in non-current liabilities and increase in current liabilities

On the equity and liabilities side of the statement of financial position, non-current liabilities decreased by CHF 103.5 million to CHF 69.9 million (December 31, 2020: CHF 173.4 million), largely as a result of the reclassification of all financial liabilities to current liabilities.

Current liabilities increased by CHF 127.7 million to CHF 408.5 million (December 31, 2020: CHF 280.8 million). This development is due in particular to the higher level of financial liabilities (up CHF 121.2 million to CHF 190.6 million). This was offset in particular by a CHF 12.1 million decrease in advance payments received to CHF 40.0 million.

Equity ratio down slightly year-on-year

Consolidated equity (including non-controlling interests) decreased by CHF 1.9 million from CHF 198.0 million as of the end of the previous year to CHF 196.1 million. Equity was increased by the consolidated net profit for the period of CHF 15.4 million but reduced by differences from currency translation (down CHF –9.4 million) and dividend payments of CHF 1.1 million.

Relative to total assets, this equity corresponds to a notional equity ratio of 29.1 % – a decrease of 1.3 percentage points as against December 31, 2020 (30.4 %). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and film assets against advance payments received) was 33.5 % as of the end of 2021 (December 31, 2020: 35.9 %).

For detailed information on the development of consolidated equity, please see the consolidated financial statements (pages 92 and 93).

Event series on the world's biggest stage: "Der Palast"

FINANCIAL SITUATION

Current net debt of CHF 151.8 million

Cash and cash equivalents amounted to CHF 48.3 million as of December 31, 2021, up CHF 0.2 million as against the end of fiscal 2020 (CHF 48.2 million). At the same time, current financial liabilities increased by CHF 121.2 million to CHF 190.6 million (December 31, 2020: CHF 69.4 million). Taking into account current lease liabilities, this meant that current net debt amounted to CHF 151.8 million as of the end of the reporting period (December 31, 2020: CHF 31.1 million), corresponding to gearing of 77.4 % (previous year: 15.7 %). Including non-current financial and lease liabilities, net debt amounted to CHF 191.2 million (previous year: CHF 163.8 million).

Operating activities generated a net cash inflow of CHF 59.3 million in the year under review – a drop of CHF 11.9 million as against fiscal 2020 (CHF 71.2 million), due in part to changes in net working capital.

Net cash used in investing activities increased by CHF 23.0 million as against the previous year (CHF 48.5 million) to CHF 71.5 million. This development was mainly due to the CHF 30.0 million increase in payments for film assets to CHF 71.0 million (previous year: CHF 41.0 million).

The Highlight Group's financing activities generated a net cash inflow of CHF 13.8 million in fiscal 2021 (previous year: net cash outflow of CHF 27.0 million). There were repayments of current financial liabilities of CHF 38.4 million (previous year: CHF 25.7 million), while dividend distributions were largely unchanged at CHF 1.1 million (previous year: CHF 1.2 million). This was offset by proceeds from the receipt of current financial liabilities, which were CHF 38.6 million higher at CHF 49.1 million (previous year: CHF 10.5 million).

External and internal financing sources ensure liquidity

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

PERSONNEL REPORT

In fiscal 2021, the Highlight Group employed an average of 1,541 people (previous year: 1,440), including freelance staff. 143 of these (previous year: 142) worked in Switzerland and 1,398 (previous year: 1,298) in Germany.

Successful TV productions: "Lauchhammer" and "Wendehammer"

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.

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".

Award-winning series: “Ferdinand von Schirach: The Allegation”

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

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

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

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

INFORMATION ON INDIVIDUAL RISKS

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

Regulatory risks

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

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

- The German film and movie theater industry is facing an unprecedented economic situation due to the effects of the Covid-19 pandemic. The Executive Committee and Administrative Council of the German Federal Film Board have adopted a comprehensive package of measures in order to mitigate the impact of the Covid-19 crisis for the German film and movie theater industry.
- The Federal and State Default Fund was created for theatrical productions and high-end series at the initiative of the Commissioner for Culture and the Media to provide compensation for losses resulting from halted or canceled productions due to Covid-19. This is part of the RESTART CULTURE stimulus package.
- The default fund to mitigate pandemic-driven financial risks to theatrical and high-end series productions was increased as a result of the ongoing pandemic-driven risks to filming and extended until June 30, 2022. The default fund mitigates the risk of Covid-19-related interruptions and cancellations in the production of federally funded theatrical movies and high-end series and the resulting additional costs. The Commissioner for Culture and the Media is providing up to EUR 69 million for the fund. In total, the participating states will provide approximately EUR 100 million. Even in the pandemic, 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.
- The German Act on the Copyright Liability of Online Content Sharing Service Providers (UrhDaG) was passed in the second quarter of 2021 and came into force on August 1. UrhDaG contains provisions on the fundamental responsibility of certain “upload” platforms, but releases the platforms from their liability if they fulfill certain obligations, which must be “proportionate,” e.g. according to their size. In addition, UrhDaG introduces a limit on “minor use” (up to 15 seconds in the case of films). Overall, the draft does not prevent upload filters – in deviation from the federal government’s statements – but does introduce a number of stumbling blocks that do not necessarily make it easier to protect exclusive rights, especially in light of pre-existing national and European law. Whether upload platforms such as YouTube will treat anti-piracy measures differently as a result of UrhDaG is currently not yet apparent and remains to be seen.
- The revised German Copyright Act (UrhG) was likewise passed in the second quarter of 2021 and came into force on June 7, 2021. The revised UrhG implements provisions of the DSM Directive and tightens the existing rules on the principle of equitable remuneration, transparency (= proactive right to information), contract adjustment and the right of revocation. It cannot currently be foreseen whether and how these changes will result in increased costs (e.g. due to additional accounting work).

- In addition to the above proceedings, a number of other legislative proceedings are underway at national and EU level that could affect the Constantin Film Group, such as regulations to modify copyright contract law at national level of the amendment of the geo-blocking regulation at EU level.
- The sale of advertising time to providers of products such as sports betting, online casinos, lotteries or poker schools is heavily regulated. Regulatory measures such as concessions, prohibitions, or other restrictions could change the economic conditions for providers of these products, which could have an indirect effect on the planned sales.
- In this context, possible administrative proceedings or antitrust proceedings against companies of the Group in terms of the advertising of these products could also have a direct negative effect on the recognition of sales and possibly lead to increased costs.
- The amendment of the German Telecommunications Act (TKG) largely came into force on December 1, 2021. The ancillary cost privilege for cable TV costs will be dropped – immediately in the case of newly built building distribution networks. There is a transition period of existing properties until mid-2024. The ancillary cost privilege allows landlords to bill their tenants for cable connections at a flat rate via ancillary costs. Between 8 and 11 million households in Germany are supplied with television in this way. The loss of this privilege could lead to customers abandoning traditional cable network providers and possibly instead switching to distribution channels not monitored by AGF or consuming less linear television. While it is difficult to make a clear forecast, there is the risk that up to 10 % of technical range could be lost. This could lead to lower market share and thus a decline in sales.
- Further regulatory risks result from the entry into force of the German Interstate Media Treaty in 2020. The planned easy findability of public-sector and private-sector content that meets certain diversity criteria could give rise to a disadvantage for SPORT1 if it does not meet the criteria for an easily findable channel. Furthermore, platform access is not to be expanded to platforms that are not linked to infrastructure, meaning that major OTT players could make access difficult for SPORT1.
- 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.
- In addition, there is a risk of a reduction in marketing revenues, as the maximum advertising of 20 % no longer relates to just one hour, but a window of several hours. Especially in prime time, this could lead to high-reach stations broadcasting more advertising in a particular hour than was previously possible according to the 12-minute rule, and reducing it at other times. As a result, advertising volumes could be redeployed not only within high-reach stations but also to the disadvantage of smaller stations such as SPORT1.

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

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

Business and market risks

The Highlight Group requires access to licenses and source material

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

- In the Film segment, access to and acquisition of rights to literary works, exploitation rights and screenplays, as well as the conclusion of contracts with successful directors, actors and licensors are important factors for the production of TV and theatrical movies. The Constantin Film Group therefore has decades of experience working closely with renowned and experienced screenwriters, directors and producers with extensive expertise in producing theatrical movies and TV formats at home and abroad.
- In the Film segment, third-party productions are generally acquired on individual film markets. Various prices are paid here depending on the particular project and the specific market. Usually, the film has not yet been made at this point, but the rights are sold in advance for financing. Nonetheless, films bought at a high price can adversely affect the Group's net assets, financial position and results of operations if they are a complete failure. Third-party productions are typically acquired on individual film markets. All film markets are currently virtual on account of the coronavirus pandemic. As Covid-19 has delayed many movie productions, the competition for new projects and movies already completed has increased further. As a movie has usually not yet been completed when it is sold, and instead the rights are sold in advance for financing, movies bought at a high price can adversely affect the Group's financial position and financial performance if they are an utter failure.
- In order to operate its platforms, the Sport1 Medien Group is dependent on attractive broadcast rights to sports events and programming formats. The relicensing of exploitation rights for sports events or programming formats can entail an increase in the planned license costs. The unavailability of broadcast rights to sports events, including on account of greater competition such as OTT platforms, or an increase in license costs in the future could lead to the Sport1 Medien Group lacking attractive content for its TV stations or other platforms. This would mean lower market share, lower advertising or sponsorship revenue and lower pay TV revenue.

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

Overall, this risk continues to be classified as significant.

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

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

- Market changes in the movie-theater or the home entertainment sector, such as falling audience and sales figures or growing competition, could be linked with a drop in prices for productions and licensed products. The expiry of framework agreements or a deterioration in the economic situation of licensees can lead to falling sale prices for licenses and thus threaten the intrinsic value of the film assets.
- 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.
- 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 TV stations and on the number/size of the stations overall. In the Film segment, a considerable part of production costs is covered by sublicensing TV transmission rights to theatrical movies. The attainable margins could be lower than planned due to a strong position held by the TV stations.
- 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 and the lack of legal protection against breaches of copyright, there is a risk of lost sales.
- The changing market environment for in-home viewing is likely to result in significant changes in consumer behavior and the provider structure in the medium term. 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 the Constantin Film Group'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. Broadcasting-related technology is often available in duplicate form and its functionality is monitored in a timely manner.

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

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

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

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

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

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

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

The Highlight Group could have insufficient insurance against damages and claims

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

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

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

Compliance risks

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

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

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

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

Financial risks

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

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

The Highlight Group is subject to the credit risk

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

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

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

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

The Highlight Group is subject to liquidity risks

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

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

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

The Highlight Group is exposed to currency risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OPPORTUNITY MANAGEMENT SYSTEM

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

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

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

INFORMATION ON INDIVIDUAL OPPORTUNITIES

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

Business and market opportunities

The Highlight Group sees opportunities in implementing the digital transformation strategy

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

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

This opportunity continues to be classified as medium.

Operational opportunities

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

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

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

Advancing digitalization is changing the individual patterns of media use. Therefore, the Sport1 Medien Group's strategy includes identifying relevant trends and deriving promising business models from them. The following factors are decisive for the management:

The expansion and establishment of existing and new mobile offerings in the sport 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 2020 and can editorially expand the content portfolio in line with the trend from the second half of 2021. There is an opportunity to generate additional, unplanned sales through the exclusive marketing of these digital rights.

This opportunity continues to be classified as medium.

The Highlight Group sees opportunities in the cooperation with UEFA

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

This opportunity continues to be classified as medium.

SUMMARY OF THE OPPORTUNITY AND RISK SITUATION

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

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

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

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

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

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

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

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

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

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

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

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

RISKS AND OPPORTUNITIES OF HIGHLIGHT COMMUNICATIONS AG

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

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

FORECAST

GENERAL ECONOMIC ENVIRONMENT

In its latest World Economic Outlook, the International Monetary Fund (IMF) is forecasting a further stabilization of the economic situation in 2022. The effects of the Ukraine crisis and the associated sanctions cannot currently be estimated reliably. In addition, access to vaccines, the consequences of the currently palpable shortage of materials, and political support are decisive factors.

In addition, the pandemic and new variants of the Covid-19 virus especially remain a source of major uncertainty in forecasts. According to IMF experts, the growth rate for global economic output is 4.4 % compared to 5.9 % in the previous year. The forecast is therefore half a percentage point lower than in October, which is mainly attributable to the spread of the Omicron variant and associated mobility restrictions, increasing inflation and a slower recovery in private consumption.

According to IMF estimates, the economy in the euro area will expand by 3.9 % in 2022, which equates to slightly lower growth than in the previous year. For Germany, the IMF forecasts a growth rate of 3.8 % in 2022.

According to its December forecasts, the Swiss State Secretariat for Economic Affairs (SECO) expects a solid rising trend for the Swiss economy in 2022, which will likely be reflected in GDP growth of 3.0 % (2021: 3.3 %). Its experts mainly attribute the anticipated economic development to the containment of the pandemic through the increasing vaccination of the population and to stimulus from the export industry and the domestic market. Therefore, economic growth above the long-term average is forecast for Switzerland in 2022. Following the economic recovery in 2021, the SECO anticipates a rise in equipment investment and a surge in exports for 2022. Moreover, thanks to the good situation on the Swiss labor market, its experts are predicting a further recovery in consumer spending in 2022.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

After positive development in 2021, the audit company PricewaterhouseCoopers (PwC) is forecasting that the media industry will grow by 8.0 % to EUR 63.7 billion in 2022. An average annual growth rate of 4.5 % is assumed from 2021 to 2025. Total sales in 2025 would thus amount to EUR 69.0 billion. This development is being driven mainly by digital content: between now and 2025, average annual growth of 7.5 % is expected for video-on-demand, 5.1 % for video games and e-sports and 21.2 % for Internet video.

FOCUS IN FISCAL YEAR 2022

Film segment

Industry conditions

During the Covid-19 pandemic, it is not possible to make a forecast for the movie theater market – at least as long as movie theater capacity cannot be fully utilized. Meaningful forecasts for the development of the movie theater market after restrictions are lifted are also not possible. The reasons for this are that a large number of movies will then be released and will have to vie for audiences' favor. Movie theaters will also have to compete against other consumer and leisure options for attention and sales.

The PwC German Entertainment and Media Outlook forecasts that after the pandemic years the German movie theater market will grow by an average of 25.4 % per year until 2025.

In order to come to any kind of conclusion in times of the pandemic, the German Government's Center of Excellence for the Cultural and Creative Industries has assumed two scenarios for the development of the pandemic: Scenario 1): high infection rates until the end of the first quarter of 2022; scenario 2): high infection rates into the second quarter of 2022 (or another relapse in fall/winter 2022).

The worst-case scenario (scenario 2) assumes a moderate year-on-year increase (1 %) in sales in the theatrical segment. Scenario 1 anticipates a stronger recovery (36 % against 2020). However, the pre-crisis level will not be reached.

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

The negative trend on the physical home entertainment market will continue as well; the growth prospects for digital home entertainment are still very positive.

For the TV market, it expects the number of German TV households to decrease by an average of 0.3 % until 2025. Overall, a decline in TV households of around 560,000 by 2025 is anticipated. However, sales generated by TV subscriptions (including commission fees) are expected to see average growth of around 1.0 % per year until 2025. Following the coronavirus pandemic, sales on the German TV advertising market are expected to see significant catch-up effects (around 8 %) in 2022 and then level off at around this level in the following years up to 2025.

Key areas

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

In the area of theatrical distribution, in the foreseeably difficult year of 2022, the Constantin Film Group is continuing to implement its proven strategy of combining national and international in-house and co-productions with high-quality third-party productions and releasing these titles in theaters with a suitable press and marketing strategy at the most favorable time – though this may be more difficult to find than in previous years given the large volume of releases anticipated after the end of the pandemic and the lifting of restrictions on movie theater operations.

As things currently stand, and subject to the planning uncertainty due to the pandemic, at least ten new theatrical releases are intended for 2022. These include the licensed titles “After Forever”, the next installment of the successful “After” series and in-house and co-productions such as “Der Nachname”, “Liebesdings”, “Guglhupfgeschwader”, and “Caveman”.

The Constantin Film Group is again excellently positioned for home entertainment exploitation in 2022 with its in-house theatrical productions, such as “Welcome to Raccoon City”, “Der Nachname”, “Liebesdings” and “Caveman”, and the rights acquired to international hits such as “After Love” and “Mia & Me”. 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 2022 are also built on the Constantin Film Group’s own digital distribution operations and the consistently good sales figures for catalog products.

One of the highlights in free TV exploitation in 2022 will be the latest hit comedy from Bora Dagtekin starring Elyas M’Barek, “Das perfekte Geheimnis”. Sales will also be generated by the horror/thriller “The Silence” and “After Truth”, the second part in the teen series (both ProSieben). Sebastian Bezzel will be returning as the Bavarian cop Franz Eberhofer in 2022 (presumably once again in ARD’s summer movies slot), this time in “Kaiserschmarrndrama”.

Titles expected to generate sales on pay TV (PPC) include “After Love” (part three of the teen series, blue entertainment), “Contra”, the new German comedy featuring Christoph Maria Herbst (Sky and blue entertainment) and the romantic drama “Eiffel in Love” (Sky).

The children’s productions “Dragon Rider” (an animated feature based on the book by Cornelia Funke) and the fifth installment of the Ostwind series, “Ostwind – Der große Orkan” (both Sky and blue entertainment) will also be available on pay TV.

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

Despite the Covid-19 pandemic, Constantin Film AG expects a stable to rising order situation for TV service, licensed and co-productions and for streaming services, which will be positively influenced by the continuing to rising demand for content. Constantin Film’s subsidiaries are preparing a number of projects for 2022, including more seasons of the daily soap opera “Dahoam is Dahoam” (BR), more seasons of the weekly show “Die Heiland” (ARD), the TV series “Kroatien-Krimi” (ARD), “Daheim in den Bergen” (ARD) and “Kommissarin Lucas” (ZDF) and currently seven major projects/premium series that will be produced both nationally and internationally.

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-Marketing segment

Industry conditions

In December 2021, the media planning and purchasing company ZenithOptimedia predicted that global advertising expenditure will grow by 9.1 % to USD 769 billion in 2022. In 2023, advertising expenditure will grow by 5.7 % to reach USD 813 billion. These forecasts assume that the global economy will continue its sustained recovery after the Covid-19 pandemic and are subject to uncertainty.

Key areas

TEAM Group

In the first half of 2022, 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 new UEFA Europa Conference League in the first season of the three-year rights cycle from 2021/22 to 2023/24. This includes the finals, which will take place in Paris (following the recent decision to move the final from the original venue in St. Petersburg, Russia, in response to the crisis in Ukraine), Seville (Spain) and Tirana (Albania) respectively.

Highlight Event AG

Highlight Event AG's activities in conjunction with both its projects in the coming year will again focus on fulfilling the existing (sponsorship) agreements despite difficult circumstances (including the reduction of audiences in attendance, limited hospitality, no fan zones). The Eurovision Song Contest 2022 will be held in Turin, a region hit hard by the Covid crisis, which will make it even more challenging. The planned sponsor events of the Vienna Philharmonic in Asia in 2022 (including Beijing and Hong Kong) and the preparations for the TV and sponsor events in 2023 and 2024 (including Tokyo, Prague and Berlin) will require intensive negotiations and preparations. Another key area of attention will be the ongoing successful sale of media and marketing rights (for the Eurovision Song Contest up to and including 2025 and for the Vienna Philharmonic up to and including 2027) and expertly advising both clients – the European Broadcasting Union (EBU) and the Vienna Philharmonic – in order to best navigate the financial impact of the crisis in the media and marketing area.

Sports segment

Industry conditions

According to a forecast by PricewaterhouseCoopers (PwC), the German entertainment and media industry is set to continue to perform positively overall up to 2025, with an average annual growth rate of 4.5 %. The pre-crisis level of 2019 is on track to be exceeded in 2022; total sales are likely to reach EUR 69.0 billion in 2025. The healthy performance of the industry is largely attributable to digital products, with the Covid-19 pandemic also acting as a catalyst here. The restrictions in the physical products and services sector are bringing about greater penetration with digital media, thus propelling digitalization among the population.

Income in the advertising industry is also recovering in 2022, and is set to rise to EUR 26.5 billion during the forecast period at an average growth rate of 7.0 % per year. Excluding trade fairs, an annual average growth rate of 5.0 % and sales for 2025 of EUR 22.8 billion are likely to be posted. Non-digital advertising (excluding trade fairs) is initially showing catch-up effects here, but is ultimately expected to decline. However, income from digital advertising is rising consistently, reaching EUR 13.0 billion (compound annual growth rate (CAGR): 7.3 %).

By 2025, PwC anticipates a decline by 560,000 TV householders in Germany – this equates to an average annual decrease of 0.3 %. Satellite TVs are likely to have a market share of just under a half in 2025. Despite the falling number of households with a TV set, sales are set to rise to a total of EUR 6.1 billion in 2025. Subscription-based video-on-demand services are expected to generate average annual growth of 8.0 % and reach sales of EUR 2.0 billion in 2025. The experts at PwC attribute this forecast to factors such as the growing willingness to pay for video-on-demand content. YouTube is the most-used video portal for 57.2 % of users surveyed.

In terms of advertising, growth is assumed in both the TV and online sectors: While average annual growth of 2 % to EUR 4.7 billion is expected in the TV advertising segment up to 2025, experts envisage growth of 6.9 % to EUR 12.5 billion in online advertising.

The experts at PwC believe that there will be a particularly sharp increase in data consumption in the coming years: Average annual growth of 20.7 % is predicted, bringing the market volume of the segment to EUR 166.9 million by 2025.

A key growth area of enormous future significance for SPORT1 is e-sports: PwC is forecasting that the overall video games and e-sports market will grow by 5.0 % per year on average to EUR 6.4 billion in Germany by 2025.

Key areas

The focus will be on the systematic use, distribution and capitalization of multimedia content in fiscal 2022 as well. In addition to augmenting the SPORT1 portfolio by acquiring new rights, extending existing partnerships and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central. In particular, these include the core sports of football, darts, motorsports, ice hockey, basketball, volleyball, tennis, US sports and e-sports. Furthermore, the digital diversification of the SPORT1 brand will continue to be promoted and new content and marketing environments will be created in view of the continued massive growth in the digital and cross-platform use of media content – for example, using the Bundesliga and Bundesliga 2 highlight and archive clips acquired in the DFL rights tender for exploitation on digital platforms. In addition, there is a focus on planning and implementing promising projects in the crypto sector.

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 2022.

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 accordingly provide integrated services for partners and customers.

With a view to the challenges arising from the Covid-19 pandemic, the aim is still to make up the loss in sales caused, in particular, by the decline in advertising revenue, predominantly with savings. With regard to sales potential, marketing activities will increasingly involve contacting companies that can benefit from the current situation on account of their business model.

Financial targets of the Highlight Group

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

As described in the report on risks and opportunities, the coronavirus pandemic and also the Ukraine crisis are generating increased planning uncertainty for fiscal 2022.

Provided that economically viable exploitation of our movies is largely possible over the course of 2022, the Constantin Film Group expects to release successful movies in German theaters again in fiscal 2022. Overall, the Management Board of Constantin Film therefore expects sales from German theatrical exploitation to be well above the previous year's level. Candidates with particular commercial potential at the box office are "Liebesdings," "After Ever Happy," "Guglhupfgeschwader," and the new Sönke Wortmann movie "Der Nachname."

Home entertainment sales in Germany are expected to be on a par with the previous year. Top titles for exploitation in 2022 include "After We Fell," "Contra," "Kaiserschmarrndrama," and "Welcome to Raccoon City." Movies that are released in theaters in the first half of the year usually generate significant sales from initial exploitation in the home entertainment segment in the second half of the year already, after the end of the corresponding holdback period usually lasting six months (in accordance with the German Film Subsidies Act). If theatrical releases are postponed from the first half of the year to the second in 2022 again due to the pandemic, then some of the allocated home entertainment revenue will likely be delayed until the following year.

In license trading/TV exploitation, sales generated in Germany from fictional productions are expected to be slightly higher than in the previous year. Key movies with high sales in 2022 will include "Das perfekte Geheimnis," "After We Collided," and "Kaiserschmarrndrama," which were all successful in their theatrical exploitation. The titles "Thank You For Your Service," "Der letzte Bulle," "Strafe," and "Lauchhammer" will also generate significant revenues from TV exploitation.

Sales from the international exploitation of in-house and co-productions are expected to be considerably lower than the previous year's level in 2022. The main sales drivers in this area will be the international productions "Wir Kinder vom Bahnhof Zoo," "Monster Hunter," and "Dragon Rider".

In TV service production, the commissioning situation can be considered positive overall. Although many market developments will initially have to be monitored closely, the Management Board anticipates a significant increase in sales in 2022 overall as compared to the previous year. This is chiefly due to the substantial increase in production activity. The main new projects in this area include "Blood and Gold," "Der Parfumeur," "Liebes Kind," and the English-language series production "Resident Evil TV – Venus Flytrap." In the non-fiction segment, the Constantin Entertainment Group also expects to generate higher sales than in the previous year.

Overall, the Management Board's sales expectations for the Constantin Film Group in fiscal 2022 are on a scale of EUR 300–340 million, above the previous year's level. The main pillar of the sales forecasts is the considerably higher revenues in the area of TV service production and productions for streaming services. In addition, higher revenues are expected from theatrical exploitation in Germany and lower revenues from international exploitation in the home entertainment business area. The Constantin Film Group is currently forecasting net profit before taxes of EUR 8–12 million and net profit attributable to shareholders of EUR 6–8 million on the back of a higher level of sales as compared to 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.

In the Sports- and Event-Marketing segment, the agency commission within the current contract agreement for the marketing of the UEFA Champions League and the UEFA Europa League is determined in euro. Assuming that the Swiss franc/euro exchange rate remains virtually the same, sales and earnings are therefore expected to be higher than in the previous year.

A slight decrease in TV sales is expected in the Sports segment as the new rights to the DFB Pokal (from the second half of 2019) will not be able to completely make up for the loss of UEFA Europa League broadcasts on account of the lower number of matches. By contrast, in digital operations, we are anticipating an increase in cumulative online and mobile coverage – in particular as a result of the optimization of editorial and functional content in addition to a number of traffic initiatives – which will also lead to rising sales. The same is also true of production, hence sales in the Sports segment is expected to match the previous year's level overall. Segment EBIT will presumably be considerably higher than the prior-year figure thanks to savings in the cost of materials and personnel expenses.

Pratteln, April 2022

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.

2021

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2021 of Highlight Communications AG, Pratteln

Summer Night Concert: The Vienna Philharmonic Orchestra played live to an audience in Schönbrunn.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2021

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2021	Dec. 31, 2020 Restated	Jan. 01, 2020 Restated
Non-current assets				
In-house productions		117,051	146,242	159,617
Third-party productions		10,015	15,733	15,056
Film assets	6.1	127,066	161,975	174,673
Other intangible assets	6.2	58,151	62,259	58,216
Goodwill (restated)	6.2	119,162	124,014	124,789
Property, plant and equipment	6.3	12,711	13,674	14,686
Right-of-use assets	6.4	48,326	38,276	38,236
Advance payments on shares in affiliated companies		–	–	8,000
Investments in associates and joint ventures	6.6	49	54	54
Non-current receivables	6.7	13,726	13,116	16,021
Other assets	6.9	1,560	1,993	910
Deferred tax assets	6.8	11,189	13,034	13,499
		391,940	428,395	449,084
Current assets				
Inventories	6.10	69,301	24,114	7,187
Trade receivables and other receivables	6.11	133,068	118,080	136,488
Contract assets	6.12	31,155	32,680	18,626
Receivables from associates and joint ventures	12	201	-	-
Other financial assets	6.9	-	23	14
Income tax receivables	6.13	520	758	814
Cash and cash equivalents	6.14	48,345	48,178	52,970
		282,590	223,833	216,099
Total assets		674,530	652,228	665,183

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

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2021	Dec. 31, 2020 Restated	Jan. 01, 2020 Restated
Equity	6.15			
Issued capital		63,000	63,000	63,000
Treasury shares		–6,300	–6,300	–6,300
Capital reserves		–104,686	–99,973	–98,968
Other reserves (restated)		–57,726	–47,636	–47,518
Profit carryforward		298,022	280,714	268,374
Equity attributable to shareholders		192,310	189,805	178,588
Non-controlling interests		3,813	8,157	10,335
		196,123	**197,962**	**188,923**
Non-current liabilities				
Financial liabilities	6.18	0	103,319	121,059
Lease liabilities	6.4	39,371	29,328	31,904
Other liabilities		90	94	311
Pension liabilities	6.16	4,108	6,570	5,042
Deferred tax liabilities	6.17	26,325	34,124	33,527
		69,894	**173,435**	**191,843**
Current liabilities				
Financial liabilities	6.18	190,647	69,416	66,672
Lease liabilities	6.4	9,496	9,888	8,046
Advance payments received	6.19	40,015	52,147	57,487
Trade payables and other liabilities	6.20	138,247	129,967	134,421
Contract liabilities	6.21	13,654	9,900	7,401
Provisions	6.22	2,089	2,835	4,572
Income tax liabilities	6.23	14,365	6,678	5,818
		408,513	**280,831**	**284,417**
Total equity and liabilities		**674,530**	**652,228**	**665,183**

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

CONSOLIDATED INCOME STATEMENT 2021

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Sales		**508,161**	**414,567**
Capitalized film production costs and other own work capitalized	7.2	**123,020**	**93,241**
Other operating income	7.3	**34,294**	**16,038**
Costs for licenses, commissions and materials		–56,293	–44,602
Cost of purchased services		–203,946	–173,686
Cost of materials and licenses	7.4	**–260,239**	**–218,288**
Salaries		–172,279	–134,197
Social security, pension costs		–23,770	–18,818
Staff costs	7.5	**–196,049**	**–153,015**
Amortization and impairment on film assets	6.1	–102,064	–54,017
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	6.2/6.3	–12,301	–11,501
Amortization, depreciation and impairment on right-of-use assets	6.4	–9,221	–8,706
Amortization and impairment on goodwill	6.2	–	–454
Amortization, depreciation and impairment		**–123,586**	**–74,678**
Other operating expenses	7.6	**–57,173**	**–52,165**
Impairment/reversals of impairment on financial assets	7.7	**145**	**–107**
Gains/losses from the derecognition of financial assets at amortized cost		**–6**	**–20**
Profit from operations		**28,567**	**25,573**
Net income equity investments in associates and joint ventures	6.6	**–14**	**6**
Financial income	7.8	5,648	4,163
Financial expenses	7.9	–12,987	–9,536
Net financial result		**–7,339**	**–5,373**
Profit before taxes		**21,214**	**20,206**
Income taxes		–11,143	–8,192
Deferred taxes		5,286	–53
Taxes	7.10	**–5,857**	**–8,245**
Net profit for the period		**15,357**	**11,961**
thereof shareholders' interests		14,800	12,179
thereof non-controlling interests		557	–218

Earnings per share (CHF)			
Earnings per share attributable to shareholders (basic)		0.26	0.21
Earnings per share attributable to shareholders (diluted)		0.26	0.21
Average number of shares outstanding (basic)		56,700,499	56,700,499
Average number of shares outstanding (diluted)		56,700,499	56,700,499

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS 2021

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020 Restated
Net profit for the period		**15,357**	**11,961**
Unrealized gains/losses from currency translation (restated)		–9,666	–1,115
Reclassification of realized gains/losses through profit or loss		–	–
Currency translation differences	6.15	–9,666	–1,115
Gains/losses from cash flow hedges	6.15	–646	904
Items that can be reclassified to profit or loss		**–10,312**	**–211**
Actuarial gains/losses of defined benefit pension plans	6.15	2,508	1,328
Gains/losses from financial assets at fair value through other comprehensive income	6.15	–	–667
Items that cannot be reclassified to profit or loss		**2,508**	**661**
Total other comprehensive income/loss, net of tax		**–7,804**	**450**
Total comprehensive income/loss		**7,553**	**12,411**
thereof shareholders' interests		7,218	12,722
thereof non-controlling interests		335	–311

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2021

Highlight Communications AG, Pratteln

		Equity	
(TCHF)	Note	Issued capital	Treasury shares
Balance as of January 1, 2021		63,000	–6,300
Currency translation differences		–	–
Gains/losses from cash flow hedges		–	–
Items that can be reclassified to profit or loss		–	–
Actuarial gains/losses of defined benefit pension plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income		–	–
Items that cannot be reclassified to profit or loss		–	–
Total other comprehensive income/loss, net of tax		–	–
Net profit for the period		–	–
Total comprehensive income/loss		–	–
Dividend payments		–	–
Personnel expenses from share-based payment		–	–
Change in non-controlling interests		–	–
Squeeze-out obligation		–	–
Balance as of December 31, 2021	6.15	63,000	–6,300
Balance as of January 1, 2020		63,000	–6,300
Adjustment due to restatement		–	–
Balance as of January 1, 2020 (restated)		63,000	–6,300
Currency translation differences (restated)		–	–
Gains/losses from cash flow hedges		–	–
Items that can be reclassified to profit or loss		–	–
Actuarial gains/losses of defined benefit pension plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income		–	–
Items that cannot be reclassified to profit or loss		–	–
Total other comprehensive income/loss, net of tax		–	–
Net profit for the period		–	–
Total comprehensive income/loss		–	–
Dividend payments		–	–
Changes in consolidated group		–	–
Change in non-controlling interests		–	–
Other changes		–	–
Balance as of December 31, 2020 (restated)	6.15	63,000	–6,300

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

attributable to shareholders					
Capital reserves	Other reserves	Profit carryforward	Total	Non-controlling interests	Total equity
–99,973	-47,636	280,714	189,805	8,157	197,962
–	-9,444	–	-9,444	–222	-9,666
–	-646	–	-646	–	-646
–	-10,090	–	-10,090	–222	-10,312
–	-	2,508	2,508	–	2,508
–	-	–	-	–	-
–	-	2,508	2,508	–	2,508
–	-10,090	2,508	-7,582	–222	-7,804
–	-	14,800	14,800	557	15,357
–	-10,090	17,308	7,218	335	7,553
–	–	–	–	–1,116	–1,116
96	–	–	96	–	96
2,356	–	–	2,356	–294	2,062
–7,165	–	–	–7,165	–3,269	–10,434
–104,686	-57,726	298,022	192,310	3,813	196,123
–98,968	-38,753	268,374	187,353	10,335	197,688
–	-8,765	-	-8,765	-	-8,765
–98,968	-47,518	268,374	178,588	10,335	188,923
–	-1,022	–	-1,022	-93	-1,115
–	904	–	904	–	904
–	-118	–	-118	-93	-211
–	-	1,328	1,328	–	1,328
–	-	–667	-667	–	-667
–	-	661	661	–	661
–	-118	661	543	-93	450
–	-	12,179	12,179	–218	11,961
–	-118	12,840	12,722	–311	12,411
–	–	–	–	–1,176	–1,176
–	–	–	–	–20	–20
–1,005	–	–	–1,005	–671	–1,676
–	–	–500	–500	–	–500
–99,973	-47,636	280,714	189,805	8,157	197,962

CONSOLIDATED STATEMENT OF CASH FLOWS 2021

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Net profit for the period		15,357	11,961
Deferred taxes		–5,286	53
Income taxes		11,143	8,192
Financial result (without currency result)		4,799	6,685
Net income equity investments in associates and joint ventures	6.6	14	–6
Amortization, depreciation and impairment on non-current assets	6.1/6.2/6.3/6.4	123,586	74,678
Gain (-)/loss (+) from disposal of non-current assets	7.3/7.6	–7,512	–52
Other non-cash items		–2,101	–963
Increase (-)/decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities		–67,719	–8,627
Decrease (-)/increase (+) in trade payables and other liabilities not classified as investing or financing activities		–4,205	–9,739
Dividends received from associated companies and joint ventures	6.6	8	5
Interest paid		–6,444	–4,943
Interest received		271	1,106
Income taxes paid		–3,116	–7,530
Income taxes received		541	391
Cash flow from operating activities		59,336	71,211

The notes on pages 94 – 160 are an integral part of the consolidated financial statements.

(TCHF)	Note	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Change in cash and cash equivalents due to acquisition/disposal of companies/shares in companies (net)		–	–764
Payments for intangible assets	6.2	–4,071	–2,713
Payments for film assets		–71,006	–41,036
Payments for property, plant and equipment	6.3	–4,150	–3,730
Payments for right-of-use assets		–	–477
Payment for acquisition of equity investments in associates and joint ventures	6.6	–20	–
Proceeds from disposals of intangible assets and film assets		7,569	–
Proceeds from disposals of property, plant and equipment		130	219
Proceeds from disposals of financial assets		58	–
Cash flow for investing activities		**–71,490**	**–48,501**
Payments for purchase of non-controlling interests	6.15	–1,044	–1,676
Proceeds from sale of non-controlling interests	6.15	3,106	–
Repayment of current financial liabilities	6.18	–38,410	–25,687
Repayment of lease liabilities	6.4	–9,623	–8,903
Proceeds from receipt of non-current financial liabilities	6.18	11,781	–
Proceeds from receipt of current financial liabilities	6.18	49,104	10,481
Dividend payments	6.15	–1,116	–1,176
Cash flow from/for financing activities		**13,798**	**–26,961**
Cash flow for the reporting period		**1,644**	**–4,251**
Cash and cash equivalents at the beginning of the reporting period	6.14	48,178	52,970
Effects of currency differences		–1,477	–541
Cash and cash equivalents at the end of the reporting period	6.14	48,345	48,178
Change in cash and cash equivalents		**1,644**	**–4,251**
thereof cash earmarked for squeeze-out		11,390	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

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 May 2 and 25, 2022, and require the approval of the Annual General Meeting to be held in June 2022.

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 segments Film, Sports as well as Sports- and Event-Marketing. Please see note 10 for further information on segment reporting.

1.2 Basis of presentation

The consolidated financial statements of Highlight Communications AG were prepared in accordance with the International Financial Reporting Standards (IFRS) and the additional provisions of Swiss Commercial law. All IFRSs/IASs and SICs/IFRICs applicable as of December 31, 2021, were complied with.

A list of the subsidiaries and associated companies included in the consolidated financial statements can be found in these notes. The effects of the first-time consolidation and deconsolidation of subsidiaries and associated companies are shown in the section "Scope of consolidation" (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. More detailed information on the basis of estimates can be found separately under the respective balance sheet item (see note 5).

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

2. ACCOUNTING

2.1 Relevant standards and interpretations applied for the first time

Amendments to IFRS 16: Covid-19-Related Rent Concessions after June 30, 2021

The amendments to IFRS 16 ("Covid-19-Related Rent Concessions") published in the previous year provided lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification (see 2020 annual report, note 2.1). The practical expedient was originally to expire on June 30, 2021. As the pandemic is still ongoing, the IASB has now extended the application period for the practical expedient until June 30, 2022. The amendment is effective for annual periods beginning on or after April 1, 2021.

The Highlight Group utilized the practical expedient in the previous year for all rent concessions and did not recognize rent concessions due to the Covid-19 pandemic as contract modifications. In the current reporting period, TCHF 84 (previous year's period: TCHF 119) was recognized as negative variable lease payments under other expenses.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2)

In the framework of the IBOR reform, existing interest rate benchmarks (including LIBOR) were reformed and replaced with new reference interest rates. As one of the most important IBORs, the EURIBOR (Euro Interbank Offered Rate) had already been reformed and will continue to be used for the time being. The EURIBOR reform was concluded in November 2019. As a result it is possible to continue using EURIBOR as an interest rate benchmark. At the Highlight Group, there are credit agreements where the interest rate is based on LIBOR. It is anticipated that an adequate benchmark interest rate will be determined for LIBOR and thus that no material impact is to be anticipated from the IBOR reform.

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

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

2.3 Restatement comparative prior-year consolidated financial statements

According to IAS 21 No. 47, goodwill arising on the acquisition of a foreign operation must be treated as an asset. The goodwill is to be translated in the functional currency of the foreign operation at the respective closing rate in accordance with paragraphs 39 and 42. In the consolidated financial statements of previous years, these translations were not made on the goodwill of Sport1 Medien AG from 2018 and during the closing process this error was identified. The effect was that both goodwill and the currency reserve were overvalued Dec. 31, 2020.

In accordance with IAS 8, Correction of Errors, the prior year has been restated.

The following items were changed in the consolidated financial statements:

Goodwill in the balance sheet: –8,765 TCHF as of January 1, 2020/–9,063 TCHF as of December 31, 2020.

Currency reserves in the balance sheet: –8,765 TCHF as of January 1, 2020/–9,063 TCHF as of December 31, 2020.

Currency translation amounted to –298 TCHF in the consolidated statement of comprehensive income/loss in 2020.

These adjustments had no impact on the income statement or on basic and diluted loss per share.

3. SCOPE OF CONSOLIDATION

3.1 Acquisitions

TEAM Marketing Asia Limited was founded on January 11, 2021. TEAM Holding AG holds all shares in the company. The company is fully consolidated and assigned to the Sports- and Event-Marketing segment.

High-end productions GmbH, Vienna, was founded by way of contract dated June 17, 2021. Constantin Television GmbH, Munich, holds 50 % of the shares in the company. The company is included in the consolidated financial statements using the equity method. Operations commenced in July 2021.

On December 14, 2021, the remaining 4.48 % minority interest was acquired in the consolidated Olga Film GmbH, Munich. This is a transaction between equity providers that changed equity by TCHF –78.

In the 2021 reporting year, Highlight Communications AG increased its shareholding in Sport1 Medien AG, which was already included in consolidation, from 94.91 % to 95.32 %. This is a transaction between equity providers that changed equity by TCHF –966.

3.2 Other changes

Retroactively to January 1, 2021, Mythos Film Verwaltungs GmbH, Berlin, was merged with its parent company Mythos Film GmbH, Berlin. Also effective January 1, 2021, the business operations of Mythos Film Produktions GmbH & Co. KG, Berlin, were transferred to Mythos Film GmbH, Berlin.

PLAZAMEDIA Austria Ges.m.b.H., Vienna, was liquidated on March 2, 2021 and removed from the company register.

The consolidated company Constantin Entertainment Slovakia s.r.o., Bratislava, was liquidated on March 20, 2021.

On July 22, 2021, the consolidated Constantin Film Production Services GmbH was renamed Olga Film Services GmbH.

The consolidated company Constantin Entertainment Bulgarien EOOD, Sofia, was liquidated on July 23, 2021.

Spin50 GmbH executed a capital increase in December 2021. Two new investors subscribed to the new shares and together now hold 25 % of Spin50 GmbH, with Sport1 GmbH holding 75 % of shares. This is a transaction between equity providers that changed equity by TCHF 3,106. Spin50 GmbH was renamed Jackpot50 GmbH in December 2021.

3.3 Overview of fully 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, 2021

	Activity	Country	Currency	Subscribed capital	Share in capital*	Voting rights of the respective parent company
TEAM Holding AG	Holding company	CH	CHF	250,000	100%	100%
TEAM Football Marketing AG	Exploitation of sports rights	CH	CHF	6,340,000	95.27%	100%
TEAM Marketing AG	Marketing of sports events	CH	CHF	200,000	100%	100%
TEAM Marketing UK Ltd.	Marketing of sports events	GB	GBP	1	100%	100%
TEAM Marketing Asia Limited	Marketing of sports events	HK	HKD	100	100%	100%
Highlight Event AG	Event Marketing	CH	CHF	500,000	100%	100%
Rainbow Home Entertainment AG	Distribution	CH	CHF	200,000	100%	100%
Constantin Film und Entertainment AG	Acquisition and development of content	CH	CHF	500,000	100%	100%
Highlight Communications (Deutschland) GmbH	Marketing	DE	EUR	256,000	100%	100%
Constantin Film AG	Film production and distribution	DE	EUR	12,742,600	100%	100%
Constantin Media GmbH audiovisuelle Produktionen	Acquisition and development of content	DE	EUR	26,000	100%	100%
Constantin Film Produktion GmbH	Film and TV production	DE	EUR	105,100	100%	100%
Dahoam Television GmbH	TV entertainment production	DE	EUR	25,000	100%	100%
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	100%	100%
Constantin Film Development Inc.	Acquisition and development of content	US	USD	530,000	100%	100%
Mythos Film GmbH	Administration	DE	EUR	37,500	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	526,944	100%	100%
Constantin Entertainment RO SRL**	TV entertainment production	RO	RON	10,000	100%	100%
Constantin Entertainment CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	100%	100%
Olga Film GmbH	Film and TV production	DE	EUR	603,000	100%	100%
Moovie GmbH	Film and TV production	DE	EUR	104,000	100%	100%
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51%	51%
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51%	51%
Constantin Film Verleih GmbH	License trading and theatrical distribution	DE	EUR	250,000	100%	100%
Constantin Film Licensing Lda in liquidation***	License trading	PT	EUR	5,000	100%	100%
Constantin Music Verlags-GmbH	Exploitation of music rights	DE	EUR	70,000	100%	100%
Constantin Music GmbH	Exploitation of music rights	DE	EUR	25,000	90%	90%
Königskinder Music GmbH	Record label and music consulting	DE	EUR	50,000	50%	50%
Olga Film Services GmbH (formerly: Constantin Film Production Services GmbH)	Film and TV production	DE	EUR	100,000	100%	100%
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	100%	100%
Hager Moss Film GmbH	TV entertainment production	DE	EUR	102,300	100%	100%
PSSST! Film GmbH	Film and TV production	DE	EUR	25,000	51%	51%

Sport1 Medien AG	Holding company	DE	EUR	93,600,000	95.32 %	95.32 %
Sport1 Holding GmbH	Holding company	DE	EUR	55,000	100 %	100 %
Sport1 GmbH	Platform operator	DE	EUR	500,000	100 %	100 %
Jackpot50 GmbH (formerly: Spin50 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 %
PLAZAMEDIA Swiss AG, in liquidation	Production service provider	CH	CHF	100,000	100 %	100 %
LEitMOTiF Creators GmbH	Consulting	DE	EUR	25,000	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 and/or indirect share held by the Group*
** *0.1 % are held by Constantin Film Produktion GmbH*
*** *50 % are held by Constantin Film AG*

3.4 Overview of companies not included in consolidation

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

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

Companies not included in consolidation as of December 31, 2021

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

** Share held by Constantin Pictures GmbH, Germany*

3.5 Overview of associated companies

The following associated company is 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, 2021	EUR	25,565

The annual financial statements of BECO Musikverlag GmbH as of December 31, 2020 were used for reporting as the annual financial statements as of December 31, 2021 have not yet been prepared.

Detailed financial information on the associated 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 %	Jun. 17 to Dec. 31, 2021	EUR	35,000

Detailed financial information on the joint venture can be found in note 6.6.

4. SUMMARY OF THE KEY ACCOUNTING POLICIES

4.1 Methods of consolidation

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

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

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

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

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

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

First-time capital consolidation is implemented by offsetting the cost (consideration rendered) of the 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 fully consolidated companies are netted off and intragroup profits are eliminated. Intragroup income is offset against the corresponding expenses.

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

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

4.2 Currency translation

4.2.1 Functional currency

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

4.2.2 Measurement of balances and transactions in foreign currency

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

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

4.2.3 Currency translation in the Group

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

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

4.2.4 Exchange rates

		Closing rate		Annual average rate	
		Dec. 31, 2021	Dec. 31, 2020	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Euro	(EUR)	1.03545	1.08233	1.08131	1.07030
US dollar	(USD)	0.91285	0.88248	0.91408	0.93891
British pound	(GBP)	1.23344	1.20462	1.25745	1.20438
Canadian dollar	(CAD)	0.71885	0.69258	0.72921	0.70028

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 (own and co-productions) plus the cost of developing new projects. The acquisition of rights to third-party productions usually includes movie theater, home entertainment and TV rights.

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

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

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

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

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

4.5 Other intangible assets

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

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

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

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

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

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

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

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

4.6 Goodwill

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

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

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

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

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

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

4.7 Property, plant and equipment

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

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

4.8 Leases

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

4.8.1 Lease liabilities

At the inception of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the term of the lease. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option that the Group can exercise with reasonable certainty 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 still 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.

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 Covid-19-related rent concessions

The rent concessions for fiscal years 2020 and 2021, granted to mitigate the consequences of the Covid-19 pandemic and utilizing the relief under IFRS 16 relating to rent concessions, were not stipulated as lease modification. Thus the practical expedient did not result in any adjustment of rights-of-use and lease liabilities/no accounting of a new agreement. Adjustments were recognized as negative variable lease payments under other operating expenses.

4.9 Impairment of non-financial assets

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

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

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

4.10 Inventories

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

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

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

4.11 Financial instruments

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

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

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

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

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

4.11.1 Financial assets at amortized cost

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

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

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

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

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

4.11.2 Financial assets at fair value

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

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

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

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

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

4.11.3 Financial liabilities

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

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

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

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

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

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

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

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

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

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

Objective evidence of impairment includes:

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

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

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

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

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

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

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

4.11.5 Hedging instruments

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

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

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

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

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

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

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

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

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

4.12 Pension liabilities

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

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

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

Actuarial gains and losses arise from changes in the assumptions made, deviations between the actual and forecast return on plan assets and differences between benefits acquired and those calculated using actuarial assumptions. These are recognized in other comprehensive income (OCI) under “Items that 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 Other provisions, contingent liabilities and contingent assets

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

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

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

If the criteria for recognizing a provision are not met but the outflow of financial resources is not unlikely, these liabilities are reported in the notes to the consolidated financial statements. These are not recognized in equity and liabilities until the obligations are definitive, i.e. the outflow of financial resources is now probable and its amount can be reliably determined. 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.

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

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

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

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

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

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

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

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

Revenue from theatrical distribution, home entertainment, license trading/TV exploitation and other revenue is reported under the product type “Film”. Revenue from TV service productions is shown under the product type “Production services”.

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

In the Sports segment, TV advertising revenue is recognized when the corresponding advertisement is broadcast for consumers. Discounts and commission for advertising agencies are deducted directly from revenue. There are no financing components as the contracts with the advertising agencies are usually concluded for one year. The normal payment period is 30 days. The marketing and settlement of advertising revenue for digital platforms are largely outsourced to a third-party company. However, as revenue is settled monthly and possible prepayments cover a maximum time horizon of three months, there is no financing component in this business. Revenue is recognized over time using the output method on the basis of the advertisements placed. Discounts and commission are deducted directly from revenue. Distribution revenue is recognized over time using the output method (performance rendered to date).

Revenue from production services and handling programs in the Sport segment is recognized over time using the output method. The stage of completion is recognized on the basis of the programs produced/length of handling programs. The normal payment period is 30 days. In the consulting area, revenue is recognized over time using the output method. The stage of completion is determined on the basis of costs incurred as a percentage of budgeted costs. A contract asset is recognized until the contractually specified claim for invoicing has been reached.

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.

4.17 Government grants

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 promotion in accordance with BKM (DFFF) regulations

Project film promotion in accordance with BKM (DFFF) regulations – such as the MFG Line Producer grant, the German Motion Picture Fund (GMPF) and the default fund from the federal government and states – are grants that do not have to be repaid and serve to refund the production costs of a theatrical film after clearly defined requirements are fulfilled.

These are government grants for assets. Project film promotions granted are deducted from the carrying amount of the film in the balance sheet 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.

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 August 31, 2022. Grants received from this program in the reporting year are reported under other operating income.

Sales subsidies

Sales subsidies are non-repayable subsidies which a distributor is entitled to depending on the number of people who go to see the (subsidized) film in the theatrical exploitation for financing the release costs for a subsequent film. 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.

Short-time compensation

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

4.18 Share-based payment

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 particularly true in light of the coronavirus pandemic. 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 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 liabilities

Pension liabilities and the associated net pension costs for each period are calculated by way of actuarial measurement. Such measurement is based on key premises, including discounting factors, salary trends and pension trends. The discounting factors used are determined on the basis of the returns at the end of the reporting period on high quality corporate or government bonds of a consistent currency and term. The premises used can differ from actual development owing to fluctuations in the market and economic situation. This can have a material impact on pension obligations. Differences resulting from this are recognized in other comprehensive income (OCI) in the period in which they arise.

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 2021			
January 1, 2021	477,882	1,454,635	1,932,517
Currency translation differences	–14,363	–65,617	–79,980
Additions	4,594	68,338	72,932
Disposals	43,631	893	44,524
Balance on December 31, 2021	**424,482**	**1,456,463**	**1,880,945**
Accumulated amortization/value adjustments 2021			
January 1, 2021	462,149	1,308,393	1,770,542
Currency translation differences	–13,904	–60,299	–74,203
Depreciation for the year	10,816	87,896	98,712
Impairment	42	5,497	5,539
Write-ups	1,005	1,182	2,187
Disposals	43,631	893	44,524
Balance on December 31, 2021	**414,467**	**1,339,412**	**1,753,879**
Acquisition and production costs 2020			
January 1, 2020	513,702	1,423,295	1,936,997
Currency translation differences	–879	–3,591	–4,470
Additions	6,545	35,401	41,946
Disposals	41,486	470	41,956
Balance on December 31, 2020	**477,882**	**1,454,635**	**1,932,517**
Accumulated amortization/value adjustments 2020			
January 1, 2020	498,646	1,263,678	1,762,324
Currency translation differences	–845	–2,998	–3,843
Depreciation for the year	4,969	42,115	47,084
Impairment	1,396	7,361	8,757
Write-ups	531	1,293	1,824
Disposals	41,486	470	41,956
Balance on December 31, 2020	**462,149**	**1,308,393**	**1,770,542**
Net carrying amounts on December 31, 2021	**10,015**	**117,051**	**127,066**
Net carrying amounts on December 31, 2020	**15,733**	**146,242**	**161,975**

Impairment losses of TCHF 5,539 (previous year's period: TCHF 8,757) 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 4.06 % and 4.52 % (previous year: between 4.22 % and 4.23 %). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review. Write-ups are recognized for projects for which a write-down has been recognized in the past and whose forecast revenues for the remaining exploitation period are considerably higher than the previous year's estimates.

In the year under review, the Highlight Group received project subsidies and project promotion loans of TCHF 23,440 (previous year's period: TCHF 29,084), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to TCHF 2,684 as of December 31, 2021 (previous year: TCHF 5,616). Project promotions of TCHF 3,689 were repaid in the year under review (previous year's period: TCHF 933).

In addition, sales subsidies and distribution loans of TCHF 4,026 (previous year's period: TCHF 1,611) 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 147 (previous year: TCHF 957) as of December 31, 2021. Distribution loans of TCHF 1,700 (previous year's period: TCHF 1,272) were repaid over the year under review. As of December 31, 2021, there were receivables for subsidies and grants of TCHF 23,202 (previous year: TCHF 16,543).

Directly attributable financing costs of TCHF 1,225 (previous year's period: TCHF 1,767) 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 1.0% to 8.0% (previous year: 1.0% to 8.0%).

6.2 Other intangible assets and goodwill

(TCHF)	Patents and licenses	Purchased software	Internally developed intangible assets	Advance payments	Total intangible assets	Goodwill
Acquisition and production costs 2021						
January 1, 2021	69,516	9,505	8,722	1,382	89,125	130,436
Currency translation differences	–43	–268	–261	–140	–712	–5,026
Additions	241	1,280	–	2,550	4,071	–
Disposals	–	87	–	104	191	–
Transfers	–	43	470	–513	–	–
Balance on December 31, 2021	**69,714**	**10,473**	**8,931**	**3,175**	**92,293**	**125,410**
Accumulated amortization/ value adjustments 2021						
January 1, 2021	13,866	7,943	5,057	–	26,866	6,422
Currency translation differences	–30	–204	–156	–	–390	–174
Depreciation for the year	5,381	636	1,736	–	7,753	–
Disposals	–	87	–	–	87	–
Balance on December 31, 2021	**19,217**	**8,288**	**6,637**	**–**	**34,142**	**6,248**
Acquisition and production costs 2020						
January 1, 2020	60,832	8,912	5,630	3,444	78,818	139,527
Adjustment due to restatement	–	–	–	–	–	–8,765
January 1, 2020 (restated)	60,832	8,912	5,630	3,444	78,818	130,762
Changes in consolidated group	8,292	–	–	–	8,292	–
Currency translation differences (restated)	5	–10	27	–33	–11	–326
Additions	402	694	633	984	2,713	–
Disposals	15	91	581	–	687	–
Transfers	–	–	3,013	–3,013	–	–
Balance on December 31, 2020 (restated)	**69,516**	**9,505**	**8,722**	**1,382**	**89,125**	**130,436**
Accumulated amortization/value adjustments 2020						
January 1, 2020	8,694	7,418	4,490	–	20,602	5,973
Currency translation differences	3	–7	1	–	–3	–5
Depreciation for the year	5,184	623	1,147	–	6,954	–
Impairment	–	–	–	–	–	454
Disposals	15	91	581	–	687	–
Balance on December 31, 2020	**13,866**	**7,943**	**5,057**	**–**	**26,866**	**6,422**
Net carrying amounts on December 31, 2021	**50,497**	**2,185**	**2,294**	**3,175**	**58,151**	**119,162**
Net carrying amounts on December 31, 2020	**55,650**	**1,562**	**3,665**	**1,382**	**62,259**	**124,014**

Goodwill

The table below shows the allocation of goodwill:

(TCHF)	Dec. 31, 2021	Dec. 31, 2020 restated
Sport1 Medien AG (Sport segment) restated	93,107	105,684
Jackpot50 GmbH (Segment Sport)	8,000	–
Constantin Film Verleih GmbH (Film segment)	12,025	12,025
Constantin Entertainment GmbH (Film segment)	3,600	3,763
Constantin Television GmbH (Film segment)	1,644	1,718
Hager Moss Film GmbH (Film segment)	487	509
PSSST! Film GmbH (Film segment)	257	269
Other (Film segment)	43	46
Total	**119,162**	**124,014**

Jackpot50 GmbH, a subsidiary of Sport1 Medien AG, has entered the online casino market, with the staffing and necessary specialist knowledge already available within the Sport1 Medien Group. The Jackpot50 business area is managed separately and represents a separate cash generating unit. The recognized goodwill of Sport1 Medien AG was based on a relative fair value approach divided between the two cash-generating units Sport1 Medien AG and Jackpot50 GmbH.

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 or fair value less costs to sell for the cash-generating unit Jackpot50 GmbH. The basis of the discounted cash flow method in the Highlight Group is future cash flows derived from three-year earnings planning. For the impairment test of Constantin Film Verleih GmbH, the growth rate beyond the detailed planning period was set at 1 % (previous year: 1 %), for Sport1 Medien AG at 2 % (previous year: 0.5 %) and for other items this was set at between 0 % and 0.5 % (previous year: 0 % to 0.5 %). The capital asset pricing model (CAPM) was used to calculate the costs of capital and a peer group was referred to. As of December 31, 2021, the CAPM-based discount factor before taxes was set at 7.32 % (previous year: 7.42 %) for the impairment test of Constantin Film Verleih GmbH, at 6.62 % for Sport1 Medien AG (previous year: 7.03 %) and at 7.38 % to 7.67 % for other items (previous year: 7.57 % to 7.71 %).

In the context of the impairment test for goodwill Jackpot50 GmbH, the recoverable amount was determined using fair value less costs to sell. This was based on the sale of 25% of the shares on December 9, 2021, which represents an appropriate value basis at the end of the year.

As of December 31, 2021, goodwill was tested for impairment as part of the annual impairment test. This did not result in any impairment. The impairment recognized in the previous year related to goodwill at Mythos 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 concerning sales growth, the discount factor and the EBIT margin, 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. There are possible future scenarios which could mean that the carrying amount of the cash-generating units does not exceed the recoverable amount. However, based on the best estimates used, the Group is of the opinion that this does not result in any goodwill reduction.

At the measurement date, impairment testing did not result in any reduction in goodwill. The recoverable amount exceeds the net carrying amount by CHF 11.5 million (previous year: CHF 33.2 million). The following changes in the significant assumptions would lead to the value in use corresponding to the net carrying amount:

	2021	
	Assumption	Sensitivity
Revenue growth in 2026 with EBITDA margin unchanged as compared to the business plan	3.0 %	2.4 %
Normalized EBITDA margin in 2026	13.9 %	13.3 %
Discount rate after taxes	5.5 %	5.7 %
Long-term growth rate	2.0 %	1.7%
	2020 (restated)	
	Assumption	Sensitivity
Revenue growth in 2023 with EBITDA margin unchanged as compared to the business plan	0.3 %	–1.4 %
Normalized EBITDA margin in 2023	14.9 %	11.4 %
Discount rate after taxes	5.5 %	6.71 %
Long-term growth rate	0.5 %	–0.82%

The corresponding figures relate to the Sport1 Medien AG cash-generating unit whose composition has changed since the last year as a result of the goodwill realignment.

The following possible scenarios would result in impairment at the level shown:

	2021	
	Assumption	Impairment (TCHF)
Lower revenue growth	1 % less per year (incl. long-term growth rate)	38,900
Lower EBITDA margin	1 % less per year	12,112
Long-term growth rate	1 %	20,152
Lower EBITDA margin as of 2026	12.90 %	8,572

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 2021					
January 1, 2021	4,459	11,190	19,878	246	35,773
Currency translation differences	-65	-562	-582	-23	-1,232
Additions	68	2,104	1,401	577	4,150
Disposals	229	268	1,348	–	1,845
Transfers	256	–	13	-269	-
Balance on December 31, 2021	**4,489**	**12,464**	**19,362**	**531**	**36,846**
Accumulated depreciation 2021					
January 1, 2021	2,823	6,483	12,793	–	22,099
Currency translation differences	-54	-338	-358	–	-750
Depreciation for the year	759	1,598	2,191	–	4,548
Disposals	229	241	1,292	–	1,762
Balance on December 31, 2021	**3,299**	**7,502**	**13,334**	**–**	**24,135**
Acquisition and production costs 2020					
January 1, 2020	4,233	9,529	20,064	62	33,888
Changes in consolidated group	–	–	5	–	5
Currency translation differences	-4	-9	-35	1	-47
Additions	310	1,837	1,400	183	3,730
Disposals	80	167	1,556	–	1,803
Balance on December 31, 2020	**4,459**	**11,190**	**19,878**	**246**	**35,773**
Accumulated depreciation 2020					
January 1, 2020	2,375	5,081	11,746	–	19,202
Currency translation differences	-4	1	-11	–	-14
Depreciation for the year	532	1,559	2,456	–	4,547
Disposals	80	158	1,398	–	1,636
Balance on December 31, 2020	**2,823**	**6,483**	**12,793**	**–**	**22,099**
Net carrying amounts on December 31, 2021	**1,190**	**4,962**	**6,028**	**531**	**12,711**
Net carrying amounts on December 31, 2020	**1,636**	**4,707**	**7,085**	**246**	**13,674**

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 2021					
January 1, 2021	38,319	1,143	14,223	459	54,144
Currency translation differences	–1,732	–61	–702	–20	–2,515
Additions	18,617	795	2,039	–	21,451
Disposals	7,170	502	–	–	7,672
Balance on December 31, 2021	**48,034**	**1,375**	**15,560**	**439**	**65,408**
Accumulated depreciation 2021					
January 1, 2021	12,264	721	2,673	210	15,868
Currency translation differences	–380	–26	–221	–14	–641
Depreciation for the year	6,248	377	2,489	107	9,221
Disposals	6,903	463	–	–	7,366
Balance on December 31, 2021	**11,229**	**609**	**4,941**	**303**	**17,082**
Acquisition and production costs 2020					
January 1, 2020	37,276	1,000	7,661	448	46,385
Currency translation differences	–73	–2	51	–1	–25
Additions	1,411	284	7,188	12	8,895
Disposals	295	139	677	–	1,111
Balance on December 31, 2020	**38,319**	**1,143**	**14,223**	**459**	**54,144**
Accumulated depreciation 2020					
January 1, 2020	6,179	430	1,437	103	8,149
Currency translation differences	43	–	9	1	53
Depreciation for the year	6,266	430	1,904	106	8,706
Disposals	224	139	677	–	1,040
Balance on December 31, 2020	**12,264**	**721**	**2,673**	**210**	**15,868**
Net carrying amounts on December 31, 2021	**36,805**	**766**	**10,619**	**136**	**48,326**
Net carrying amounts on December 31, 2020	**26,055**	**422**	**11,550**	**249**	**38,276**

The following material leases were concluded in the reporting period:

In summer 2021, Sport1 GmbH and PLAZAMEDIA GmbH renewed their rental agreements for premises and parking spaces. PLAZAMEDIA GmbH renewed its rental agreement until the end of 2026. This resulted in a total adjustment of the right-of-use and the lease liability through other comprehensive income of TCHF 7,084. Sport1 GmbH extended its lease until the end of 2029. This resulted in a total adjustment of the right-of-use and the lease liability through other comprehensive income of TCHF 7,485.

Reconciliation of liabilities arising from financial liabilities

(TCHF)	
Balance on December 31, 2019	**39,950**
Additions	8,347
Interest cost	780
Payments	–9,683
Cash change from repayment	*–8,903*
Cash change from interest	*–780*
Currency translation	–97
Other	–81
Balance on December 31, 2020	**39,216**
Additions	21,160
Interest cost	877
Payments	–10,500
Cash change from repayment	*–9,623*
Cash change from interest	*–877*
Currency translation	–1,886
Balance on December 31, 2021	**48,867**
thereof non-current lease liabilities	39,371
thereof current lease liabilities	9,496

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, 2021	Jan. 01 to Dec. 31, 2020
Expenses from short-term leases	1,259	1,268
Expenses from leases of low-value assets (if not already short-term)	12	13
Expenses from variable lease payments (not included in lease liabilities)	1,043	923
Amortization on right-of-use assets from leases	9,221	8,706
Interest expenses from lease liabilities	877	780
Total	**12,412**	**11,690**

The ancillary costs from renting buildings are recognized as variable lease expenses. In addition, in the reporting period expenses from variable lease payments contains negative variable lease payments of TCHF 84 (previous year's period: TCHF 119) as a result of the amendment to IFRS 16 (see note 2.1 and 4.8.6).

The amounts 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, 2021	Jan. 01 to Dec. 31, 2020
Short-term leases	1,259	1,268
Leases for low-value assets	12	13
Variable lease payments	1,043	923
Payment for right-of-use assets	-	477
Repayment and interest on lease liabilities	10,500	9,683
Total	**12,814**	**12,364**

Cash flow from investing activities in the previous year contained an advance payment for right-of-use assets of TCHF 477, as this payment was made before the leased objects were available for use.

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, 2021								
Due within one year	565	12	652	169	–	–	4,293	5,691
Due between one year and five years	–	6	1,550	753	1,175	242	3,173	6,899
Due after five years	–	–	1,678	–	–	4,410	–	6,088
Total	**565**	**18**	**3,880**	**922**	**1,175**	**4,652**	**7,466**	**18,678**
As of December 31, 2020								
Due within one year	350	13	619	–	–	–	7,522	8,504
Due between one year and five years	–	9	1,547	–	1,025	11,636	5,542	19,759
Due after five years	–	–	1,446	–	–	3,156	–	4,602
Total	**350**	**22**	**3,612**	**–**	**1,025**	**14,792**	**13,064**	**32,865**

6.5 Financial information of subsidiaries with material non-controlling interests

The financial information of subsidiaries with material non-controlling interests is as follows:

Subsidiaries with significant non-controlling interests

Subsidiary	Dec. 31, 2021	Dec. 31, 2020
Sport1 Medien AG, Ismaning, Germany	4.68 %	5.09 %

Disclosures on financial information (after elimination of internal relations)

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Share in equity of non-controlling interests	3,317	4,028

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Share of earnings of non-controlling interests	–390	–583

Disclosures on financial information (before elimination of internal relations)

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Current assets	36,335	31,237
Non-current assets	72,231	63,629
Total assets	**108,566**	**94,866**
Current liabilities	38,116	32,630
Non-current liabilities	19,628	9,065
Total liabilities	**57,744**	**41,695**
Net assets	**50,822**	**53,171**

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Sales	108,381	92,245
Earnings from continuing operations after taxes	–3,110	–4,468
Other earnings after taxes	–173	–1,356
Total earnings for the year	**–3,283**	**–5,824**
Cash flow from operating activities	–1,063	3,737
Cash flow for investing activities	2,602	–4,503
Cash flow from/for financing activities	–402	–5,145
Cash flow for the reporting period	**1,137**	**–5,911**

This is the consolidated financial information of the Sport1 Medien Group.
The other non-controlling interests are immaterial.

6.6 Investments in associates and joint ventures

Associated companies

As of December 31, 2021 – as in the previous year – the Group has investments in one associated company that is included in the consolidated financial statements using the equity method.

Carrying amounts

(TCHF)	
Balance on December 31, 2019	**54**
Dividends/repayments of capital	–5
Share of earnings	6
Currency translation	–1
Balance on December 31, 2020	**54**
Dividends/repayments of capital	–8
Share of earnings	5
Currency translation	–2
Balance on December 31, 2021	**49**

Financial information

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Earnings after taxes	9	12
Other comprehensive income/loss (OCI)	–	–
Total earnings	**9**	**12**

	Dec. 31, 2021	Dec. 31, 2020
Contingent liabilities (proportional)	–	–

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2020 were used for reporting on associated companies as the annual financial statements as of December 31, 2021 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.

Joint ventures

As of December 31, 2021, the Group has investments in one joint venture (previous year: no investments in joint ventures) that is included in the consolidated financial using the equity method (see note 3.1).

Carrying amounts

(TCHF)	
Balance on December 31, 2020	**–**
Additions	20
Share of earnings	–19
Currency translation	–1
Balance on December 31, 2021	**–**

Financial information

(TCHF)	Jan. 01 to Dec. 31, 2021
Earnings after taxes	–354
Other comprehensive income/loss (OCI)	–
Total earnings	**–354**

	Dec. 31, 2021
Contingent liabilities (proportional)	–

The pro-rata loss of companies accounted for using the equity method not recognized in the reporting year is TCHF 158 (previous year's period: TCHF 0).

6.7 Non-current receivables

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Non-current trade accounts receivable (financial assets)		
Non-current trade accounts receivable	12,727	11,615
Total	**12,727**	**11,615**
Non-current other receivables (financial assets)		
Non-current other receivables	999	1,501
Total	**999**	**1,501**
Total non-current receivables	**13,726**	**13,116**

Non-current receivables primarily relate to the transfer of rights. Non-current receivables 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.

6.8 Deferred tax assets

Breakdown of deferred tax assets

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Tax loss carryforwards	5,538	6,965
Intangible assets/film assets	7,702	4,448
Property, plant and equipment	640	744
Trade receivables and other receivables	11,624	12,243
Contract assets	2	2
Other financial assets	136	142
Inventories	18,171	18,139
Lease liabilities	10,743	7,649
Trade payables and other liabilities	2,469	2,846
Contract liabilities	554	1,978
Advance payments received	5,791	5,906
Provisions	146	561
Pension liabilities	411	658
Total	**63,927**	**62,281**
Netting with deferred tax liabilities	–52,738	–49,247
Deferred tax assets (net)	**11,189**	**13,034**

Maturities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Current deferred tax assets	–	973
Non-current deferred tax assets	11,189	12,061

The Group has total loss carryforwards of TCHF 56,575 (previous year: TCHF 54,294) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

2021 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	18,365	38,210	17,424

2020 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	18,365	35,329	15,886

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, 2021	Jan. 01 to Dec. 31, 2020
Changes in deferred taxes (assets and liabilities)	5,954	–1,062
thereof:		
Change in income statement	5,286	–53
Change in other comprehensive income/loss	–5	–274
Change in consolidated group	–	–790
Change in currency translation	673	55

6.9 Other assets

Other financial assets

Other non-current financial assets

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in Geenee Inc.	–	–
Investment in AGF Videoforschung GmbH	–	–
Investment in Summacum GmbH	31	34
Other investments	9	9
Total	**40**	**43**

Other current financial assets

Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investments in the leAD SPORT1 Accelerator Program	–	11
Equity/debt instruments at fair value through profit or loss (FVTPL)		
Convertible loans	–	12
Total	**–**	**23**

The shares in Geenee Inc. are held by Rainbow Entertainment AG with 4.54 % while Constantin Entertainment GmbH holds 0.46 % and Sport1 GmbH 5.0 %. 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). Due to financial difficulties at Geenee Inc., 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 the previous year. 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 determination of the fair value of the investment resulted in a reduction of the carrying amount by TCHF 295 in the previous year. There were no indications of further impairment or a reversal of impairment in the reporting period.

The equity interest Diggin Ltd., which was measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4), was sold in the second quarter of 2021 for TCHF 12.

Investments in Live Penalty, Pitz Inc. and leagiON Company were sold in the previous year. The difference to the carrying amounts was recognized in other comprehensive income. Payment from the sales was received in the first quarter of 2021.

The remaining 5 % equity interest in Mister Smith Entertainment Ltd., London, is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). The carrying amount is TCHF 0 (previous year: TCHF 0). There is no active market for these shares. The cost also continues to represent the best estimate for the fair value of this financial instrument. In accordance with IFRS 9, non-listed equity instruments are also to be recognized at fair value. Other non-current assets also include two equity interests of 1.0 % and 5.556 %, both of which are recognized at fair value through other comprehensive income (FVTOCI) and are allocated to level 3 of the fair value hierarchy (see note 8.4).

As part of the leAD SPORT1 Accelerator Program, in fiscal 2019 Sport1 GmbH also extended a long-term convertible loan with a volume of TCHF 14 to Dynamic Bets Inc. The carrying amount of the convertible loan was adjusted in December 2020 to the possible sales proceeds of TCHF 12 and the difference in value recognized in the net financial result. In the first quarter of 2021, the convertible loan was sold for a carrying amount of TCHF 12.

The Champions Round Inc. convertible loan was sold in the previous year. The difference to the carrying amount was recognized in the net financial result as losses from changes in the fair value of financial instruments. Payment from this sale was received in the first quarter of 2021.

Other non-financial assets

Other non-current non-financial assets contain pension assets in connection with defined benefit pension plans of TCHF 1,520 (previous year: TCHF 1,950).

6.10 Inventories

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Net balance		
Unfinished goods and services	68,529	23,376
Blu-rays/DVDs	634	594
Constants	138	144
Total	**69,301**	**24,114**

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 1,175 (previous year's period: TCHF 1,583) and reversed in the amount of TCHF 0 (previous year's period: TCHF 10).

6.11 Trade receivables and other receivables

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Trade accounts receivable	59,572	46,539
Other receivables	73,496	71,541
Total	**133,068**	**118,080**

6.11.1 Trade accounts receivable

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Trade accounts receivable (financial assets)		
Current receivables	53,558	45,894
Credit losses expected over the entire term (level 2)	–124	–181
Individual value adjustments (level 3)	–2,749	–4,910
Total	**50,685**	**40,803**
Trade accounts receivable (non-financial assets)		
Receivables from countertrades	8,887	5,736
Total	**8,887**	**5,736**
Total trade accounts receivable	**59,572**	**46,539**

The increase for receivables from countertrades results primarily from yet to be offset receivables.

Trade accounts receivable includes receivables of TCHF 177 (previous year: TCHF 773) 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 382 (previous year: TCHF 174) were recognized under other financial assets. TCHF 0 (previous year's period: TCHF 135) was measured in equity via contract liabilities, with TCHF 564 (previous year's period: TCHF 92) measured in financial income and TCHF 52 (previous year's period: TCHF 53) in financial expense.

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, 2019	**278**	**5,230**
Currency translation differences	–4	–15
Reduction due to a decrease in the volume of receivables	–105	–
Change in risk parameters	12	–
Additions	–	299
Consumption	–	–31
Reversals	–	–573
Balance on December 31, 2020	**181**	**4,910**
Currency translation differences	–4	–117
Addition due to an increase in the volume of receivables	6	–
Reduction due to a decrease in the volume of receivables	–59	–
Additions	–	15
Consumption	–	–1,966
Reversals	–	–93
Balance on December 31, 2021	**124**	**2,749**

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, 2021	Dec. 31, 2020
CHF	1,860	825
EUR	42,452	35,171
USD	15,221	10,543
Other	39	–
Total	**59,572**	**46,539**

6.11.2 Other receivables

Other receivables (financial assets)

(TCHF) Dec. 31, 2021	Gross	Expected credit losses Level 1	Level 2	Level 3	Net
Suppliers with debit balances	665	–1	–	–	664
Receivables from loans	3,943	–7	–	–258	3,678
Subsidies receivables	23,203	–1	–	–	23,202
Positive fair value of derivative financial instruments without hedging relationships	1,023	–	–	–	1,023
Receivables due from personnel (financial)	742	–	–	–	742
Other assets (financial)	18,766	–31	–	–2,319	16,416
Other receivables due from related parties	12,774	–	–	–	12,774
Total	**61,116**	**–40**	**–**	**–2,577**	**58,499**

(TCHF) Dec. 31, 2020	Gross	Expected credit losses Level 1	Level 2	Level 3	Net
Suppliers with debit balances	483	–1	–	–	482
Receivables from loans	14,641	–29	–	–270	14,342
Subsidies receivables	16,681	–1	–	–	16,680
Positive fair value of derivative financial instruments in hedging relationships	1,099	–	–	–	1,099
Positive fair value of derivative financial instruments without hedging relationships	211	–	–	–	211
Receivables due from personnel (financial)	224	–	–	–	224
Other assets (financial)	15,943	–24	–	–2,333	13,586
Other receivables due from related parties	10,062	–	–	–	10,062
Total	**59,344**	**–55**	**–**	**–2,603**	**56,686**

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

Other financial assets essentially include receivables from foreign project promotions, options for script rights and deposits paid.

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, 2019	**25**	**–**	**2,702**
Currency translation differences	–	–	–10
Addition due to an increase in the volume of receivables	30	–	–
Additions	–	–	561
Consumption	–	–	–650
Balance on December 31, 2020	**55**	**–**	**2,603**
Currency translation differences	–1	–	–26
Reduction due to a decrease in the volume of receivables	–14	–	–
Balance on December 31, 2021	**40**	**–**	**2,577**

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

Other receivables (non-financial assets)

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Prepaid expenses	9,236	8,504
Input tax	2,471	1,322
Other taxes	16	277
Advance payments	128	954
Other assets (non-financial)	3,146	3,798
Total	**14,997**	**14,855**

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

Currency profile

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
CHF	15,752	13,497
EUR	41,482	43,962
USD	3,100	4,261
CAD	7,465	5,549
Other	5,697	4,272
Total	**73,496**	**71,541**

6.12 Contract assets

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Contract assets	31,161	32,686
Credit losses expected over the entire term (level 2)	–6	–6
Total	**31,155**	**32,680**

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, 2019	**18,626**
Currency translation differences	–45
Additions	32,472
Impairment	–6
Reclassification to trade accounts receivable	–18,367
Balance on December 31, 2020	**32,680**
Currency translation differences	–780
Additions	31,912
Impairment	–6
Reclassification to trade accounts receivable	–32,651
Balance on December 31, 2021	**31,155**

6.13 Income tax receivables

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Income taxes Switzerland	33	33
Income taxes Germany	318	544
Income taxes rest of the world	169	181
Total	**520**	**758**

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%).

TCHF 11,390 of the cash is earmarked for the squeeze-out request of Highlight Communications AG to the shareholders of Sport1 Medien AG and is subject to a waiver.

6.15 Equity

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

Subscribed capital

As of December 31, 2021, 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, 2021, the separately reported item "Treasury stock" amounted to TCHF –6,300 (previous year: TCHF –6,300). The amount reflects the nominal capital of treasury shares. As of December 31, 2021, the number of directly held non-voting treasury shares was 6,299,501 shares in Highlight Communications AG (previous year: 6,299,501). As in the previous year, no treasury shares were bought or sold in the reporting year.

Capital reserves

As of December 31, 2021, the Group's capital reserve amounted to a total of TCHF –104,686 (previous year: TCHF –99,973).

No dividend was paid in the reporting year, as in the previous year.

The increase in the equity interest in Sport1 Medien AG from 94.91 % to 95.32 % led to a reduction in capital reserves of TCHF 642 (previous year's period: reduction in capital reserves of TCHF 1,005 as a result of the increase in the equity interest in Sport1 Medien AG from 94.18 % to 94.91 %). The Group's capital reserve increased by TCHF 3,029 as a result of the capital increase at Jackpot50 GmbH in the fourth quarter of 2021 and the subscription of new shares by two investors. In addition, the increase in the equity investment in Olga Film GmbH from 95.52 % to 100 % resulted in a TCHF 31 decrease in the capital reserves. As a result of the share-based payment (see chapter 9), the capital reserve increased by TCHF 96. On December 14, 2021, a squeeze-out to the minority shareholders of Sport1 Medien AG was executed. In the process, the obligation was reclassified to other current liabilities (see note 6.20). This resulted in a decrease in the capital reserve of TCHF 7,165.

Non-controlling interests

Non-controlling interests in consolidated subsidiaries amounted to TCHF 3,813 as of December 31, 2021 (previous year: TCHF 8,157).

Dividend payments in the reporting year amounted to TCHF 1,116 (previous year's period: TCHF 1,176) and the net profit for the period attributable to non-controlling interests was TCHF 557 (previous year's period: TCHF –218). The 0.41 % increase in the equity interest in Sport1 Medien AG and the 4.48 % increase in the equity interest in Olga Film GmbH led to a total reduction in non-controlling interests by TCHF 371 (previous year's period: reduction by TCHF 671 as a result of increasing the equity interest in Sport1 Medien AG by 0.73 %). The reclassification of the above-mentioned squeeze-out obligation resulted in a decrease in non-controlling interests of TCHF 3,269 (see also note 6.20). The change in the equity interest in Jackpot50 GmbH increased non-controlling interests by TCHF 77. Differences from currency translation amounted to TCHF –222 (previous year: TCHF –93). In the previous year, liquidation of the consolidated company Constantin Entertainment Israel Ltd. resulted in a decrease in non-controlling interests of TCHF 20.

Other reserves

As of the end of the reporting period, other reserves totaled TCHF –57,726 (previous year (restated): –47,636 TCHF).

As of December 31, 2021, these relate to the translation of the equity of companies that do not use Swiss francs as their functional currency (TCHF –57,594; previous year (restated): –48,150 TCHF) and to other cash flow hedge reserves of TCHF –132 (previous year: TCHF 514).

The cash flow hedge reserve before taxes developed as follows as of December 31, 2021:

Reconciliation of the market valuation of financial instruments

(TCHF)	
Balance on December 31, 2019	**–556**
Gains or losses from effective hedging relationships	1,288
Balance on December 31, 2020	**732**
Gains or losses from effective hedging relationships	–921
Balance on December 31, 2021	**–189**

The changes in other components of equity in fiscal years 2021 and 2020 were as follows:

Other comprehensive income/loss (OCI)

2021 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	–9,666	–	–9,666
Reclassification of realized gains/losses through profit or loss	–	–	–
Currency translation differences	–9,666	–	–9,666
Gains/losses from cash flow hedges	–921	275	–646
Items that can be reclassified to profit or loss	**–10,587**	**275**	**–10,312**
Actuarial gains/losses of defined benefit pension plans	2,788	–280	2,508
Gains/losses from financial assets at fair value through other comprehensive income	–	–	–
Items that cannot be reclassified to profit or loss	**2,788**	**–280**	**2,508**
Other comprehensive income/loss	**–7,799**	**–5**	**–7,804**

2020 restated (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation (restated)	–1,115	–	–1,115
Reclassification of realized gains/losses through profit or loss	–	–	–
Currency translation differences	–1,115	–	–1,115
Gains/losses from cash flow hedges	1,288	–384	904
Items that can be reclassified to profit or loss	**173**	**–384**	**–211**
Actuarial gains/losses of defined benefit pension plans	1,360	–32	1,328
Gains/losses from financial assets at fair value through other comprehensive income	–809	142	–667
Items that cannot be reclassified to profit or loss	**551**	**110**	**661**
Other comprehensive income/loss	**724**	**–274**	**450**

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, Sports and Sports- and Event-Marketing 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, Constantin Film AG and Sport1 Medien AG include compliance with certain financial covenants. The financial covenants of the Highlight Group relate to sales, EBITDA, EBT, gearing, the economic equity ratio and reported equity including non-controlling interests, as well as the ratio of net financial liabilities to profit from operations and liquidity (including free credit facilities). If the conditions on borrowed funds are violated, the interest rate may increase, a termination option may arise or an increase in the security may be requested. The financial covenants had not been violated as of December 31, 2021.

6.16 Pension liabilities

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. These contributions cannot be paid back to the employer, but they are available to the employer in order to settle future employer contributions (employer contribution reserve).

Even if the pension plan has a statutory excess, the law still demands annual minimum contributions. For active insured parties, both the employer and the employee must pay contributions. The employer contribution must at least equal the employee contributions. The minimum annual contributions are dependent on the age and insured salary of the insured party. They are set out in the pension plan/regulations.

In the event that an insured party changes employer before reaching pension age, termination benefits (accrued savings) are payable. These are transferred by the pension scheme to the pension plan of the new employer.

As described above, the pension plans/regulations prescribe minimum requirements for contributions. The pension plans/regulations do not stipulate additional funding requirements provided that the pension plan has a statutory excess. If, however, funding is insufficient, additional contributions ("restructuring contributions") are required from the insured party and the employer until pension obligations are covered again.

The forecast employer contributions for fiscal year 2022 amount to TCHF 1,553.

Maturity profile of defined benefit obligation

(TCHF)	2021	2020
Less than 1 year	4,081	3,861
Weighted average maturity of defined benefit obligation (in years)	14.4	15.6

Change in defined benefit liabilities

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

Pension liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Present value of defined benefit obligation	40,878	43,541
Fair value of plan assets	43,338	40,138
Asset ceiling	5,048	1,217
Balance sheet recognition	**2,588**	**4,620**

The pension liabilities totaling TCHF 2,588 (previous year: TCHF 4,620) consist of pension assets of TCHF 1,520 (previous year: TCHF 1,950, see note 6.9) and pension liabilities of TCHF 4,108 (previous year: TCHF 6,570).

The figure to be included as assets is limited to the amount of the employer contribution reserve, resulting in an asset ceiling of TCHF 5,048 as of December 31, 2021 (previous year: TCHF 1,217).

Development of defined benefit obligation

(TCHF)	2021	2020
Present value of defined benefit obligation as of January 1	**43,541**	**41,060**
Changes in consolidated group	–	1,236
Current service cost (without employee contributions and administrative expenses)	2,038	2,109
Employee contributions	916	1,103
Interest cost	66	124
Curtailment, settlement	–235	–260
Benefits paid	–2,249	–2,227
Actuarial losses/(gains) from experience adjustments	–703	106
Actuarial losses/(gains) from changes in financial assumptions	–578	290
Actuarial losses/(gains) from changes in demographic assumptions	–1,918	–
Present value of defined benefit obligation as of December 31	**40,878**	**43,541**
thereof actively insured persons	37,810	39,916
thereof pensioners	3,068	3,625

Development of plan assets

(TCHF)	2021	2020
Fair value of assets as of January 1	**40,138**	**36,018**
Changes in consolidated group	–	845
Interest income	59	103
Employee contributions	916	1,103
Employer contributions	1,145	1,407
Administrative expenses of the foundation	–91	–84
Benefits paid	–2,249	–2,227
Actuarial (losses)/gains from experience adjustments	3,420	2,973
Fair value of assets as of December 31	**43,338**	**40,138**

Retirement benefit expenses broke down as follows:

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Current service cost (without employee contributions and administrative expenses)	2,038	2,109
Administrative expenses of the foundation	91	84
Effects from curtailments and settlements	–235	–260
Net interest cost (income)	7	21
Total income statement	**1,901**	**1,954**

Plan assets

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

(TCHF)	2021	2020
Cash and cash equivalents	1,426	602
Bonds with quoted market prices on active markets	8,006	10,063
Bonds without quoted market prices	573	201
Shares with quoted market prices on active markets	14,305	12,648
Real estate	13,375	14,345
Insurance surrender value	3,097	–
Other	2,556	2,279
Total	**43,338**	**40,138**

The actual return on plan assets in the year under review amounted to TCHF 3,479 (previous year's period: TCHF 3,076).

Actuarial assumptions

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

	2021	2020
Discount rate	0.30	0.15
Pension trend	0.00	0.00
Salary trend	1.50	1.50
Average life expectancy after pension men (in years)	22.70	22.83
Average life expectancy after pension women (in years)	25.48	25.85

The new BVG 2020 generation table was used for the actuarial assumptions for mortality, disability and employee turnover (previous year: BVG 2015 generation table).

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
2021 (TCHF)	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–960	1,019	750	–	247	–240	1,032

	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
2020 (TCHF)	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–1,205	1,583	958	–	301	–291	1,386

Although the analysis does not fully reflect the forecast cash outflow from the pension plans, it shows an approximation of the sensitivity of assumptions. The same method (present value of defined benefit pension obligations calculated with the projected unit credit method as of the end of the reporting period) was used as for the calculation of the pension liabilities recognized in the consolidated balance sheet.

6.16.2 Defined contribution plans

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 8,358 in the year under review (previous year's period: TCHF 5,887).

6.17 Deferred tax liabilities

Breakdown of deferred tax liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Film assets	32,597	36,340
Intangible assets	13,525	14,825
Right-of-use assets	10,180	7,083
Inventories	3	3
Trade receivables and other receivables	5,230	4,418
Contract assets	4,442	4,863
Other financial assets	105	48
Pension assets	204	262
Trade payables and other liabilities	2,709	4,186
Contract liabilities	124	160
Advance payments received	9,944	11,183
Total	**79,063**	**83,371**
Netting with deferred tax assets	–52,738	–49,247
Deferred tax liabilities (net)	**26,325**	**34,124**

Maturities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Current deferred tax liabilities	–	–
Non-current deferred tax liabilities	26,325	34,124

6.18 Financial liabilities

Reconciliation of liabilities arising from financial liabilities

			Non-cash changes			
(TCHF)	Jan. 01, 2021	Cash	Accrual of interest	Currency translation	Reclassi-fication	Dec. 31, 2021
Non-current financial liabilities	103,319	11,781	230	–1,449	–113,881	0
Current financial liabilities	69,416	10,694	–	–3,344	113,981	190,647
Total financial liabilities	**172,735**	**22,475**	**230**	**–4,793**	**–**	**190,647**

			Non-cash changes			
(TCHF)	Jan. 01, 2020	Cash	Accrual of interest	Currency translation	Reclassi-fication	Dec. 31, 2020
Non-current financial liabilities	121,059	–	546	–209	–18,077	103,319
Current financial liabilities	66,672	–15,206	–	–127	18,077	69,416
Total financial liabilities	**187,731**	**–15,206**	**546**	**–336**	**–**	**172,735**

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 190,647 (previous year: TCHF 69,416), TCHF 76,766 (previous year: TCHF 51,218) of which relates to the financing of film projects. The Highlight Group had free short-term credit facilities totaling around TCHF 127,775 (previous year: TCHF 161,753) 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 127,010 (previous year: TCHF 161,905) and the resulting proceeds from exploitation in addition to receivables and contract assets of TCHF 56,221 (previous year: TCHF 48,543). The security interests of the banks serve as collateral for all current and future receivables of the banks from Constantin Film AG. The banks are entitled to liquidate this collateral if necessary. They will be transferred back to Constantin Film AG by the banks after all secured claims have been satisfied.

The credit agreement of Highlight Communications AG provides for four facilities. Facility A1 amounts to EUR 37.3 million (nominal value EUR 37.9 million), Facility A2 amounts to EUR 10.9 million (nominal value EUR 11.0 million) and Facility B amounts to CHF 49.4 million (nominal value CHF 50 million). Facilities A1 and B have to be amortized by 20% per year. Facility A2 is amortized by EUR 1.1 million in 2022, EUR 2.2 million in 2023 and EUR 7.7 million in 2024. Facility C amounts to CHF 49.3 million (nominal value CHF 50 million) and is not due until 2024. Highlight Communications AG's credit facility of TCHF 80,000 and TEUR 33,722 (prior year: TCHF 90,000 and TEUR 30,296) is secured by the shares in Sport1 Medien AG and Constantin Film AG. Facility A2 was taken up in the 4th quarter 2021 for the financing of the squeeze-out to the minority shareholders of Sport1 Medien AG.

In late June 2022, Highlight Communications AG is required to make repayments of TEUR 7,574 for Facility A1 and TCHF 10,000 for Facility B. Repayment of TEUR 1,100 is required for Facility A2 at the end of December 2022. As of the end of the reporting period, the Sport1 Medien Group has a working capital facility of TCHF 7,248 guaranteed until April 30, 2022 (previous year: TCHF 7,576) and guarantee lines of TCHF 17,603 (previous year: 7,576). 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 25,607 (previous year: 4,000,000 Highlight Communications AG shares with a carrying amount of TCHF 17,490) were pledged in total for these credit facilities as of December 31, 2021 and a global assignment of receivables from Sport1 GmbH (TCHF 12,569) and PLAZAMEDIA GmbH (TCHF 4,049) from goods deliveries and services to third-party debtors was deposited.

Currency profile

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
CHF	79,238	10,000
EUR	63,787	31,234
USD	38,011	21,654
CAD	9,611	6,528
Total	**190,647**	**69,416**

6.18.2 Non-current financial liabilities

Financial covenants were agreed for the financial liability from the credit agreement with the four facilities. Due to the breach of an agreed financial covenant as of December 31, 2021, the previously non-current financial liabilities were reclassified to current financial liabilities. However, in May 2022 a written waiver was received from the credit institutions waiving the early repayment.

6.19 Advance payments received

Advance payments received totaling TCHF 40,015 (previous year: TCHF 52,147) essentially include amounts received for productions for which revenue has not yet been recognized and advance payments from customers received in the previous year of TCHF 10,012.

6.20 Trade payables and other liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Trade accounts payable	40,096	38,992
Other liabilities	98,151	90,975
Total	**138,247**	**129,967**

6.20.1 Trade accounts payable

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Trade accounts payable (financial)		
Current liabilities	19,598	19,251
Liabilities due to related parties	4	5
Outstanding invoices	18,084	18,868
Total	**37,686**	**38,124**
Trade accounts payable (non-financial)		
Liabilities from countertrades	2,410	868
Total	**2,410**	**868**
Total trade accounts payable	**40,096**	**38,992**

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, 2021	Dec. 31, 2020
CHF	488	525
EUR	33,126	15,797
USD	3,526	20,571
CAD	2,170	2,092
Other	786	7
Total	**40,096**	**38,992**

6.20.2 Other current liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Other liabilities (financial)		
Liabilities from conditional loan repayment (subsidies)	16,337	18,740
Customers with credit balances	401	297
Commissions, licenses and royalty payments	36,293	35,518
Current other loans	223	228
Negative fair value of derivative financial instruments without hedging relationships	49	337
Personnel-related liabilities (financial)	16,120	14,709
Other current liabilities (financial)	14,291	4,191
Other liabilities due to related parties	2,208	186
Total	**85,922**	**74,206**
Other liabilities (non-financial)		
Value-added tax liabilities	3,215	3,215
Other taxes	3,753	3,668
Social security	722	451
Prepaid expenses	3,809	7,518
Negative fair value of underlying transactions in hedging relationships	–	1,099
Personnel-related liabilities (non-financial)	730	818
Total	**12,229**	**16,769**

On December 14, 2021, a squeeze-out to the minority shareholders of Sport1 Medien AG was executed. In the process, the obligation was reclassified to other current liabilities (see note 6.15).

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, 2021	Dec. 31, 2020
CHF	14,316	13,407
EUR	61,377	75,568
USD	19,373	442
CAD	1,752	1,549
Other	1,333	9
Total	**98,151**	**90,975**

6.21 Contract liabilities

Development of contract liabilities

(TCHF)	
Balance on December 31, 2019	**7,401**
Currency translation differences	6
Additions	8,883
Amounts consumed due to performance	–6,390
Balance on December 31, 2020	**9,900**
Currency translation differences	–225
Additions	13,571
Amounts consumed due to performance	–9,592
Balance on December 31, 2021	**13,654**

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, 2021	Currency translation differences	Consumption	Reversal	Addition	Dec. 31, 2021
Provisions for litigation risks	759	–22	252	155	173	503
Staff provisions	1,846	–68	127	212	75	1,514
Provisions for guarantees and contractual obligations	7	–1	–	–	–	6
Other provisions	223	–5	152	–	–	66
Total	**2,835**	**–96**	**531**	**367**	**248**	**2,089**
thereof current provisions	2,835	–96	531	367	248	2,089

(TCHF)	Jan. 01, 2020	Currency translation differences	Consumption	Reversal	Addition	Dec. 31, 2020
Provisions for litigation risks	1,492	–12	692	526	497	759
Staff provisions	2,059	–7	391	–	185	1,846
Provisions for guarantees and contractual obligations	792	–12	768	5	–	7
Other provisions	229	–1	27	64	86	223
Total	**4,572**	**–32**	**1,878**	**595**	**768**	**2,835**
thereof current provisions	4,572	–32	1,878	595	768	2,835

The provisions for litigation risks were recognized to provide for various pending and possible legal proceedings.

In addition, other provisions include the media-for-equity share for the media-for-equity fund of TCHF 66 (previous year: TCHF 223).

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, 2021	Dec. 31, 2020
Income taxes Switzerland	1,538	2,033
Income taxes Germany	12,656	4,643
Income taxes rest of the world	171	2
Total	**14,365**	**6,678**

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 326 (previous year's period: TCHF 573).

Future revenue from contracts with customers

Revenue expected to be recognized (TCHF)	Dec. 31, 2021	Dec. 31, 2020
within one year	344,529	268,817
between one and five years	190,753	262,751
after five years	4,030	2,809
Total	**539,312**	**534,377**

The revenue expected to be recognized does not contain any limited variable consideration.

7.2 Capitalized film production costs and other own work capitalized

The capitalized film production costs and the TV service productions amount to TCHF 119,741 (previous year's period: TCHF 91,192) and increased significantly year on year due to a higher production volume in terms of value. Other own work capitalized of TCHF 3,279 (previous year's period: TCHF 2,049) mainly relates to digital internally generated intangible assets.

7.3 Other operating income

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Income from the reversal of provisions and deferred liabilities	4,371	2,837
Prior-period income	516	897
Recharges	808	490
Price gains	4,569	3,125
Income from rents and leases	11	12
Write-off of liabilities	–	131
Income from the disposal of non-current assets	7,617	85
Income from deconsolidation	–	63
Income from settlements of claims for damages and settlement agreements	6,025	3,820
Miscellaneous operating income	10,377	4,578
Total	**34,294**	**16,038**

Income from the reversal of provisions and deferred liabilities is primarily due to the discontinuation of obligations for licenses as well as the reversal of other provisions and deferred liabilities.

Income from settlements of claims for damages and settlement agreements essentially includes income from compensation for copyright violations.

Prior-period income includes refunds and distributions from authorities and associations from previous years.

Income from the disposal of non-current assets includes primarily proceeds from the sale of Spin50 trademark rights of TCHF 7,569.

Miscellaneous operating income includes a number of items that cannot be allocated to any of the separate items, as well as payments from interim assistance III in the amount of TCHF 3,494 for the German companies of the ultimate parent company Highlight Event and Entertainment AG.

7.4 Cost of materials and licenses

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Licenses and commission	43,143	29,232
Other costs of material	13,150	15,370
Total licenses, commissions and material	**56,293**	**44,602**
Production costs	182,963	160,839
Purchased services	1,148	845
Royalty payments in the Film segment	19,835	12,002
Total purchased services	**203,946**	**173,686**

7.5 Personnel expenses

In the reporting period, TCHF 205 in government grants were recognized as deductions in personnel expenses (previous year's period: TCHF 1,341). This relates to the reimbursed social insurance contributions for the short-time allowance.

7.6 Other operating expenses

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Rental costs	2,359	2,250
Repair and maintenance costs	1,016	1,262
Advertising and traveling expenses	4,848	5,082
Legal, consulting and auditing costs	12,400	10,498
IT costs	6,352	5,111
Administrative costs	1,404	1,857
Other personnel-related expenses	1,396	1,437
Insurance, dues and fees	2,673	1,962
Expenses relating to other periods	1,012	175
Price losses	4,492	3,276
Vehicle costs	703	569
Bank fees	349	274
Losses from the disposal of non-current assets	105	33
Other taxes	547	38
Release and promotion expenses	10,766	11,923
Expenses from short-term leases	1,259	1,268
Expenses from leases of low-value assets (if not already short-term)	12	13
Expenses from variable lease payments (not included in lease liabilities)	1,043	923
Miscellaneous operating expenses	4,437	4,214
Total	**57,173**	**52,165**

Legal, consulting and auditing costs include the costs of auditing the consolidated and separate financial statements, tax consulting fees and the costs of legal advice including for ongoing legal proceedings and copyright violations.

Release and promotion expenses include the costs of promoting and distributing theatrical movies and of releasing home entertainment titles.

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

7.7 Impairment/reversals of impairment on financial assets

This item includes impairment losses on financial assets of TCHF 17 (previous year's period: TCHF 902) and reversals of impairment losses on financial assets totaling TCHF 162 (previous year's period: TCHF 795).

7.8 Financial income

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Interest and similar income	1,185	1,109
Gains from changes in the fair value of financial instruments	1,646	178
Currency exchange gains	2,817	2,876
Total	**5,648**	**4,163**

The interest and similar income item contains essentially income from accrued interest on non-current receivables.

Gains from changes in the fair value of financial instruments include those on the embedded derivatives and options in connection with advertising services with a media-for-equity fund.

As in the previous year, several derivative financial instruments were not in a formal hedge in accordance with IFRS 9 in the year under review. However, there were still economic hedges. The measurement of derivative financial instruments without a hedge resulted in higher income in the reporting year than in the previous year.

7.9 Financial expenses

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Interest and similar expenses	6,626	6,626
Losses from changes in the fair value of financial instruments	127	566
Currency exchange losses	5,357	1,564
Interest expenses from lease liabilities	877	780
Total	**12,987**	**9,536**

The measurement of bank balances and financial liabilities in foreign currencies resulted in higher expenses in the reporting year than in the previous year.

7.10 Taxes

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes. The expected tax rate of 17.93 % (previous year: 17.93 %) relates to the tax rate applicable at the domicile of Highlight Communications AG.

Effective tax rate reconciliation

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Profit before taxes	21,214	20,206
Expected taxes based on a tax rate of 17.93 % (previous year: 17.93 %)	–3,804	–3,623
Differing tax rates	–742	–364
Write-down on deferred tax assets	106	–172
Tax-exempt income	–11	–10
Permanent differences	–536	–1,048
Non-deductible expenses	–1,761	–2,430
Aperiodic income taxes	718	–148
Other effects	1,039	998
Unrecognized deferred taxes	–866	–1,448
Actual tax expense	**–5,857**	**–8,245**
Effective tax rate in %	**27.6**	**40.8**

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, 2021

ASSETS (TCHF)
Cash and cash equivalents
Trade accounts receivable
Contract assets
Receivables from associates and joint ventures (current and non-current)
Other receivables (current)
Financial assets at fair value
Other receivables
Non-current receivables
Financial assets at fair value
Other receivables
Other financial assets (non-current)
Financial assets at fair value

EQUITY AND LIABILITIES (TCHF)
Financial liabilities (current and non-current)
Financial liabilities with hedging relationships (current and non-current)
Lease liabilities (current and non-current)**
Trade accounts payable (current and non-current)
Contract liabilities
Other liabilities (current and non-current)
Financial liabilities at amortized cost
Financial liabilities at fair value

AGGREGATED BY CATEGORY
ASSETS (TCHF)
Financial assets at amortized cost
Financial assets at fair value through profit or loss
Financial assets at fair value through OCI
EQUITY AND LIABILITIES (TCHF)
Financial liabilities at amortized cost
Financial liabilities at fair value

Classification category IFRS 9	Carrying amount Dec. 31, 2021	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 Dec. 31, 2021
AC	48,345	–	48,345	–	–	48,345
AC	59,572	–8,887	50,685	–	–	50,685
without category	31,155	–31,155	–	–	–	–
AC	201	–	201	–	–	201
FVTPL	1,023	–	–	–	1,023	1,023
AC	72,473	–14,997	57,476	–	–	57,476
FVTPL	12,622	–	–	–	12,622	12,622
AC	1,104	–	1,104	–	–	1,104
FVTOCI	40	–	–	40	–	40
AC	190,458	–	190,458	–	–	191,494
AC	189	–	189	–	–	189
without category	48,867	–	–	–	–	–
AC	40,096	–2,410	37,686	–	–	37,686
without category	13,654	–13,654	–	–	–	–
AC	98,192	–12,229	85,963	–	–	85,963
FLTPL	49	–	–	–	49	49
AC	181,695	–23,884	157,811	–	–	157,811
FVTPL	13,645	–	–	–	13,645	13,645
FVTOCI	40	–	–	40	–	40
AC	328,935	–14,639	314,296	–	–	315,332
FLTPL	49	–	–	–	49	49

*Not relevant under IFRS 7: It does not concern financial instruments.
**In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities.

AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

Disclosures IFRS 7: Classes as of December 31, 2020

ASSETS (TCHF)
Cash and cash equivalents
Trade accounts receivable
Contract assets
Other receivables (current)
Financial assets at fair value
Other receivables
Derivative financial instruments with hedging relationships
Other financial assets (current)
Financial assets at fair value
Financial assets at fair value
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
Other liabilities (underlying transactions in hedging relationships)

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.

Classification category IFRS 9	Carrying amount Dec. 31, 2020	thereof not relevant under IFRS 7*	Valuation in the balance sheet under IFRS 9			Fair value Dec. 31, 2020
			Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	
AC	48,178	–	48,178	–	–	48,178
AC	46,539	–5,736	40,803	–	–	40,803
without category	32,680	–32,680	–	–	–	–
FVTPL	211	–	–	–	211	211
AC	70,231	–14,855	55,376	–	–	55,376
without category	1,099	–	–	–	1,099	1,099
FVTPL	12	–	–	–	12	12
FVTOCI	11	–	–	11	–	11
FVTPL	11,397	–	–	–	11,397	11,397
AC	1,719	–	1,719	–	–	1,719
FVTPL	–	–	–	–	–	–
FVTOCI	43	–	–	43	–	43
AC	173,467	–	173,467	–	–	174,740
AC	–732	–	–732	–	–	–732
without category	39,216	–	–	–	–	–
AC	38,992	–868	38,124	–	–	38,124
without category	9,900	–9,900	–	–	–	–
AC	89,633	–15,670	73,963	–	–	73,963
FLTPL	337	–	–	–	337	337
without category	1,099	–1,099	–	–	–	–
AC	166,667	–20,591	146,076	–	–	146,076
FVTPL	11,620	–	–	–	11,620	11,620
FVTOCI	54	–	–	54	–	54
AC	301,360	–16,538	284,822	–	–	286,095
FLTPL	337	–	–	–	337	337

**Not relevant under IFRS 7: It does not concern financial instruments.*
***In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities.*

AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

8.2 Offsetting

For derivative financial instruments, according to the contractual agreements in the event of insolvency, all asset and liability derivatives with the counterparty in question are offset and only the net amount of the receivable or liability remains. As offsetting is only legally enforceable in the event of insolvency and the Group neither has a legal right to offset amounts at the current time nor does it intend to settle on a net basis, the derivative financial instruments are reported in the consolidated balance sheet on a gross basis.

The tables below show an overview of the offsetting performed or contractually intended:

Offsetting as of December 31, 2021

Offsetting of financial assets

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	1,023	–	1,023	–11	1,012
Cash and cash equivalents	48,355	–10	48,345	–	48,345

Offsetting of financial liability

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	49	–	49	–11	38

Offsetting as of December 31, 2020

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	223	–	223	–16	207
Derivative financial instruments with hedging relationships	1,099	–	1,099	-	1,099

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	337	–	337	–16	321
Derivative financial instruments with hedging relationships	-	–	–	–	–

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

2021 (TCHF)	Carrying amount Dec. 31, 2021	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Interest variable	Repayment	Fixed interest	Interest variable	Repayment	Fixed interest	Interest variable	Repayment
Non-derivative financial liabilities										
Liabilities due to banks	190,647	468	4,174	94,410	–	3,935	95,936*	–	–	–
Lease liabilities	48,867	–	–	10,433	–	–	28,397	–	–	13,418
Other non-interest-bearing financial liabilities	123,649	–	–	123,649	–	–	–	–	–	–
Derivative financial liabilities										
Derivatives without hedging relationships	49	–	–	2,743	–	–	–	–	–	–
Derivative financial assets										
Derivatives without hedging relationships	1,023	–	–	7,130	–	–	–	–	–	–

2020 (TCHF)	Carrying amount Dec. 31, 2020	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Interest variable	Repayment	Fixed interest	Interest variable	Repayment	Fixed interest	Interest variable	Repayment
Non-derivative financial liabilities										
Liabilities due to banks	172,735	435	3,481	68,467	–	5,485	104,593	–	–	–
Lease liabilities	39,216	–	–	10,663	–	–	21,129	–	–	12,173
Other non-interest-bearing financial liabilities	112,087	–	–	112,087	–	–	–	–	–	–
Derivative financial liabilities										
Derivatives without hedging relationships	337	–	–	2,901	–	–	1,894	–	–	–
Currency derivatives in connection with fair value/cash flow hedges	–	–	–	–	–	–	–	–	–	–
Derivative financial assets										
Derivatives without hedging relationships	211	–	–	1,356	–	–	1,869	–	–	–
Currency derivatives in connection with fair value/cash flow hedges	1,099	–	–	9,570	–	–	–	–	–	–

* Liabilities to credit institutions are shown as current in the balance sheet. As there has been no change in the assessment of the term, the maturity shown is retained.

In general, the Group companies are responsible for the management of cash and cash equivalents on their own, including current deposits of excess liquidity and the procurement of loans to bridge liquidity bottlenecks. Highlight Communications AG partly supports its subsidiaries in credit financing and at times acts as a coordinator with banks for purposes of maintaining the most cost-effective coverage of financial requirements. In addition, the Group's credit quality enables efficient use of the capital markets for its financing activities. This also includes the ability to issue equity and debt instruments on the capital market. It should be noted that various projects, especially in the film business, and other financing activities such as the purchase of non-controlling interests and the acquisition of treasury shares, can influence liquidity differently over time.

Despite unused working capital facilities, it may be necessary to borrow further debt capital on the capital market or from banks both in order to refinance existing liabilities and to finance new projects. There is therefore the risk that, in the event of a deterioration of the economic situation, funding may not be available to a sufficient extent or could only be available at significantly more disadvantageous terms.

8.3.2 Credit risks

The default risk arises from cash and cash equivalents, contractual cash flows from debt instruments carried at amortized cost, from derivative financial instruments that are assets, balances with banks and financial institutions and lending to customers including outstanding receivables.

A credit risk exists if a debtor cannot pay a receivable or cannot pay it on time or assets pledged as collateral lose value and therefore cause financial losses. Credit risks include the direct counterparty risk and the risk of deterioration in credit quality.

Banks and financial institutions with which the Highlight Group performs transactions must have a good credit quality and a good rating. In addition, any risks to cash and cash equivalents are minimized by allocating cash deposits among several banks.

The default risks of the Highlight Group's key customers are also monitored and assessed on an ongoing basis. Furthermore, in significant cases, the company also hedges the risk of default by a creditor by obtaining credit rating information.

Risks from the international distribution of film licenses are minimized by concluding business only with companies of reliable credit quality, by transferring rights to the contractual partner only after payment, and/or entering into transactions in exchange for corresponding collateral (e. g. letters of credit). The maximum credit risk of the Highlight Group is equal to the carrying amount of its financial assets.

Please see note 4.9 for further information on impairment of non-financial assets.

8.3.3 Market risks

Currency risk

The Highlight Group is exposed to currency risks in its ordinary business activities. This primarily relates to the euro, the US dollar and the Canadian dollar. Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities.

Each subsidiary is subject to risks associated with exchange rate fluctuations when it performs transactions with international contractual partners and incurs future cash flows in a currency other than its functional currency. The Highlight Group does not enter into any operating activities in currencies that are otherwise considered to be especially prone to risk.

Currency translation differences in net operating income and net finance costs of TCHF –2,463 (previous year's period: TCHF 1,161) were recognized in profit or loss in the year under review. In addition, currency differences from the translation of foreign subsidiaries of TCHF –5,088 (previous year's period: TCHF –817) and from cash flow hedges of TCHF –646 (previous year's period: TCHF 904) were recognized in other comprehensive income (OCI).

Hedge accounting is used where permissible; the earnings effects of economic hedges otherwise 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, 2021 (TCHF)	Interest rate risk –1 %	Interest rate risk +1 %
Financial assets		
Cash and cash equivalents	–483	483
Trade accounts receivable (current and non-current)	–	–
Other receivables (current and non-current)	–	–
Other financial assets (current and non-current)	–	–
Financial liabilities		
Financial liabilities (current and non-current)	1,907	–1,907
Lease liabilities (current and non-current)	–	–
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Total increase/decrease	**1,424**	**–1,424**
thereof through OCI	–	–
thereof through profit or loss	–	–

Dec. 31, 2020 (TCHF)	Interest rate risk –1 %	Interest rate risk +1 %
Financial assets		
Cash and cash equivalents	–482	482
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)	1,727	–1,727
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	**1,245**	**–1,245**
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 %
–2,066	2,066	–166	202	–1	2	–2,233	2,270	–	–
–138	163	–2,532	3,093	–1	1	–2,671	3,257	–	–
–7	7	–281	343	–678	829	–966	1,179	–	–
–	–	–	–	–	–	–	–	–42	42
3,464	–3,464	3,455	–4,224	874	–1,068	7,793	–8,756	–	–
–	–	244	–299	–	–	244	–299	–	–
267	–271	321	–391	198	–241	786	–903	–	–
2	–2	1,761	–2,153	159	–195	1,922	–2,350	–	–
1,522	**–1,501**	**2,802**	**–3,429**	**551**	**–672**	**4,875**	**–5,602**	**–42**	**42**
–	–	–	–	–	–	–203	167	–	–
–	–	–	–	–	–	5,078	–5,769	–	–

Exchange rate risk									
EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–539	539	–191	232	–67	82	–797	853	–	–
–53	55	–1,994	2,438	–	–	–2,047	2,493	–	–
–	–	–387	473	–504	617	–891	1,090	–	–
–	–	–733	600	–	–	–733	600	–	–
–	–	–	–	–	–	–	–	–24	24
3,246	–3,246	1,969	–2,406	593	–725	5,808	–6,377	–	–
–	–	90	–110	–	–	90	–110	–	–
232	–234	206	–251	190	–233	628	–718	–	–
–	–	1,704	–2,082	141	–172	1,845	–2,254	–	–
–	–	109	–89	–	–	109	–89	–	–
2,886	**–2,886**	**773**	**–1,195**	**353**	**–431**	**4,012**	**–4,512**	**–24**	**24**
–	–	–	–	–	–	–1,277	1,046	–	–
–	–	–	–	–	–	5,289	–5,558	–	–

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

2021 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Derivative financial instruments	FVTPL/without category	143	641	239	1,023
Financial assets at fair value through profit or loss	FVTPL	–	12,622	–	12,622
Financial assets (equity instruments)	FVTOCI	–	–	40	40
Financial liabilities at fair value					
Derivative financial instruments	FLTPL	–	49	–	49

2020 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Derivative financial instruments	FVTPL/without category	–	1,136	174	1,310
Financial assets at fair value through profit or loss	FVTPL	–	11,397	12	11,409
Financial assets (equity instruments)	FVTOCI	–	–	54	54
Financial liabilities at fair value					
Derivative financial instruments	FLTPL	–	337	–	337

Disclosures on level 3 financial instruments

	Investment in Geenee Inc.	AGF Video-forschung GmbH	Summacum GmbH	Other investments	Convertible loans	Financial liabilities	Options
Fair value on December 31, 2019	**–**	**504**	**329**	**63**	**28**	**231**	**–**
Gains/(losses) through profit or loss	–	–	–	–	–4	–100	39
Gains/(losses) through equity	–	–504	–295	–21	–	–1	–
Gains/(losses) through equity due to contract liabilities	–	–	–	–	–	–	135
Utilization due to payment	–	–	–	–	–	–130	–
Sale	–	–	–	–22	–12	–	–
Fair value on December 31, 2020	**–**	**–**	**34**	**20**	**12**	**–**	**174**
Gains/(losses) through profit or loss	–	–	–	–	–	–	245
Gains/(losses) through equity	–	–	–3	1	–	–	–8
Purchase	–	–	–	–	–	–	49
Sale	–	–	–	–12	–12	–	–35
Transfer to level 3/(transfer from level 3)	–	–	–	–	–	–	–186
Fair value on December 31, 2021	**–**	**–**	**31**	**9**	**–**	**–**	**239**

The financial assets measured at fair value through profit or loss and included in level 1 are measured using stock market prices.

The derivative financial instruments in level 2 are measured at current market rates. A discounted cash flow method was used to determine the fair value of level 2 derivative financial instruments.

The shares in Geenee Inc. and in AGF Videoforschung GmbH, both assigned to level 3 of the fair value hierarchy, had already been written down in full in previous years. There were no indications of a reversal of impairment in the year under review. The shares in Summacum GmbH were written down by TCHF 295 to TCHF 34 in the previous year. The fair values of these equity interests were remeasured on the reporting date on the basis of current planning figures using a discounted cash flow calculation. There were no indications of further impairment or a reversal of impairment. The shares in Diggin Ltd. were sold in the reporting year for TCHF 12. For reasons of materiality, other equity instruments totaling TCHF 9 (previous year: TCHF 9) are recognized at historical cost.

The Dynamic Bets Inc. convertible loan was sold in the reporting year for TCHF 12.

The embedded derivatives and options in connection with a media-for-equity fund are based on the price of the most recent financing rounds of the relevant equity interests. In addition, when these financing rounds took place more than six months in the past, discounts of up to 20% are taken. Furthermore, with the exit scenarios additional discounts of between 15% and 50% are taken, as well as industry-specific Covid-19 discounts between 0% and 10% (previous year: 0 % to 47 %).

There was one reclassification between the fair value levels for embedded options in the reporting period. As a result of an IPO for the underlying asset, one embedded option was reclassified from level 3 to level 1. There were no other 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, 2021 and December 31, 2020, there were no non-financial assets or liabilities measured at fair value.

8.5 Use of hedging instruments

In significant transactions, particularly in US dollars and euro, the Group attempts to minimize currency risks by using suitable derivative and non-derivative financial instruments. Derivative financial instruments are transacted with banks. The financial instruments predominantly relate to future cash flows in foreign currencies for various projects, loans and license purchases. The Group ensures that the amount of the hedge does not exceed the value of the hedged item.

The Group entered into currency forwards and currency swaps for hedging purposes in the current fiscal year. To the extent possible, these are accounted for as fair value hedges or cash flow hedges in accordance with IFRS 9.

The hedged items essentially relate to pending sales in US dollars. Furthermore, currency forwards were bought as a hedge for recognized foreign currency receivables and liabilities.

8.5.1 Fair values of hedging instruments in hedges

Cash flow hedges

As of December 31, 2021, the currency risk component of non-derivative financial liabilities with a nominal amount of TCHF 1,797 (previous year: TCHF 12,231) 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 –921 (previous year: TCHF 1,288).

Derivatives and non-derivative financial liabilities included in hedge accounting are used only to hedge currency risks.

The following table shows the conditions of the non-derivative financial instruments designated in existing hedges as of the end of the reporting period:

Non-derivative financial instruments in hedges

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2021 Nominal volume	Annual average rate
Original financial instrument (financial liability)					
USD	1,797	–	–	1,797	1.15302

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2020 Nominal volume	Annual average rate
Original financial instrument (financial liability)					
USD	12,231	–	–	12,231	1.15302

The carrying amounts and nominal amounts of hedging instruments in existing cash flow hedges are shown in the following table:

Information on hedging instruments

Currency risk

(TCHF)	2021	2020
Cumulative fair value changes to determine ineffectiveness	–921	1,288
Carrying amount of financial liabilities	–189	732
Nominal value	1,797	12,231

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)	2021	2020
Cumulative fair value changes to determine ineffectiveness	921	–1,288
Reserve for active cash flow hedges	189	–732

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, 2021	Jan. 01 to Dec. 31, 2020
Unrealized gains and losses from hedging instruments	–921	1,288

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 2021 and was therefore not recognized in profit or loss.

Fair Value Hedges

In the previous year, derivative financial instruments with a nominal amount of TCHF 9,570 were designated as hedging instruments in fair value hedges. The hedged items related to pending sales in foreign currency; the relevant conditions are shown below. There were no fair value hedges in the year under review.

Derivative financial instruments in hedges

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2020 Nominal volume	Closing rate
Foreign currency forward sale					
USD	9,570	–	–	9,570	1.08860

The carrying amounts and nominal amounts in an existing fair flow hedge are shown in the following table:

Information on hedging instruments

Currency risk

(TCHF)	2021	2020
Cumulative fair value changes to determine ineffectiveness	–	1,099
Carrying amount of other receivables	–	1,099
Nominal value	–	9,570

The designated hedged items are as follows:

Information on underlying transactions

Currency risk

(TCHF)	2021	2020
Cumulative fair value changes to determine ineffectiveness	–	–1,099
Carrying amount of trade accounts receivable	–	–

The hedged item was a pending trade receivable. The measurement effect from the hedged items was recognized in other receivables.

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, 2021 and 2020 are as follows:

Derivative financial instruments without a hedge

	Dec. 31, 2021		Dec. 31, 2020	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
CZK	–	–	724	–32
PLN	2,743	–49	–	–
USD	–	–	1,389	–22
ZAR	–	–	1,357	17
thereof credit balance	–	–	1,357	17
thereof debit balance	2,743	–49	2,113	–54
Foreign currency forwards (acquisition)				
HUF	860	12	–	–
PLN	906	8	–	–
USD	–	–	4,550	–263
USD/ZAR swap	5,364	621	–	–
thereof credit balance	7,130	641	1,868	20
thereof debit balance	–	–	2,682	–283

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:

	2021	
	Number of options	Weighted average exercise price in CHF
Outstanding January 1	–	–
Issued	220,000	26.60
Exercised	–	–
Expired	–	–
Forfeited	–	–
Outstanding December 31	**220,000**	

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 96 (previous year's period: TCHF 0).

The table below shows the measurement parameters used:

(TCHF)	2021
Valuation model	Black-Scholes model
Expected volatility	30%
Expected dividend yield	–
Expected term	3 years
Risk-free interest rate	–0.7%

The stock options mature in 2024, can be exercised at fixed purchase prices and are measured using an option pricing model. As well as the share price observable on the market and the risk-free interest rates, average share price volatilities for Highlight Event and Entertainment AG and comparable companies derived from past and present values are also used, as these are a more reliable estimate of this input at the end of the reporting period than exclusively current market volatility. The absolute value used for share price volatility at the end of the current reporting date was 30%.

10. SEGMENT REPORTING

The segment information below is based on the management approach.

Segments and segment reporting are defined on the basis of the internal reporting of the organizational units to the chief operating decision maker with regard to the allocation of resources and the assessment of earnings power. The management of the company as the chief operating decision maker makes decisions on the allocation of resources to the segments and assesses their success on the basis of key indicators for revenue and segment earnings. The Group's management does not rate the segments on the basis of their assets and liabilities.

The Group consists of the Film segment, the Sports segment and the Sports- and Event-Marketing segment. Group functions of Highlight Communications AG are shown under "Other" and 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 have similar business features and are comparable in terms of the type of their products, services, processes, customers and sales methods. Its activities comprise the production of films, the exploitation of the rights to the films it produces and acquires and the distribution of theatrical, DVD/Blu-ray and TV movies.

The Sports- and Event-Marketing segment comprises the activities of TEAM Holding AG, whose principal project is to market the UEFA Champions League via its subsidiaries. Its other marketing projects are the UEFA Europa League and the UEFA Super Cup. The company Highlight Event AG with exclusive rights for marketing the Eurovision Song Contest and the Vienna Philharmonic is also allocated to the Sports- and Event-Marketing segment.

The Sports segment mainly comprises activities in the TV and digital areas with the umbrella brand SPORT1 and in the areas of production, content solutions services, and content marketing with PLAZAMEDIA. Magic Sport Media GmbH comprises the marketing portfolio and comprehensive expertise in the fields of betting, poker and casino games. The Sports segment also includes Match IQ GmbH, an event agency specialized in the sporting preparation of professional teams and 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 2021

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Recon-ciliation	Group
External sales	331,483	68,354	108,324	–	–	508,161
Intragroup sales	–	–	248	–	–248	–
Total sales	331,483	68,354	108,572	–	–248	508,161
Other segment income	141,502	687	16,537	–	–1,412	157,314
Segment expenses	–457,122	–41,768	–132,832	–6,846	1,660	–636,908
thereof amortization, depreciation	*–101,256*	*–2,164*	*–14,627*	*–*	*–*	*–118,047*
thereof impairment	*–5,539*	*–*	*–*	*–*	*–*	*–5,539*
Segment earnings	**15,863**	**27,273**	**–7,723**	**–6,846**	**–**	**28,567**
Time of revenue recognition						
Over time	154,673	–	56,025	–	–	210,698
Point in time	176,810	68,354	52,299	–	–	297,463
	331,483	**68,354**	**108,324**	**–**	**–**	**508,161**
Sales by product						
Film	176,810	–	–	–	–	176,810
Production services	154,673	–	–	–	–	154,673
Sports- and Event-Marketing	–	68,354	–	–	–	68,354
Platform	–	–	84,876	–	–	84,876
Services	–	–	23,448	–	–	23,448
	331,483	**68,354**	**108,324**	**–**	**–**	**508,161**

Segment information 2020

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Reconciliation	Group
External sales	261,346	61,463	91,758	–	–	414,567
Intragroup sales	12	–	487	–	–499	–
Total sales	261,358	61,463	92,245	–	–499	414,567
Other segment income	104,257	587	4,871	–	–436	109,279
Segment expenses	–352,353	–34,809	–106,152	–5,894	935	–498,273
thereof amortization, depreciation	*–49,906*	*–2,010*	*–13,551*	–	–	*–65,467*
thereof impairment	*–9,211*	–	–	–	–	*–9,211*
Segment earnings	**13,262**	**27,241**	**–9,036**	**–5,894**	**–**	**25,573**
Time of revenue recognition						
Over time	136,318	–	45,793	–	–	182,111
Point in time	125,028	61,463	45,965	–	–	232,456
	261,346	**61,463**	**91,758**	**–**	**–**	**414,567**
Sales by product						
Film	125,028	–	–	–	–	125,028
Production services	136,318	–	–	–	–	136,318
Sports- and Event-Marketing	–	61,463	–	–	–	61,463
Platform	–	–	73,113	–	–	73,113
Services	–	–	18,645	–	–	18,645
	261,346	**61,463**	**91,758**	**–**	**–**	**414,567**

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

Segment information by region

Jan. 01 to Dec. 31, 2021 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world *	Total
External sales	78,391	263,269	92,466	74,035	508,161
Non-current assets	130,547	234,918	–	–	379,106

** of which TCHF 67,206 is attributable to the US*

Jan. 01 to Dec. 31, 2020 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world *	Total
External sales	75,905	227,905	52,460	58,297	414,567
Non-current assets (restated)	136,191	264,061	–	–	409,315

** of which TCHF 57,611 is attributable to the US*

External sales by customers

	2021		2020	
(TCHF)	Nominal	in %	Nominal	in %
Customer A (Sports- and Event-Marketing segment)	65,539	13	59,158	14
Customer B (Film segment)	44,841	9	42,604	10
Customer C (Film segment)	39,348	8	28,635	7
Sales with other customers	358,433	70	284,170	69
Total external sales	**508,161**	**100**	**414,567**	**100**

In total, the Highlight Group generated more than 10 % of total revenue with one customer (previous year's period: 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, 2021						
Due within one year	13,979	–	46,686	25,130	5,691	91,486
Due between one year and five years	–	–	93,255	32,806	6,899	132,960
Due after five years	–	–	–	292	6,088	6,380
Total	**13,979**	**–**	**139,941**	**58,228**	**18,678**	**230,826**
As of December 31, 2020						
Due within one year	14,611	–	43,663	26,559	8,504	93,337
Due between one year and five years	11,698	–	118,761	28,375	19,759	178,593
Due after five years	–	–	–	954	4,602	5,556
Total	**26,309**	**–**	**162,424**	**55,888**	**32,865**	**277,486**

11.2 Financial commitments

As of December 31, 2021, there were guarantees to various TV stations for the completion of service productions totaling TCHF 13,979 (previous year: TCHF 14,611). 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 6,628 (previous year: TCHF 11,429).

Furthermore, the purchase commitments for licenses include TCHF 133,313 (previous year: TCHF 150,995) for broadcasting and transmission rights of Sport1 GmbH – chiefly for the Bundesliga rights purchased in 2020.

11.5 Other unrecognized financial obligations

Other financial obligations not recognized in the balance sheet include TCHF 22,154 (previous year: TCHF 24,162) 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 36,074 (previous year: TCHF 31,726).

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, 2021	Dec. 31, 2020
Receivables	–	–
Liabilities	54	106

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Sales and other income	–	–
Cost of materials and licenses and other expenses	73	83

Parent company and its direct subsidiaries

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Receivables	12,774	10,062
Liabilities	2,158	85

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
Sales and other income	357	661
Cost of materials and licenses and other expenses	186	725

Associates and joint ventures

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Receivables	201	–
Liabilities	–	–

(TCHF)	Jan. 01 to Dec. 31, 2021	Jan. 01 to Dec. 31, 2020
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 174 in the reporting year (previous year's period: TCHF 164).

As of December 31, 2021, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 54 (previous year: TCHF 106).

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)	2021 Remuneration	Expenses for pension benefits	Remuneration as a member of the Board of Directors	**Total remuneration**
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	1,421	234	11	1,666
Peter von Büren, executive member of the BoD	718	114	10	842
Other member of the management team	624	99	–	723
Total	**2,763**	**447**	**21**	**3,231**

(TCHF)	2020 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)	1,422	231	11	1,664
Peter von Büren, executive member of the BoD	711	106	11	828
Other member of the management team	683	101	–	784
Total	**2,816**	**438**	**22**	**3,276**

Please see the remuneration report for further information on the remuneration paid to members of the Board of Directors and the Group 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

Constantin Holding Inc., Delaware, was founded on January 4, 2022. Constantin Television, Munich, holds 100 % of the shares in this company. In turn, Constantin Holding Inc. holds preference shares of USD 5 million in Upgrade Productions LLC, Delaware, which was included in Highlight Communications AG's consolidated financial statements using the equity method as of February 2, 2022.

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

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

Report of the statutory auditor

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 at 31 December 2021, 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 accompanying consolidated financial statements (pages 88 to 163) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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.

Our audit approach

Overview

Overall Group materiality: CHF 1,100,000

We concluded full scope audit work at 22 Group companies in three countries. These Group companies represent 98% of the Group's sales. Additionally, review procedures were concluded at one more Group company, addressing a further 1% of the Group's sales.

As key audit matters, the following areas of focus were identified:

- Sales recognition in the Film and the Sports and Event Marketing segments
- Valuation of film assets
- Impairment testing of goodwill arising from the acquisition of Sport1 Medien AG

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

On the basis of our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1,100,000
Benchmark used	Adjusted profit before taxes
Rationale for the materiality benchmark applied	To determine materiality, we chose profit before taxes, which is a generally accepted benchmark for materiality considerations and is one of the benchmarks against which the performance of the Group is most commonly measured, taking into account adjustments.

We agreed with the Audit Committee that we would report to them misstatements above CHF 55,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Sales recognition in the Film and the Sports and Event Marketing segments

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to revenue recognition, please refer to note 4.16 (Revenue from contracts with customers), note 5 (Judgment/estimation uncertainty), especially note 5.2.1 (Estimates used to determine the transaction price for revenue from contracts with customers) and note 7.1 (Notes to individual items of the income statement – Revenue from contracts with customers) in the notes to the consolidated financial statements. a) Film segment revenue Revenue is to a significant extent attributable to the exploitation of film rights in the areas of cinema distribution, global distribution, TV and home entertainment, and service production. Revenue is mainly recognised on a point-in-time basis. Only in the case of service production is revenue recognised over time according to the stage of completion. Revenues in the Film segment of CHF 331.5 million represent a significant amount. Hence, recognising revenue in the correct amount and in the correct period is of critical importance. In the light of this, we consider revenue recognition in the Film segment to be a key audit matter. b) Sports and Event Marketing segment revenue Revenue in this segment of CHF 68.4 million results from the agency agreement with UEFA for the marketing of media, sponsorship and licensing rights for the UEFA Champions League and UEFA Europa League. The agreed remuneration consists of a fixed and a variable component, which is based on the income achieved by UEFA. The amount of the variable component has to be estimated for the uncompleted competitions as at the closing date. We consider revenue recognition in this segment to be a key audit matter.	We performed the following main audit procedures at Group companies that recorded significant revenues in the Film segment and the Sports and Event Marketing segment: • We examined the design of the internal controls relating to the measurement and the recognition of revenue, with regard to the amount of revenue and the timing of its recognition. We assessed the approach to revenue recognition in accordance with the criteria of IFRS 15 'Revenue from contracts with customers'. • We assessed whether the revenue recognition method used had been applied consistently, taking into account the accounting principles set out in note 4.16 to the consolidated financial statements. • In the Film segment, we tested revenue on a sample basis against the revenue recognition requirements of IFRS 15. For this purpose, important new contracts and proof of the transfer and acceptance of risk were examined and checked as to whether revenue was recognised correctly at a point in time or over time. • In the Sports and Event Marketing segment, we checked the expected agency commission for the current 2021/2022 season, taking into account the contractual basis and the expected results for this period. In doing so, we relied on the calculation of the expected marketing revenues from both competitions, which are reconciled periodically with UEFA. We included in our assessment the outcomes of our interviews with Management concerning the actual and the expected financial results of the current season and our experience of the accuracy of the prior year's estimated income and accruals. • In addition, in the light of the ongoing Covid-19 pandemic, we checked the plausibility of Management's assumptions about the course of the season with regard to the potential cancellation or postponement of matches and their potential financial impact on UEFA's income or the expected agency commission. We consider Management's approach with regard to assessing the correct amount of revenue and the recognition of revenue in the correct period in the Film and the Sports and Event Marketing segments to be appropriate.

Valuation of film assets

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to impairment testing, please refer to note 4.4 (Summary of the key accounting policies – Film assets), note 5 (Judgment/estimation uncertainty) and note 6.1 (Notes to individual items of the balance sheet – Film assets) in the notes to the consolidated financial statements. Film assets, comprising in-house and third-party productions, in the amount of CHF 127.1 million represent a significant share of the assets. The acquisition cost of film assets is amortised using the performance-based method on the basis of the agreed or planned sales and subject to an annual impairment test if there are indicators of impairment. For this purpose, the recoverable amounts are determined from the expected revenues using the discounted cash flow method. There is scope for judgement in determining the assumptions used to forecast the revenues and cash flows in the different stages of exploitation and in determining the discount rates. These estimates and margins can have a significant impact on the determination of the performance-based amortisation and any impairment tests and thus have a significant impact on the assessment of the value of the film assets. Since Management's assessment of the value of the film assets involves significant scope for judgement, we consider this to be a key audit matter.	For the Group companies that reported significant film assets, we performed the following main audit procedures: • We examined the design of the internal controls relating to the valuation of film assets. • We tested on a sample basis the determination of the performance-based amortisation of individual film projects. In doing so, we checked the plausibility of the forecasting assumptions underlying the amortisation calculations by comparing them with the contractual terms and conditions. • We tested the assumptions used, including the applied discount rate and the impairment testing 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 of comparable enterprises, taking into account the country-specific particularities. • Additionally, we assessed whether and to what extent the results from the initial period of exploitation (cinema) or other indicators led to additional impairment of the book value of specific films. To this end, we also examined the age structure of the portfolio of film assets. We consider the assumptions made by Management in determining the performance-based amortisation and performing any impairment tests to be appropriate and suitable for assessing the value of the film assets.

Impairment testing of goodwill arising from the acquisition of Sport1 Medien AG

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to goodwill, please refer to note 4.6 (Summary of the key accounting policies – Goodwill), note 5 (Judgment/estimation uncertainty), and note 6.2 (Notes to individual items of the balance sheet – Intangible assets and goodwill) in the notes to the consolidated financial statements. We also refer to note 2.3 (Restatement comparative prior-year consolidatd financial statements), describing a restatement from a changed treatment in foreign currency translation of the goodwill. In 2018, Highlight Communications AG acquired a majority stake in Sport1 Medien AG and recorded goodwill arising from this transaction in the amount of EUR 97.6 million, translating to CHF 101.1 million as of 31 December 2021. Highlight Communications carries out annual impairment testing. This involves estimates and assumptions relating to the future business results and the discount rate applied to the forecasted cash flows. In 2021, CHF 8.0 million of this goodwill was allocated to the new cash-generating unit Jackpot50 GmbH. The new cash-generating unit was included in the annual impairment test. We consider the recoverability of the goodwill in the amount of CHF 101.1 million to be a key audit matter for the following reasons: The goodwill assigned to Sport1 Medien AG represents a significant share of total assets. Additionally, there is significant scope for judgement and estimates in determining the assumptions relating to future business results and the discount rates applied.	We assessed the impairment test carried out by the Group by performing the following main audit procedures: • For the forecasted cash flows, we assessed the budget process, especially whether Group Management and the Board of Directors monitored this process and challenged the applied assumptions. • We tested 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 plausibility check on whether these values are within an acceptable range of expected future market growth rates. • We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. We analysed the reasons for any variances. • We checked the plausibility of the discount rate against the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities. • In addition, on the basis of sensitivity analyses, we tested whether reasonably possible changes to the key assumptions (in each case, the discount rate, the EBITDA margin and the long-term growth rate) resulted in an impairment of the goodwill. • We tested the fair value less costs of disposal of the Jackpot50 GmbH cash-generating unit by comparing it with the selling price of shares in December 2021. On the basis of the audit procedures performed, we have addressed the risk of goodwill impairment. We consider Management's approach to test for the impairment of the goodwill to be appropriate. The assumptions used were consistent and within an acceptable range.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Highlight Communication AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards 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 available from the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and other regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis	Bastian Stolzenberg
Audit expert Auditor in charge	Audit expert

Lucerne, 25 May 2022

Financial statements

as of December 31, 2021 of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2021

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2021	Dec. 31, 2020
Current assets		
Cash and cash equivalents	11,712	2,381
Other current receivables		
due to third parties	28	43
from shareholders	12,703	9,960
due to Group entities	212	2,633
from related parties	16	6
Prepaid expenses/accrued income	516	509
	25,187	15,532
Non-current assets		
Non-current prepaid expenses/accrued income	549	808
Equity investments	455,122	454,156
	455,671	454,964
Total assets	480,858	470,496

EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2021	Dec. 31, 2020
Liabilities		
Trade accounts payable		
due to third parties	185	12
due to Group entities	2	1
Current interest-bearing liabilities		
due to banks	114,918	18,198
due to Group entities	11,522	15,993
Other current liabilities		
due to third parties	21	23
due to Group entities	450	153
due to shareholders	67	80
Deferred income/accrued expenses	2,368	943
	129,533	35,403
Non-current liabilities		
Non-current interest-bearing liabilities		
due to banks	0	104,593
	0	104,593
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	145,704	121,263
Net profit/loss for the year	20,825	24,441
Treasury shares		
Against reserves from capital contributions	-604	–604
	351,325	330,500
Total equity and liabilities	480,858	470,496

INCOME STATEMENT 2021

Highlight Communications AG, Pratteln

(TCHF)	2021	2020
License income	115	81
Other income	185	326
Income from equity investments	33,803	37,009
Total income	**34,103**	**37,416**
License expenses	–3	–7
Staff costs	–3,558	–3,484
Office and administrative expense	–4,563	–3,840
Amortization, depreciation and impairment on non-current assets	–1,000	–1,900
Earnings before interest and taxes (EBIT)	**24,979**	**28,185**
Financial expense		
Interest expense	–3,773	–3,775
Price losses	–430	–112
Financial income		
Interest income	48	4
Price gains	1	139
Profit/loss before taxes	**20,825**	**24,441**
Income taxes	–	–
Net profit/loss for the year	**20,825**	**24,441**

NOTES TO THE FINANCIAL STATEMENTS 2021

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

Cash and cash equivalents

Of the cash and cash equivalents, TCHF 11,390 are earmarked for the squeeze-out request of Highlight Communications AG to the shareholders of Sport1 Medien AG and have a waiver of use.

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 2022 is recognized as current.

Due to the breach of an agreed financial covenant as of December 31, 2021, the previously non-current financial liabilities were reclassified to current financial liabilities. However, in May 2022 a written waiver was received from the credit institutions waiving the early repayment.

Equity

In the reporting period, no dividend negatively impacting reserves from capital contributions was paid.

Income from equity investments

This item contains dividends from Group entities.

Price gains

There were operating foreign currency gains of CHF 0.2 million in the reporting period (previous year: CHF 0.3 million).

Office and administrative expense

This item contains management expenses, consulting expenses, investor relations costs and capital taxes. Costs increased in connection with the squeeze-out offer to the shareholders of Sport1 Medien AG.

Amortization, depreciation and impairment on non-current assets

In the reporting period, write-downs on receivables from Group companies amounted to CHF 1.0 million (with subordination). Total subordination amounted to CHF 16.4 million.

In fiscal year 2021, value adjustments on participations of CHF 34.0 million were recognised and, at the same time, hidden reserves of the same amount were released.

3. PLEDGED ASSETS AS COLLATERAL FOR OWN OBLIGATIONS

	Dec. 31, 2021	Dec. 31, 2020
Shares in Sport1 Medien AG		
Number of shares	89,218,689	88,835,372
Carrying amount in TCHF	236,195	235,226
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	114,918	122,790

4. CONTINGENT LIABILITIES

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

5. NOTES ON MAIN INVESTMENTS

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

In the notes to the consolidated financial statements under 6.15 Equity (page 132) is the description of the transaction with the squeeze-out to Sport1. On December 14, 2021, a squeeze-out to the minority shareholders of Sport1 Medien AG was executed. On February 2, 2022, the squeeze-out to Sport1 Medien AG was entered in the Commercial Register Office in Munich. Upon registration, the squeeze-out became effective. The purchase price per share amounted to EUR 2.30.

6. CHANGE TO LEGAL CAPITAL RESERVES

In the reporting period, no dividend was paid.

7. SHAREHOLDER STRUCTURE

Shareholders with holdings of over 5%	Dec. 31, 2021	Dec. 31, 2020
Highlight Event and Entertainment AG	49.63%	48.70%
Stella Finanz AG	12.26%	12.26%
Axxion S.A.	9.89%	9.89%
Sport1 Medien AG	9.81%	9.81%

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

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

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

Directly

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2021	116,983	605	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2021	116,983	605	–

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2020	116,983	605	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2020	116,983	605	–

Indirectly

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2021	6,182,518	37,396	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2021	6,182,518	37,396	–

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2020	6,182,518	37,396	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2020	6,182,518	37,396	–

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

As of December 31, 2021, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2021	2020
Bernhard Burgener, Chairman and Delegate, executive member	–	–
Peter von Büren, executive member	–	–
Alexander Studhalter, non-executive member	–	–
Martin Hellstern, non-executive member	200,000	200,000
René Camenzind, non-executive member	–*	628,715
Dr. Paul Graf, Managing Director	50,000	50,000

** René Camenzind left the Board of Directors in 2021.*

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)	**2021**
Payment of a dividend	0
Withdrawal from the legal reserves from capital contributions	**0**

APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(TCHF)	**2021**
Profit carryforward	145,704
Net profit for the year	20,825
Available retained earnings	**166,529**

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

(TCHF)	
Retained earnings	166,529
Dividend payment	0
Carryforward to new account	**166,529**

The Board of Directors of Highlight Communications AG recommends carrying forward all gains for fiscal 2021 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.

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, which comprise the balance sheet as at 31 December 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 174 to 179) as at 31 December 2021 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 Auditing Standards. 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 entity 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.

Our audit approach

Overview

Overall materiality: CHF 1,700,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Impairment testing of equity investments

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1,700,000
Benchmark applied	Net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because it is a generally accepted benchmark for materiality considerations for a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 85'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, 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.

Impairment testing of equity investments

Key audit matter	How our audit addressed the key audit matter
Equity investments in the amount of CHF 455.1 million are a significant item on the company's balance sheet, representing more than 94% of total assets. Equity investments are valued individually, and impairment is assessed by comparing the carrying amount with the recoverable amount. Impairment testing of equity investments is highly dependent on the valuation model used and, depending on the model chosen, on estimates about future results or cash flows and the discount rate. In this case, there is a degree of estimation uncertainty in determining the underlying assumptions and Management has scope to apply its judgement. The calculations of the recoverable amounts of the investments in Team Holding AG, Constantin Film AG, Sport1 Medien AG and Highlight Event AG were updated in the year under review by the Management of Highlight Communications AG. We consider the impairment testing of the equity investments a key audit matter because of the significance of this balance sheet item for the financial statements as a whole and the potential scope for judgement and estimation uncertainty in determining the relevant inputs and assumptions for valuation models that depend on estimates of future results or cash flows and the discount rate. Please refer to note 1 (Accounting) and note 5 (Notes on main investments) in the notes to the financial statements 2021.	We examined the impairment testing of the equity investments by means of the following main audit procedures: We tested the valuation models used for their technical correctness. For the investment in Sport1 Medien AG, we tested in particular the assumptions made by Management in forecasting future results or cash flows and in determining the discount rate. • For the forecasted cash flows, we assessed the budget process, especially whether Group Management and the Board of Directors monitored this process and challenged the applied assumptions. • We tested 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 plausibility check on whether these values lay within an acceptable range of expected future market growth rates. • We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. We analysed the reasons for any variances. • We checked the plausibility of the discount rate against the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities. We consider the valuation models used by Management and the assumptions made by Management in forecasting future results or cash flows and in determining the discount rate for the equity investment in Sport1 Medien AG to be appropriate. The assumptions used were consistent and within an acceptable range.

Responsibilities of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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 at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Norbert Kühnis	Bastian Stolzenberg
Audit expert Auditor in charge	Audit expert

Lucerne, 25 May 2022

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Highlight
Highlight Communications AG

EVENTS

2022

CINEMA	Cannes Film Festival	May 17 – 28
	Locarno Film Festival	August 3 – 13
	Venice Film Festival	August 31 – September 10
	Toronto Film Festival	September 8 – 18
FOOTBALL	UEFA Europa League final	May 18
	UEFA Champions League final	May 28
INVESTOR RELATIONS	Interim reports	May/August / November
	Annual General Meeting	June
	German Equity Forum	November 28 – 30

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