ANNUAL REPORT 2022

Highlight Event and Entertainment AG, CH-4133 Pratteln

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KEY FIGURES

in CHF thousand		**2022**	**2021**
Consolidated total assets	as of December 31	819,881	875,893
Consolidated equity	as of December 31	230,797	265,853
Market capitalization	as of December 31	174,917	253,393
Consolidated net income		-21,050	-2,052
Consolidated net income attributable to the shareholders		-13,444	-4,011
Issued shares as of the start of the financial year	Number	9,454,979	8,799,979
Issued shares as of the end of the financial year	Number	9,454,979	9,454,979
Treasury shares as of the start of the reporting period	Number	5,021	21
Treasury shares as of the end of the reporting period	Number	5,021	5,021
Weighted average outstanding shares	Number	9,454,979	9,150,979
Earnings per outstanding share	CHF	-1.42	-0.44
Market price of the bearer share with a nominal value of CHF 9 on December 31	CHF	18.50	26.80
Dividend per bearer share with a nominal value of CHF 9 (2022 proposal of the Board of Directors)		-	-
Number of employees (full-time equivalents)	as of December 31	1,352	1,306
Number of employees (full-time equivalents)	Annual average	1,520	1,553

Dear shareholders

A year full of new developments and challenges is behind us. In particular, 2022 was dominated by the consequences of the war in Ukraine, global supply shortages, rising energy prices, and high inflation rates. Despite these challenges, we were able to report higher sales thanks to the hard work of our management and our employees. At the same time, we were able to optimize operating costs due to the macroeconomic conditions, with the effect that consolidated net income for the year under review decreased as compared to the previous year.

Course of business and earnings

The HLEE Group achieved a stable operating result in the 2022 reporting year. No dividend will be paid out for the past fiscal year.

Film segment

The movie theater market continued to recover thanks to the ongoing lifting of pandemic restrictions, but has not yet returned to pre-COVID levels. The Constantin Film Group released seven productions in theaters in 2022. New releases in Germany included “Stasikomödie” and “Mia and me – Das Geheimnis von Centopia” in June. These were followed by “Liebesdings” and “Guglhupfgeschwader”. “After Forever”, “Freibad” and “Der Nachname” were released from August to October. In addition, there were numerous successful TV productions, including those for ARD and ZDF. Furthermore, the positive trend for digital exploitation formats continued. Among other things, the Highlight Group is planning a strong theatrical slate in the Film segment with movies such as “Manta Manta-Zwoter Teil” and “Sonne und Beton”.

Sports and Events segment

In the Sports and Events segment, the TEAM Group was commissioned by UEFA to sell the commercial rights for the seasons 2024/25 to 2026/27. With the exception of media rights in the US, it will actively hold tender processes worldwide for transmission and sponsorship rights to the club competitions of the UEFA Champions League, the UEFA Europa League, and the UEFA Conference League.

Thanks to an extensive cooperation with DAZN, Sport1 GmbH secured the darts rights for free and pay TV and digital distribution until 2026 and will thus continue the darts success story at Sport1 in the coming years, too. As well as acquiring a large number of sports rights, Sport1 also secured extensive media rights to the Women’s Bundesliga for the seasons 2023/24 to 2026/27.

Plazamedia once again demonstrated its expertise in high-quality sports transmissions. With the contract for the production of all 64 games in the 2022 FIFA World Cup for Telekom’s MagentaTV, it set new standards with the installation of a 33-meter-wide LED wall. At the same time, a milestone was reached in the new business area of XR productions with the establishment of an XR LED studio. This can be used for a wide range of studio productions in the future, including productions for consumer goods as well as sports.

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

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

The third season of the World Boxing Super Series platform should be successfully implemented in 2023.

“Other” segment

This segment comprises the administrative functions of HLEE as the holding company and the digital transformation specialist Chameleo AG.

Personnel

The HLEE Group and its subsidiaries employed around 1,520 full-time employees on average over fiscal 2022. Specifically, Highlight Communications AG employed 1,508 full-time employees, Chameleo AG seven full-time employees, and World Boxing Super Series AG five full-time employees.

Risk assessment

HLEE and its subsidiaries have a risk management system with defined risk control processes. The Board of Directors resolves risk management policies and monitors their implementation in addition to compliance (for further information please see the notes to the consolidated financial statements on page 29).

Outlook and acknowledgments

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

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

At SPORT1, the focus in 2023 remains the use and distribution of multimedia content. Alongside the exploitation of core sports, there will be intensive ongoing work on expanding the cross-platform use of media content in order to advance the diversification of the SPORT1 brand. With the start of the Women’s Bundesliga, Monday evenings will be dedicated to women’s soccer from the beginning of the 2023-24 season, including live matches and additional content focusing on women's sport.

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

Finally, on behalf of the entire Board of Directors, I would like to thank all employees of our Group for their successful work in 2022, which was performed – as always – with energy, commitment and expertise. I would also like to thank you, our shareholders, for your continued trust in the HLEE Group, which we intend to continue to justify in the new fiscal year.

On behalf of the Board of Directors:

Bernhard Burgener

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in CHF thousand	Note	Dec. 31, 2022	Dec. 31, 2021 restated	Jan. 1, 2021 restated
Cash and cash equivalents	6.14	30,183	48,873	50,282
Receivables	6.11/6.13	131,245	122,359	110,528
Contract assets	6.12	28,992	31,155	32,680
Other financial assets	6.9	-	-	23
Inventories	6.10	11,546	69,301	24,114
Current assets		**201,966**	**271,688**	**217,627**
Film assets	6.1	155,352	127,066	161,957
Property, plant and equipment (restated)	6.3	19,884	20,682	21,708
Right-of-use assets (restated)	6.4	35,391	40,362	30,251
Intangible assets	6.2	263,914	275,156	292,791
Goodwill	6.2	104,028	108,751	113,363
Other assets	6.9	9,912	7,224	11,924
Investments in associates and joint ventures	6.6	1,963	49	54
Non-current receivables	6.7	18,861	13,726	13,116
Deferred tax assets	6.8	8,610	11,189	13,034
Non-current assets		**617,915**	**604,205**	**658,216**
ASSETS		**819,881**	**875,893**	**875,843**
Current liabilities	6.20	134,367	150,978	144,174
Contract liabilities	6.21	21,633	13,654	9,900
Financial liabilities (restated)	6.18	198,984	255,628	165,997
Lease liabilities (restated)	6.4	6,725	6,959	7,776
Current tax liabilities	6.23	10,491	14,376	6,679
Advance payments received	6.19	36,381	40,015	52,147
Provisions	6.22	1,375	2,089	2,835
Current liabilities		**409,956**	**483,699**	**389,508**
Non-current liabilities		86	90	94
Financial liabilities (restated)	6.18	93,558	34,818	119,582
Lease liabilities (restated)	6.4	31,154	35,520	24,458
Pension plan obligation	6.16	3,198	4,408	7,446
Deferred tax liabilities	6.17	51,132	51,505	60,808
Non-current liabilities		**179,128**	**126,341**	**212,388**
Liabilities		**589,084**	**610,040**	**601,896**
Share capital	6.15	85,140	85,140	79,200
Treasury shares	6.15	-45	-45	-
Reserves	6.15	-28,013	-13,355	-13,004
Equity attributable to the shareholders of HLEE		**57,082**	**71,740**	**66,196**
Non-controlling interests	6.5/6.15	173,715	194,113	207,751
Equity		**230,797**	**265,853**	**273,947**
EQUITY AND LIABILITIES		**819,881**	**875,893**	**875,843**

The information in the notes forms part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF thousand	Note	2022	2021
Sales		524,032	508,927
Capitalized film production costs and other own work capitalized	7.2	64,579	123,020
Other operating income	7.3	20,268	34,198
Costs for licenses, commissions, and materials		-59,462	-56,293
Cost of purchased services		-226,290	-204,034
Cost of materials and licenses	7.4	-285,752	-260,327
Salaries		-155,820	-173,790
Social security, pension costs		-21,432	-23,486
Personnel expenses	7.5	-177,252	-197,276
Miscellaneous operating expenses	7.6	-60,947	-60,419
Amortization, depreciation, and impairment	6.1 - 6.4	-86,153	-135,066
Impairment/reversal of impairment on financial assets	7.7	-111	145
Losses/gains from derecognition of financial assets (AC)		-10	-6
Operating result		**-1,346**	**13,196**
Net income from associates and joint ventures	6.6	-1,456	-14
Interest income and other financial income	7.8	11,418	8,832
Interest expenses and other financial expenses	7.9	-24,804	-19,333
Earnings before taxes		**-16,188**	**2,681**
Current taxes	7.10	-2,013	-11,158
Deferred taxes	7.10	-2,849	6,425
Consolidated net income		**-21,050**	**-2,052**
Other comprehensive income not reclassified through the income statement			
Gains/losses from financial assets at fair value	6.15	-	-3,254
Remeasurement of pension plans	6.15	1,742	2,559
Other comprehensive income reclassified through the income statement			
Currency translation differences	6.15	-10,429	-11,117
Gains/losses from cash flow hedges	6.15	536	-646
Other earnings including taxes		**-8,151**	**-12,458**
Total earnings		**-29,201**	**-14,510**
Portion of consolidated net income attributable to:			
Shareholders of Highlight Event and Entertainment AG		-13,444	-4,011
Non-controlling interests		-7,606	1,959
Portion of total comprehensive income attributable to:			
Shareholders of Highlight Event and Entertainment AG		-17,304	-11,736
Non-controlling interests		-11,897	-2,774
Basic earnings per share (CHF)		-1.42	-0.44
Diluted earnings per share (CHF)		-1.42	-0.44
Weighted number of outstanding shares		9,454,979	9,150,979

The information in the notes forms part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in CHF thousand	Note	2022	2021 restated
Consolidated net income		-21,050	-2,052
Deferred taxes	6.8	2,849	-6,425
Income taxes	7.10	2,013	11,158
Net financial result	7.8/7.9	12,859	9,563
Amortization and depreciation	6.1 - 6.4	86,153	135,066
Other non-cash income and expenses		-2,492	-5,560
Gain (-)/loss (+) from disposal of non-current assets	7.3/7.6	-4	-7,512
Net income from associates and joint ventures	6.6	1,456	14
Dividends received from associates and joint ventures	6.6	4	8
Interest paid and other financial expenses (restated)		-12,153	-9,668
Interest received and other financial income		417	333
Taxes paid		-8,192	-3,117
Taxes received		283	542
Increase in assets attributable to operating activities		48,128	-64,603
Decrease in liabilities attributable to operating activities		-15,214	-5,414
Cash flow from operating activities (restated)		**95,057**	**52,333**
Acquisition of property, plant and equipment (restated)	6.3	-5,775	-6,195
Acquisition of intangible assets	6.2	-6,416	-4,071
Acquisition of film assets		-92,080	-71,006
Acquisition of equity investments in associates and joint ventures	6.6	-3,342	-20
Disposal of intangible assets	7.3	-	7,569
Disposal of financial assets		-	58
Disposal of property, plant and equipment		117	130
Acquisition of financial assets	6.9	-	-63
Cash flow from investing activities (restated)		**-107,496**	**-73,598**
Payment received from capital increase	6.15	-	16,200
Purchase of treasury shares		-	-146
Payment for purchase of non-controlling interests	6.15	-5,033	-3,517
Proceeds from sale of non-controlling interests	6.15	-	3,106
Borrowing of current financial liabilities (restated)	6.18	43,695	49,583
Borrowing of non-current financial liabilities (restated)	6.18	12,439	28,342
Repayment of current financial liabilities (restated)	6.18	-48,170	-63,819
Repayment of lease liabilities (restated)	6.4	-6,719	-7,280
Dividend payments	6.15	-1,050	-1,116
Cash flow from financing activities (restated)		**-4,838**	**21,353**
Net change in cash and cash equivalents		**-17,277**	**88**
Cash and cash equivalents as of January 1		48,873	50,282
Effect of currency differences		-1,413	-1,497
Cash and cash equivalents as of December 31		**30,183**	**48,873**
thereof cash earmarked for squeeze-out		-	11,390

The information in the notes forms part of the consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Changes in equity in 2022

in CHF thousand

	Share capital	Reserves	Treasury shares	**Equity attributable to shareholders of HLEE**	Non-controlling interests	**Total equity**
January 1, 2022	**85,140**	**-13,355**	**-45**	**71,740**	**194,113**	**265,853**
Consolidated net income in 2022		-13,444		-13,444	-7,606	-21,050
Other comprehensive income in 2022		-3,860		-3,860	-4,291	-8,151
Total earnings	-	**-17,304**	-	**-17,304**	**-11,897**	**-29,201**
Change in non-controlling interests		2,531		2,531	-7,564	-5,033
Personnel expenses from share-based payment		115		115	113	228
Dividend payments				-	-1,050	-1,050
December 31, 2022	**85,140**	**-28,013**	**-45**	**57,082**	**173,715**	**230,797**

Changes in equity in 2021

in CHF thousand

	Share capital	Reserves	Treasury shares	**Equity attributable to shareholders of HLEE**	Non-controlling interests	**Total equity**
January 1, 2021	**79,200**	**-13,004**	**-**	**66,196**	**207,751**	**273,947**
Consolidated net income in 2021		-4,011		-4,011	1,959	-2,052
Other comprehensive income in 2021		-7,725		-7,725	-4,733	-12,458
Total earnings	-	**-11,736**	-	**-11,736**	**-2,774**	**-14,510**
Capital increase	5,940	12,177		18,117		18,117
Purchase of treasury shares		-101	-45	-146		-146
Change in non-controlling interests		2,507		2,507	-2,918	-411
Personnel expenses from share-based payment		48		48	48	96
Dividend payments				-	-1,116	-1,116
Squeeze-out obligation (see note 6.15)		-3,556		-3,556	-6,878	-10,434
Convertible loans (see note 6.18)		310		310		310
December 31, 2021	**85,140**	**-13,355**	**-45**	**71,740**	**194,113**	**265,853**

The information in the notes forms part of the consolidated financial statements.

1. GENERAL INFORMATION

The consolidated financial statements of the HLEE Group were adopted by the Board of Directors of Highlight Event and Entertainment AG on 28 April, 2023 and require the approval of the Annual General Meeting in June 2023.

1.1 General information on the Group

The parent company of the Group, Highlight Event and Entertainment AG, has its registered office in Netzibodenstrasse 23b, Pratteln, Switzerland. Highlight Event and Entertainment AG (HLEE) is a stock corporation listed on the SIX Swiss Exchange.

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

1.2 Basis of presentation

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

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

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

In preparing the consolidated financial statements in accordance with IFRS, the management is required to make estimates and assumptions influencing the income, expenses, assets, liabilities as well as contingent liabilities and assets reported as of the end of the reporting period. These estimates and assumptions are based on the management’s best possible assessment based on past experience and other factors including estimates of future events. Estimates and assumptions 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 reasons, rounding differences of +/- one unit (TCHF) can arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

2. ACCOUNTING

2.1 Relevant standards and interpretations applied for the first time

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

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

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

2.3 Change in accounting for leases with purchase options

In preparing the consolidated financial statements, the Board of Directors and the management team determined that no sale had taken place in the sale and leaseback transactions in the case of leases with repurchase options due to the lack of a transfer of control as defined in IFRS 15 and that the previous year’s assessment contained an error.

As there was no transfer of control or sale, the accounting treatment of these transactions is the same as for a financing transaction. This means that the underlying asset must be reported under property, plant and equipment instead of under right-of-use assets and that the financial liability must be accounted for in accordance with IFRS 9 (financial liabilities instead of lease liabilities). In the cash flow statement, payments to acquire property, plant and equipment are reported in the cash flow from investing activities, while payments from the lessor are reported in the cash flow from financing activities. The previous year's figures have been restated accordingly, resulting in the following changes.

Consolidated statement of financial position as of January 1, 2021

(CHF thousand)	Jan. 1, 2021	Restatement	Jan. 1, 2021 restated
Non-current assets			
Property, plant and equipment	13,683	8,025	21,708
Right-of-use assets	38,276	-8,025	30,251
	658,216	**-**	**658,216**
Assets	**875,843**	**-**	**875,843**
Non-current liabilities			
Financial liabilities	114,712	4,870	119,582
Lease liabilities	29,328	-4,870	24,458
	212,388	**-**	**212,388**
Current liabilities			
Financial liabilities	163,885	2,112	165,997
Lease liabilities	9,888	-2,112	7,776
	389,508	**-**	**389,508**
Equity and liabilities	**875,843**	**-**	**875,843**

Consolidated statement of financial position as of December 31, 2021

(CHF thousand)	Dec. 31, 2021	Restatement	Dec. 31, 2021 restated
Non-current assets			
Property, plant and equipment	12,718	7,964	20,682
Right-of-use assets	48,326	-7,964	40,362
	604,205	**-**	**604,205**
Assets	**875,893**	**-**	**875,893**
Non-current liabilities			
Financial liabilities	30,967	3,851	34,818
Lease liabilities	39,371	-3,851	35,520
	126,341	**-**	**126,341**
Current liabilities			
Financial liabilities	253,091	2,537	255,628
Lease liabilities	9,496	-2,537	6,959
	483,699	**-**	**483,699**
Equity and liabilities	**875,893**	**-**	**875,893**

Consolidated statement of comprehensive income for 2021

(CHF thousand)	Jan. 1 to Dec. 31, 2021	Restatement	Jan. 1 to Dec. 31, 2021 restated
Amortization and impairment on film assets	-102,064	-	-102,064
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	-23,781	-1,740	-25,521
Amortization, depreciation and impairment on right-of-use assets	-9,221	1,740	-7,481
Amortization and impairment on goodwill	-	-	-
Amortization, depreciation, and impairment	**-135,066**	**-**	**-135,066**
Operating result	**13,196**	**-**	**13,196**
Consolidated net income	**-2,052**	**-**	**-2,052**
Portion of consolidated net income attributable to:			
Shareholders of Highlight Event and Entertainment AG	-4,011	-	-4,011
Non-controlling interests	1,959	-	1,959

Consolidated cash flow statement for 2021

(CHF thousand)	Jan. 1 to Dec. 31, 2021	Restatement	Jan. 1 to Dec. 31, 2021 restated
Consolidated net income	-2,052	-	-2,052
Interest paid and other financial expenses	-9,844	176	-9,668
Cash flow from operating activities	**52,157**	**176**	**52,333**
Acquisition of property, plant and equipment	-4,155	-2,040	-6,195
Cash flow from investing activities	**-71,558**	**-2,040**	**-73,598**
Borrowing of current financial liabilities	49,104	479	49,583
Borrowing of non-current financial liabilities	26,781	1,561	28,342
Repayment of current financial liabilities	-61,300	-2,519	-63,819
Repayment of lease liabilities	-9,623	2,343	-7,280
Cash flow from financing activities	**19,489**	**1,864**	**21,353**
Net change in cash and cash equivalents	**88**	**-**	**88**

3. SCOPE OF CONSOLIDATION

3.1 Acquisitions

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

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

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

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

In the past year, a further investment of 1.98 % in Highlight Communications AG was acquired. As of December 31, 2022, the equity interest in Highlight Communications AG came to 51.61 %. This is a transaction between equity providers that reduced equity by a total of TCHF 5,033.

3.2 Other changes

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

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

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

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

On February 22, 2022, the Group company Escor Automaten AG, Pratteln, was liquidated and removed from the commercial register.

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

3.3 Overview of fully consolidated companies

The management, day-to-day business, and operating activities of the Highlight Group are mainly performed by the same few members of the Board of Directors of the HLEE Group. The members of the HLEE Group's Board of Directors manage all business divisions and segments of Highlight Communications AG. Highlight Event and Entertainment AG holds a direct 51.61 % equity interest in Highlight Communications AG. The Group company Sport1 Medien AG holds 9.81 % in Highlight Communications AG and does not have voting rights due to the control of Highlight Communications AG in the annual general meetings. Thus Highlight Event and Entertainment AG exercises control over 50 % at the annual general meeting of Highlight Communications AG.

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 exposed to the variable returns from this company, and can significantly influence their amount through the two managing directors.

Fully consolidated companies as of December 31, 2022

	Activity	Country	Currency	Share capital	Share in capital*	Voting rights of the respective parent company
World Boxing Super Series AG	Sports and entertainment events	CH	CHF	3,000,000	60 %	60 %
Chameleo AG	Business and digital transformation consulting	CH	CHF	100,000	80 %	80 %
Chameleo GmbH	Business and digital transformation consulting	DE	EUR	25,000	100 %	100 %
Highlight Communications AG	Holding company	CH	CHF	63,000,000	51.61%	51.61 %
TEAM Holding AG	Holding company	CH	CHF	250,000	100 %	100 %
TEAM Football Marketing AG	Exploitation of sports rights	CH	CHF	6,340,000	95.27%	100 %
TEAM Marketing AG	Marketing of sports events	CH	CHF	200,000	100 %	100 %
TEAM Marketing UK Ltd.	Marketing of sports events	GB	GBP	1	100 %	100 %
TEAM Marketing Asia Limited	Marketing of sports events	HK	HKD	100	100 %	100 %
Highlight Event AG	Event marketing	CH	CHF	500,000	100 %	100 %
Rainbow Home Entertainment AG	Distribution	CH	CHF	200,000	100 %	100 %
Constantin Film und Entertainment AG	Acquisition and development of content	CH	CHF	500,000	100 %	100 %
Highlight Communications (Deutschland) GmbH	Marketing	DE	EUR	256,000	100 %	100 %
Constantin Film AG	Film production and distribution	DE	EUR	12,742,600	100 %	100 %
Constantin Media GmbH audiovisuelle Produktionen	Acquisition and development of content	DE	EUR	26,000	100 %	100 %
Constantin Film Produktion GmbH	Film and TV production	DE	EUR	105,100	100 %	100 %
Dahoam Television GmbH	TV entertainment production	DE	EUR	25,000	100 %	100 %
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	100 %	100 %
Constantin Film Development Inc.	Acquisition and development of content	US	USD	530,000	100 %	100 %
Constantin Film International GmbH	International film production	DE	EUR	105,000	100 %	100 %
Constantin Pictures GmbH	International film and TV production	DE	EUR	25,000	100 %	100 %
Constantin Entertainment GmbH	TV entertainment production	DE	EUR	200,000	100 %	100 %
Constantin Entertainment Polska Sp z.o.o.	TV entertainment production	PL	PLN	54,000	100 %	100 %
Constantin Entertainment SRB d.o.o.	TV entertainment production	RS	RSD	155,735,000	100 %	100 %
Constantin Entertainment RO SRL**	TV entertainment production	RO	RON	10,000	100 %	100 %
Constantin Entertainment CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	100 %	100 %
Olga Film GmbH	Film and TV production	DE	EUR	603,000	100 %	100 %
Moovie GmbH	Film and TV production	DE	EUR	104,000	100 %	100 %
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Constantin Film Vertriebs GmbH (formerly: Constantin Film Verleih GmbH)	License trading and theatrical distribution	DE	EUR	250,000	100 %	100 %
VERA contracts GmbH	Development and sale of contract preparation and contract application software and database	DE	EUR	25,000	100 %	100 %
Constantin Music Verlags-GmbH	Exploitation of music rights	DE	EUR	70,000	100 %	100 %
Constantin Music GmbH	Exploitation of music rights	DE	EUR	25,000	90 %	90 %
Königskinder Music GmbH	Record label and music consulting	DE	EUR	50,000	50 %	50 %
Constantin Film Production Services GmbH (formerly: Olga Film Services GmbH)	Film and TV production	DE	EUR	100,000	100 %	100 %
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	100 %	100 %

Hager Moss Film GmbH	TV entertainment production	DE	EUR	102,300	100 %	100 %
PSSST! Film GmbH	Film and TV production	DE	EUR	25,000	51 %	51 %
Constantin Holding Inc.	Holding company	US	USD	10	100 %	100 %
Sport1 Medien AG	Holding company	DE	EUR	93,600,000	100 %	100 %
Sport1 Holding GmbH	Holding company	DE	EUR	55,000	100 %	100 %
Sport1 GmbH	Platform operator	DE	EUR	500,000	100 %	100 %
Jackpot50 GmbH	Business and services relating to virtual online games	DE	EUR	33,333	75 %	75 %
PLAZAMEDIA GmbH	Production service provider	DE	EUR	150,000	100 %	100 %
Magic Sports Media GmbH	Marketing	DE	EUR	25,000	100 %	100 %
Match IQ GmbH	Consulting	DE	EUR	30,000	50.1 %	50.1 %
Event IQ GmbH	Consulting	DE	EUR	25,000	100 %	100 %

* direct and/or indirect share held by the Group
** 0.1 % are held by Constantin Film Produktion GmbH

3.4 Overview of companies not included in consolidation

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

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

Companies not included in consolidation as of December 31, 2022

	Country	Currency	Share capital	Shareholding
Impact Pictures LLC*	US	USD	1,000	51 %

* Share held by Constantin Pictures GmbH, Germany

3.5 Overview of associated companies

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

	Share of capital	Period recognized in the consolidated financial statements	Currency	Share capital
BECO Musikverlag GmbH	50 %	Jan. 1, 2022 - Dec. 31, 2022	EUR	25,565
Upgrade Productions LLC	25 %	Feb. 2, 2022 - Dec. 31, 2022	USD	40,000

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

Detailed financial information on the associates 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	Share capital
High-end productions GmbH	50 %	Jan. 1, 2022 - Dec. 31, 2022	EUR	35,000

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

4. SUMMARY OF THE KEY ACCOUNTING POLICIES

4.1 Methods of consolidation

All significant subsidiaries are included in the consolidated financial statements. Subsidiaries are companies that Highlight Event and Entertainment AG controls directly or indirectly. Highlight Event and Entertainment 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 Event and Entertainment 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 Event and Entertainment AG holds less than a majority of the voting or similar rights in the investee, Highlight Event and Entertainment 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 Event and Entertainment AG, other parties entitled to vote or other parties, and
- all additional facts and circumstances which indicate that Highlight Event and Entertainment 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. Remaining positive differences are capitalized as goodwill, which must be tested for impairment each year or when there are indications of impairment. Any impairment loss resulting from this is recognized in profit or loss. After reassessment, any negative difference resulting from capital consolidation is reported in income in full in the year it arises. 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 Event and Entertainment AG has significant influence. Significant influence is the ability to participate in the financial and business policy decisions of the investee, but not control or joint control of these decisions.

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

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

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

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

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

Non-controlling interests represent the share of earnings and net assets not attributable to the shareholders of the parent company. Non-controlling interests are recognized separately in the consolidated income statement, the consolidated statement of comprehensive income and in the consolidated statement of financial position. 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 Event and Entertainment 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 items of the statement of financial position 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 denominated in a currency other than Swiss francs are also translated at the exchange rate at the end of the reporting period. Any translation differences or differences from currency translation in amounts carried forward from previous years resulting from this are recognized in OCI.

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

4.2.4 Exchange rates

		Closing rate		Annual average rate	
		Dec. 31, 2022	Dec. 31, 2021	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Euro	(EUR)	0.98992	1.03545	1.00523	1.08131
US dollar	(USD)	0.92460	0.91285	0.95457	0.91408
British pound	(GBP)	1.11844	1.23344	1.17978	1.25745
Canadian dollar	(CAD)	0.68260	0.71885	0.73382	0.72921

4.3 Fair value measurement

The Group measures its financial instruments, including derivatives, and non-financial assets and liabilities carried 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 sales. 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 sales 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 sales. The maximum period for estimating sales is ten years for films as recognized in the film assets of the HLEE 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 carrying amount of the film is not covered by the 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 generated intangible assets are measured at amortized 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. In addition, CHF 252.1 million was allocated for the Sports and Events segment on the initial consolidation of Highlight Communications AG. 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) (i) the fair value of the consideration transferred as of the acquisition date,
(ii) (ii) the amount of any non-controlling interests and
(iii) (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. Depreciation is usually recognized over the term of the respective rental agreement lease (of three 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 eleven years for technical equipment and three to 25 years for operating and office equipment. 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 expected useful life specified above. Costs and the associated cumulative depreciation are derecognized on disposal. Any resulting gains or losses are recognized in profit or loss in the fiscal year. If the cost of specific components of an item of property, plant and equipment is material, these components are recognized and depreciated individually.

4.8 Leases

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

4.8.1 Lease liabilities

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

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

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

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

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

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

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

4.8.3 Leases for intangible assets

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

4.8.4 Additional lease components

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

4.8.5 Right-of-use assets

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

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

4.8.6 Sale and leaseback

In sale and leaseback transactions, it must first be checked based on the criteria from IFRS 15 whether the transfer of an asset is to be accounted for as a sale. If the transfer of an asset does not satisfy the requirements set out in IFRS 15 to be accounted for as a sale, then the asset is still accounted for and the proceeds received are recognized as a financial liability in accordance with IFRS 9.

If the transfer of the asset constitutes a sale, then the leased-back assets are shown in the consolidated financial statements in line with the principles of lessee accounting described above. Accordingly, only the amount of any gain or loss that relates to the rights transferred to the buyer/lessor are recognized.

4.8.7 COVID-19-related rent concessions

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

4.9 Impairment of non-financial assets

Goodwill at the level of cash-generating units and intangible assets with an indefinite useful life are tested for impairment at least once per year or more frequently if there are indications of impairment. Highlight Event and Entertainment 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, fair value 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 netted only 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 recognition and subsequently 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 derecognized against the carrying amount of impaired financial assets only 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 exclusively 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 receivables 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 reported as cash and cash equivalents only 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 – without exception – 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 Event and Entertainment 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 receivables 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 HLEE Group recognizes specific loss allowances on trade receivables 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 obligations

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

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

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

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

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

4.13 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. If the effect of the time value of money is material, non-current provisions are carried at the present value of the expected outflow calculated using current interest rates.

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

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

4.14 Income taxes

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

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

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

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

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

No deferred tax liabilities were recognized on temporary differences in connection with shares in subsidiaries provided that it is likely that these temporary differences will not reverse in the foreseeable future and Highlight Event and Entertainment 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 Sales from contracts with customers

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

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

Sales are recognized net of invoiced value added tax and trade discounts.

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

In the Film segment, sales from theatrical films are recognized at a point in time from the time of their release. The amount of sales 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.

Sales from licenses for TV (pay/free) rights are 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, sales are 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 sales types. They are allocated on the basis of past experience in line with corporate planning at the following general rates: 25 % for theater rights, 15 % for home entertainment rights and 60 % for TV rights. The corresponding sales are recognized at a point in time as follows: movie sales on theatrical release, home entertainment sales six months after theatrical release, TV sales 24 months after theatrical release. Sales from global distribution without any minimum guarantee are recognized on the royalty settlements being received from the licensees.

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

Sales from service productions are recognized over time in the amount of the share of total sales 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 recognized only in the amount of the costs already incurred (zero profit method). If the uncertainty no longer applies at a later date and the earnings from a service production can be estimated reliably, pro rata profits are realized in line with the percentage of completion. If it is likely that the total cost of the production will exceed its total proceeds the expected loss is expensed immediately.

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

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

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

In free TV and online video business, revenue is generated in the form of advertising revenue (sale of airtime). This takes the form of conventional commercials or also the sponsorship of broadcasts. Advertising revenue is net revenue after the deduction of discounts, rebates, agency commission and VAT. TV advertising revenue is recognized at a point in time when the commercials are broadcast on SPORT1. Online advertising revenue includes revenue from the marketing of digital offers. As the online marketing space is sold to an external agency on an annual basis, this revenue is recognized over time.

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

4.17 Government grants

4.17.1 Project funding

Project promotion as a contingently repayable loan

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

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

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

Project subsidies

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

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

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

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

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

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

4.17.2 Distribution funding

Distribution loan as a contingently repayable loan

Distribution loans are provided in the form of a contingently repayable interest-free loan in accordance with the requirements of the Film Promotion Act and 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 for to fund distribution and sales in connection with the pandemic. Grants can be provided for projects that have a theatrical release or implementation date of no later than August 31, 2022. Grants received from this program in the reporting year are reported under other operating income.

Sales subsidies

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

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

4.17.3 Short-time compensation

As the short-time allowance is not a wage cost and the incoming payment does not represent operating income, this benefit is to be recognized as a transitory item. The employer acts solely as a paying agent for the short-time allowances received from the public authorities. The social insurance contributions related to the short-time allowance paid by the employer are to be recognized as personnel expenses. Reimbursements of social insurance contributions are recognized as a deduction from personnel expenses (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, and contingent liabilities and assets reported as of the end of the reporting period. These estimates and assumptions are based on the management's best possible assessment based on past experience and other factors including estimates of future events. This is especially true in the context of the Ukraine crisis and its impact on economic development. There is also uncertainty due to the energy crisis and high inflation. These developments are dynamic and so deviations from the estimates and assumptions made in these consolidated financial statements cannot be ruled out. Estimates and assumptions 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 sales and cash flow forecasts could lead to impairment.

5.2 Other risks

5.2.1 Estimates used to determine the transaction price for sales from contracts with customers

Certain contracts with customers at the HLEE 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 HLEE 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 HLEE 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 service productions for which sales are 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 the provisions established are adequate. However, further litigation could arise resulting in costs not covered by the existing provisions. Moreover, it cannot be ruled out that the extent, duration, and 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

(CHF thousand)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2022			
January 1, 2022	62,387	462,796	525,183
Currency translation differences	-2,791	-21,556	-24,347
Additions	6,186	86,068	92,254
Disposals	1	-	1
Total on December 31, 2022	**65,781**	**527,308**	**593,089**
Accumulated amortization/value adjustments in 2022			
January 1, 2022	52,372	345,745	398,117
Currency translation differences	-2,391	-15,846	-18,237
Depreciation for the year	9,034	44,609	53,643
Impairment	74	5,145	5,219
Write-ups	278	726	1,004
Disposals	1	-	1
Total on December 31, 2022	**58,810**	**378,927**	**437,737**
Acquisition and production costs 2021			
January 1, 2021	54,434	418,553	472,987
Currency translation differences	-2,774	-20,780	-23,554
Additions	4,594	68,338	72,932
Disposals	1	-	1
Adjustments of gross values*	6,134	-3,315	2,819
Total on December 31, 2021	**62,387**	**462,796**	**525,183**
Accumulated amortization/value adjustments in 2021			
January 1, 2021	38,701	272,311	311,012
Currency translation differences	-2,315	-15,462	-17,777
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	1	-	1
Adjustment of gross values *	6,134	-3,315	2,819
Total on December 31, 2021	**52,372**	**345,745**	**398,117**
Net carrying amounts on December 31, 2022	**6,971**	**148,381**	**155,352**
Net carrying amounts on December 31, 2021	**10,015**	**117,051**	**127,066**

** When Highlight Communications AG was initially consolidated on September 27, 2017, the residual carrying amounts, which corresponded to the fair values, were recognized under cost. In subsequent years, disposals on the acquired film assets were derecognized at gross carrying amounts. For a clearer presentation in the consolidated financial statements, the disposals recognized on a gross basis in previous years were adjusted and restated at the relevant net amounts.*

Impairment losses of TCHF 5,219 (previous year's period: TCHF 5,539) were recognized in the year under review as the value in use no longer covers the acquisition costs or the carrying amount of certain films due to a lack of market acceptance. The pre-tax discount rates used for determination of impairment are between 6.0 % and 6.10 % (previous year: between 4.06 % and 4.52 %). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review. Write-ups are recognized for projects for which a write-down has been recognized in the past and whose forecast revenues for the remaining exploitation period are considerably higher than the previous year's estimates.

During the year under review, the Highlight Group received project subsidies and project promotion loans of TCHF 18,557 (previous year: TCHF 23,440) which were deducted from the capitalized costs.

Deferred project promotion loans amounted to TCHF 8,005 as of December 31, 2022 (previous year: TCHF 2,684). Project promotions of TCHF 2,509 were repaid in the year under review (previous year's period: TCHF 3,689).

In addition, sales subsidies and distribution loans of TCHF 4,470 (previous year's period: TCHF 4,026) were recognized in the consolidated income statement in the year under review as a reduction of release costs. These grants are recognized in the periods in which the corresponding release costs are incurred.

There were no deferred distribution loans as of December 31, 2022 (previous year: TCHF 147). Distribution loans of TCHF 1,085 (previous year's period: TCHF 1,700) were repaid over the year under review. As of December 31, 2022, there were receivables for subsidies and grants of TCHF 26,631 (previous year: TCHF 23,202).

Directly attributable financing costs of TCHF 1,297 (previous year's period: TCHF 1,225) were capitalized in the year under review. The costs to be capitalized were calculated using the interest rates from the funds borrowed specifically for the financing. The financing interest rate varied from 3.4 % to 8.0 % (previous year: 1.0 % to 8.0 %).

6.2 Other intangible assets and goodwill

(CHF thousand)	Purchased intangible assets with finite useful lives	Purchased intangible assets with indefinite useful lives (brands)	Purchased software	Internally developed intangible assets	Advance payments	Total intangible assets	Goodwill
Acquisition and production costs 2022							
January 1, 2022	304,389	55,342	4,367	5,764	3,175	373,037	109,189
Currency translation differences	-84	-1,995	-144	-297	-142	-2,662	-4,496
Additions	1,313	-	2,110	-	2,993	6,416	-
Disposals	168	-	18	-	-	186	-
Reclassifications	-	-	-	2,876	-2,876	-	-
Total on December 31, 2022	**305,450**	**53,347**	**6,315**	**8,343**	**3,150**	**376,605**	**104,693**
Accumulated amortization/value adjustments in 2022							
January 1, 2022	92,229	-	2,182	3,470	-	97,881	438
Currency translation differences	-63	-	-86	-183	-	-332	-22
Depreciation for the year	12,177	-	1,044	2,107	-	15,328	-
Impairment	-	-	-	-	-	-	249
Disposals	168	-	18	-	-	186	-
Total on December 31, 2022	**104,175**	**-**	**3,122**	**5,394**	**-**	**112,691**	**665**

Acquisition and production costs 2021							
January 1, 2021	304,107	57,395	2,953	5,555	1,382	371,392	113,822
Currency translation differences	-44	-2,053	-144	-261	-140	-2,642	-4,633
Additions	241	-	1,280	-	2,550	4,071	-
Disposals	-	-	122	-	104	226	-
Reclassifications	-	-	43	470	-513	-	-
Adjustment of gross values*	85	-	357	-	-	442	-
Total on December 31, 2021	**304,389**	**55,342**	**4,367**	**5,764**	**3,175**	**373,037**	**109,189**
Accumulated amortization/value adjustments in 2021							
January 1, 2021	75,320	-	1,391	1,890	-	78,601	459
Currency translation differences	-31	-	-80	-156	-	-267	-21
Depreciation for the year	16,855	-	636	1,736	-	19,227	-
Disposals	-	-	122	-	-	122	-
Adjustment of gross values*	85	-	357	-	-	442	-
Total on December 31, 2021	**92,229**	**-**	**2,182**	**3,470**	**-**	**97,881**	**438**
Net carrying amounts on December 31, 2022	**201,275**	**53,347**	**3,193**	**2,949**	**3,150**	**263,914**	**104,028**
Net carrying amounts on December 31, 2021	**212,160**	**55,342**	**2,185**	**2,294**	**3,175**	**275,156**	**108,751**

** When Highlight Communications AG was initially consolidated on September 27, 2017, the residual carrying amounts, which corresponded to the fair values, were recognized under cost. In subsequent years, disposals on the acquired intangible film assets were derecognized at gross carrying amounts. For a clearer presentation in the consolidated financial statements, the disposals recognized on a gross basis in previous years were adjusted and restated at the relevant net amounts.*

Goodwill

The allocation of goodwill is shown in the table below:

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Highlight Communications AG (Sports and Events segment)	6,901	6,901
Sport1 Medien AG (Sports and Events segment)	88,661	93,106
Jackpot50 GmbH (Sports and Events segment)	8,000	8,000
Hager Moss Film GmbH (Film segment)	466	487
Mythos Film GmbH (Film segment)	-	-
PSSST! Film GmbH (Film segment)	-	257
Total	**104,028**	**108,751**

Goodwill was tested for impairment at the level of the cash-generating units in the respective segment. The recoverable amounts in goodwill impairment testing are equal to the value in use. The basis of the discounted cash flow method in the HLEE Group is future cash flows derived from three-year earnings planning. For the impairment test of Sport1 Medien AG, the growth rate beyond the detailed planning period was set at 2 % (previous year: 2 %). For other items, it 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 referenced. As of December 31, 2022, the CAPM-based discount factor before taxes was set at 7.15 % for the impairment test of Sport1 Medien AG (previous year: 6.62 %) and at 7.92 % to 8.17 % for other items (previous year: 7.38 % to 7.67 %).

TCHF 43,358 of the purchased intangible assets relate to the Film segment and have an unlimited useful life as this figure relates to the Constantin Film AG brand. The reason for the indefinite useful life is Constantin Film AG’s reputation in the movie industry. Constantin Film AG has made a crucial contribution to the development of and respect for German movies at home and abroad. The company is Germany’s top independent producer and exploiter of productions. Its business activities are based on theatrical production, theatrical distribution, home entertainment, license trading/TV exploitation and TV production (TV entertainment in particular). Growth beyond the detailed planning period of 2 % was assumed for the Constantin Film AG impairment test (previous year: 2 %). The capital asset pricing model (CAPM) was used to calculate the costs of capital and a peer group was referenced. The pre-tax, CAPM-based discount rate for the impairment test of Constantin Film AG is 7.41 % as of December 31, 2022 (previous year: 8.55 %).

Another TCHF 179,436 relates to the Sports and Events segment. The useful lives of the TEAM brand (TCHF 9,989) and the goodwill (TCHF 6,901) are indefinite and are not subject to scheduled amortization, but instead are tested for impairment annually. The reason for the indefinite useful life of the brand is the reputation of TEAM in the global sport industry as a marketing agency. Customer relationships (December 31, 2022: TCHF 162,546) have a useful life of 30 years, as a partnership spanning decades is already in place with UEFA and the broadcasters and a continued long-term partnership is anticipated. In addition, the company will generate corresponding revenue with the customer relationships over the useful life. The contractual rights were amortized on a straight-line basis until the end of the contract in May 2021.

As of December 31, 2022, goodwill was tested for impairment as part of the annual impairment test. There was impairment of TCHF 249 in the fiscal year as the goodwill of PSSST! Film GmbH is no longer covered by estimated future cash flows. Impairment on goodwill was not required in the previous year.

The impairment is recognized in the income statement under “Goodwill impairment”.

Corporate planning was also supplemented by further alternative scenarios for the possible development of the HLEE Group and these were also used for the purposes of impairment testing. Even using more conservative scenarios, no goodwill impairment was required.

Results and sensitivity of impairment testing

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.

Goodwill at Highlight Communications AG

At the measurement date, impairment testing did not result in any reduction in goodwill. The material underlying assumptions included a discount rate after taxes of 5.94 % (previous year: 6.47 %) and a long-term growth rate of 2 % (previous year: 1.5 %).

Goodwill at Sport1 Medien AG

At the measurement date, impairment testing did not result in any reduction in goodwill. The recoverable amount exceeds the net carrying amount by CHF 85.2 million (previous year: CHF 11.5 million). The following changes in the significant assumptions would lead to the value in use corresponding to the net carrying amount:

	2022	
	Assumption	Sensitivity
Sales growth in 2027 with EBITDA margin unchanged as compared to the business plan	-0.6 %	-4.6 %
Normalized EBITDA margin in 2027	18.1 %	14.1 %
Discount rate after taxes	5.8 %	7.9 %
Long-term growth rate	2.0 %	-0.6 %

	2021	
	Assumption	Sensitivity
Sales growth in 2026 with EBITDA margin unchanged as compared to the business plan	3.0 %	2.4 %
Normalized EBITDA margin in 2026	13.9 %	13.3 %
Discount rate after taxes	5.5 %	5.7 %
Long-term growth rate	2.0 %	1.7 %

The corresponding disclosures relate to the cash-generating unit Sport1 Medien AG.

6.3 Property, plant and equipment

(CHF thousand)	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total property, plant and equipment
Acquisition and production costs 2022					
January 1, 2022	2,835	22,442	14,241	531	40,049
Currency translation differences	-48	-1,053	-485	24	-1,562
Additions	85	4,445	1,245	-	5,775
Disposals	-	123	486	-	609
Reclassifications	-	-	555	-555	-
Total on December 31, 2022	**2,872**	**25,711**	**15,070**	**-**	**43,653**
Accumulated depreciation in 2022					
January 1, 2022	1,645	9,516	8,206	-	19,367
Currency translation differences	-35	-470	-260	-	-765
Depreciation for the year	380	3,553	1,733	-	5,666
Disposals	-	60	436	-	496
Reclassifications	-	-	-3	-	-3
Total on December 31, 2022	**1,990**	**12,539**	**9,240**	**-**	**23,769**
Acquisition and production costs 2021					
January 1, 2021	-341	8,760	10,544	246	19,209
Adjustments due to restatement	-	9,829	-	-	9,829
January 1, 2021 (restated)	-341	18,589	10,544	246	29,038
Currency translation differences (restated)	-46	-1,012	-474	-23	-1,555
Additions (restated)	68	4,144	1,406	577	6,195
Disposals	240	292	646	-	1,178
Reclassifications	256	-	13	-269	-
Adjustment of gross values *	3,138	1,013	3,398	-	7,549
Balance on December 31, 2021 (restated)	**2,835**	**22,442**	**14,241**	**531**	**40,049**
Accumulated depreciation in 2021					
January 1, 2021	-1,977	4,053	3,450	-	5,526
Adjustments due to restatement	-	1,804	-	-	1,804
January 1, 2021 (restated)	-1,977	5,857	3,450	-	7,330
Currency translation differences (restated)	-35	-427	-249		-711
Depreciation for the fiscal year (restated)	759	3,338	2,197		6,294
Disposals	240	265	590		1,095
Adjustment of gross values *	3,138	1,013	3,398		7,549
Balance on December 31, 2021 (restated)	**1,645**	**9,516**	**8,206**	**-**	**19,367**
Net carrying amounts on December 31, 2022	**882**	**13,172**	**5,830**	**-**	**19,884**
Net carrying amounts on December 31, 2021	**1,190**	**12,926**	**6,035**	**531**	**20,682**

** When Highlight Communications AG was initially consolidated on September 27, 2017, the residual carrying amounts, which corresponded to the fair values, were recognized under cost. In subsequent years, disposals on the acquired property, plant and equipment were derecognized at gross carrying amounts. In some cases this results in negative balances. For a clearer presentation in the consolidated financial statements, the disposals recognized on a gross basis in previous years were adjusted and restated at the relevant net amounts.*

6.4 Leasing

Right-of-use assets

(CHF thousand)	Real estate	Vehicles	Technical equipment	Operating and office equipment	Total right-of-use assets
Acquisition and production costs 2022					
January 1, 2022	48,034	1,375	4,204	439	54,052
Currency translation differences	-1,547	-63	-185	-19	-1,814
Additions	3,455	247	-	-	3,702
Disposals	1,155	59	-	-	1,214
Total on December 31, 2022	**48,787**	**1,500**	**4,019**	**420**	**54,726**
Accumulated depreciation in 2022					
January 1, 2022	11,229	609	1,549	303	13,690
Currency translation differences	-432	-32	-79	-14	-557
Depreciation for the year	5,871	390	696	95	7,052
Disposals	802	48	-	-	850
Total on December 31, 2022	**15,866**	**919**	**2,166**	**384**	**19,335**
Acquisition and production costs 2021					
January 1, 2021	38,319	1,143	14,223	459	54,144
Adjustments due to restatement	-	-	-9,829	-	-9,829
January 1, 2021 (restated)	38,319	1,143	4,394	459	44,315
Currency translation differences (restated)	-1,732	-61	-190	-20	-2,003
Additions (restated)	18,617	795	-	-	19,412
Disposals	7,170	502	-	-	7,672
Balance on December 31, 2021 (restated)	**48,034**	**1,375**	**4,204**	**439**	**54,052**
Accumulated depreciation in 2021					
January 1, 2021	12,264	721	2,673	210	15,868
Adjustments due to restatement	-	-	-1,804	-	-1,804
January 1, 2021 (restated)	12,264	721	869	210	14,064
Currency translation differences (restated)	-380	-26	-69	-14	-489
Depreciation for the fiscal year (restated)	6,248	377	749	107	7,481
Disposals	6,903	463	-	-	7,366
Balance on December 31, 2021 (restated)	**11,229**	**609**	**1,549**	**303**	**13,690**
Net carrying amounts on December 31, 2022	**32,921**	**581**	**1,853**	**36**	**35,391**
Net carrying amounts on December 31, 2021	**36,805**	**766**	**2,655**	**136**	**40,362**

Reconciliation of liabilities arising from financial liabilities

(CHF thousand)	
Balance on January 1, 2021	**39,216**
Adjustments due to restatement	-6,982
Balance on January 1, 2021 (restated)	**32,234**
Additions (net, restated)	19,121
Interest cost (restated)	701
Payments (restated)	-7,981
Cash change from repayment (restated)	*-7,280*
Cash change from interest (restated)	*-701*
Currency translation (restated)	-1,596
Balance on December 31, 2021 (restated)	**42,479**
Additions (net)	3,338
Interest cost	872
Payments	-7,591
Cash change from repayment	*-6,719*
Cash change from interest	*-872*
Currency translation	-1,334
Other	115
Balance on December 31, 2022	**37,879**
thereof non-current lease liabilities	31,154
thereof current lease liabilities	6,725

The amounts in the consolidated income statement attributable to leases are shown in the following table:

Lease payments in the consolidated income statement

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021 restated
Expenses from short-term leases	1,665	1,294
Expenses from leases of low-value assets (if not already short-term)	15	12
Expenses from variable lease payments (not included in lease liabilities)	943	1,043
Amortization on right-of-use assets from leases (restated)	7,052	7,481
Interest expenses from lease liabilities (restated)	872	701
Total (restated)	**10,547**	**10,531**

The ancillary costs from renting buildings are recognized as variable lease expenses. As a result of the amendment to IFRS 16 (see note 4.8.6), the cost of variable lease payments does not contain any negative variable lease payments (previous year: TCHF 84) in the reporting period. The cash outflows in the consolidated cash flow statement attributable to leases are shown in the following table:

Lease payments in the consolidated cash flow statement

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021 restated
Short-term leases	1,665	1,294
Leases for low-value assets	15	12
Variable lease payments	943	1,043
Repayment and interest on lease liabilities (restated)	7,591	7,981
Total (restated)	**10,214**	**10,330**

Under IFRS 16, the following lease-related future payments are not included in the measurement of lease liabilities:

Future unrecognized lease payments

(CHF thousand)	Future payments from short-term leases	Future payments from leases for low-value assets	Future variable lease payments	Future payments from contractually agreed leases that have not yet begun	Future payments from unrecognized residual value guarantees	Future payments from uncertain extension options	Future payments from uncertain termination options	Total
As of December 31, 2022								
Due within one year	512	15	580	-	59	-	-	1,166
Due between one year and five years	16	7	1,065	5,654	-	1,929	247	8,918
Due after five years	-	-	1,231	6,596	-	2,411	-	10,238
Total	**528**	**22**	**2,876**	**12,250**	**59**	**4,340**	**247**	**20,322**
As of December 31, 2021								
Due within one year (restated)	598	12	652	169	-	-	120	1,551
Due between one year and five years (restated)	-	6	1,550	753	62	242	259	2,872
Due after five years	-	-	1,678	-	-	4,410	-	6,088
Total (restated)	**598**	**18**	**3,880**	**922**	**62**	**4,652**	**379**	**10,511**

6.5 Financial information of subsidiaries with material non-controlling interests

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

Subsidiary	Dec. 31, 2022	Dec. 31, 2021
World Boxing Super Series AG, Pratteln, Switzerland	40 %	40 %

Disclosures on financial information (after elimination of internal relations)

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Share in equity of non-controlling interests	-12,184	-12,154

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Share of earnings of non-controlling interests	-35	-755

Disclosures on financial information (before elimination of internal transactions)

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Current assets	10,450	10,481
Non-current assets	340	425
Total assets	**10,790**	**10,906**
Current liabilities	41,095	41,150
Non-current liabilities	154	141
Total liabilities	**41,249**	**41,291**
Net assets	**-30,459**	**-30,385**

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Sales	-	-5
Earnings from continuing operations after taxes	-87	-1,888
Other earnings after taxes	12	22
Total earnings for the year	**-75**	**-1,866**
Cash flow from operating activities	-3,409	-2,310
Cash flow for investing activities	-	-
Cash flow from/for financing activities	3,400	2,269
Cash flow for the reporting period	**-9**	**-41**

There are also non-controlling interests at Highlight Communications AG of TCHF 185,426 (previous year: TCHF 205,636). Highlight Communications AG is also publicly listed and publishes the corresponding financial information in accordance with IFRS. The major differences in equity result from PPA adjustments. Based on the loan agreement, no dividends may be distributed, nominal value reductions implemented, or share buybacks carried out at the level of Highlight Communications AG.

The other non-controlling interests are immaterial.

6.6 Investments in associates and joint ventures

Associated companies

As of December 31, 2022, the Group holds interests in two associated companies (previous year: one associated company) that are included in the consolidated financial using the equity method (see note 3.1).

Carrying amounts

(CHF thousand)	
Balance on December 31, 2020	**54**
Dividends/repayments of capital	-8
Share of earnings	5
Currency translation	-2
Balance on December 31, 2021	**49**
Additions	2,769
Dividends/repayments of capital	-4
Share of earnings	-1,025
Currency translation	20
Balance on December 31, 2022	**1,809**

Financial information

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Earnings after taxes	-1,021	9
Other comprehensive income/loss (OCI)	-	-
Total earnings	**-1,021**	**9**

	Dec. 31, 2022	Dec. 31, 2021
Contingent liabilities (proportional)	-	-

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2021 were used for reporting on associated companies as the annual financial statements as of December 31, 2022 have not yet been prepared. No circumstances arose in the current fiscal year that would have necessitated an adjustment to the annual financial statements used as a basis.

At Upgrade LLC, the loss for fiscal 2022 was included 100 % in the consolidated financial statements as the capital employed was essentially contributed by the Constantin Film Group in the form of preferred shares and other contractual arrangements.

Joint ventures
As of December 31, 2022 – as in the previous year – the Group has investments in one joint venture that is included in the consolidated financial statements using the equity method.

Carrying amounts
(CHF thousand)

Balance on December 31, 2020	**-**
Additions	20
Share of earnings	-19
Currency translation	-1
Balance on December 31, 2021	**-**
Additions	573
Share of earnings	-431
Currency translation	12
Balance on December 31, 2022	**154**

Financial information

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Earnings after taxes	-862	-354
Other comprehensive income/loss (OCI)	-	-
Total earnings	**-862**	**-354**

	Dec. 31, 2022	Dec. 31, 2021
Contingent liabilities (proportional)	-	-

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

6.7 Non-current receivables

(CHF thousand)

Non-current trade accounts receivable (financial assets)	Dec. 31, 2022	Dec. 31, 2021
Non-current trade receivables	15,488	12,727
Expected lifetime credit losses (level 2)	-9	-
Total	**15,479**	**12,727**
Non-current other receivables (financial assets)		
Non-current other receivables	977	999
Total	**977**	**999**
Non-current other receivables (non-financial assets)		
Non-current other receivables	2,405	-
Total	**2,405**	**-**
Total non-current receivables	**18,861**	**13,726**

Write-downs on non-current trade accounts receivable

(CHF thousand)	Expected lifetime credit losses (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2021	**-**	**-**
Addition due to an increase in the volume of receivables	9	-
Balance on December 31, 2022	**9**	**-**

Non-current financial receivables primarily relate to the transfer of rights. They also relate to the VAT portion for revenue not yet recognized in accordance with IFRS. They are discounted in line with their maturity and measured in accordance with the impairment provisions general impairment approach.

Other non-current non-financial assets contain an advance payment for licensing rights for 2025 made in the reporting period.

6.8 Deferred tax assets

Breakdown of deferred tax assets

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Tax loss carryforwards	8,298	5,538
Intangible assets/film assets	8,594	7,702
Property, plant and equipment	523	640
Trade receivables and other receivables	15,974	11,624
Contract assets	2	2
Other financial assets	130	136
Inventories	29,586	18,171
Lease liabilities	9,501	10,743
Trade payables and other liabilities	700	2,469
Contract liabilities	1,116	554
Advance payments received	2,237	5,791
Provisions	27	146
Pension liabilities	295	411
Total	**76,983**	**63,927**
Netting with deferred tax liabilities	-68,373	-52,738
Deferred tax assets (net)	**8,610**	**11,189**

Maturities

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Current deferred tax assets	-	-
Non-current deferred tax assets	8,610	11,189

Deferred tax assets are recognized on loss carryforwards for the year under review if the Group anticipates future taxable profits at the respective companies. In addition, deferred tax assets were recognized on temporary differences. After offsetting against deferred tax liabilities, there were deferred tax assets totaling TCHF 8,610 as of December 31, 2022 (previous year: TCHF 11,189).

The Group has total loss carryforwards of TCHF 174,600 (previous year: TCHF 158,802) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

2022 (TCHF)	Expiry date			
	< 1 year	1- 5 years	> 5 years	thereof without expiry
	-	47,809	126,791	31,978

2021 (TCHF)	Expiry date			
	< 1 year	1- 5 years	> 5 years	thereof without expiry
	-	47,809	110,993	17,424

Deferred tax assets are measured at the tax rates applicable in the individual countries at the realization date or in future.

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Changes in deferred taxes (assets and liabilities)	-2,206	7,458
thereof:		
Change in income statement	-2,849	6,425
Change in other comprehensive income/loss	-421	-5
Change in currency translation	1,064	1,038

6.9 Other assets

Other financial assets

(CHF thousand) **Other non-current financial assets**	Dec. 31, 2022	Dec. 31, 2021
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in Prestige Media Group S.A.	-	-
Investment in Brand Technologies AG	-	-
Investment in Geenee Holdings Inc.	-	-
Investment in AGF Videoforschung GmbH	-	-
Investment in Summacum GmbH	30	31
Profit participation rights	2,969	-
Other investments	8	9
Equity/debt instruments at fair value through profit or loss (FVTPL)		
Convertible loans	59	62
Debt instruments at amortized cost (AC)		
Garage Italia Finance S.à.r.l.	5,326	5,602
Total	**8,392**	**5,704**

In the previous years, Highlight Event and Entertainment AG acquired a 3.5 % equity interest in Prestige Media Group S.A. for TCHF 754. The purpose of the company is to provide services in the media sector. 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 Prestige Media Group S.A., there was an adjustment of the fair value in the previous year, which was recognized in other comprehensive income (OCI) (see note 6.15).

In the fourth quarter of 2021, the convertible loan to FBNK FINANCE S.A R.L. was swapped against the Garage Italia Finance S.à.r.l. bond. The bond is recognized at amortized cost and allocated to non-current financial assets.

Highlight Event and Entertainment AG holds 22.5 % of the shares in Brand Technologies AG. The equity interest is measured as a financial asset at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). At the same time, Highlight Event and Entertainment AG granted a convertible loan of TCHF 500 in the previous years, which is measured at fair value through profit or loss. As the budget figures were not achieved and lower budget figures are anticipated in the future due to financial developments, an impairment loss was recognized in the previous year in other comprehensive income (OCI) and financial expense (see note 6.15 and note 7.9). There were no indications of a reversal of impairment in the year under review.

As a result of restructuring and refinancing activities, Sport1 GmbH now holds 0.754 % in Geenee Holdings Inc. (formerly: Geenee Inc.) as of December 31, 2022, with Rainbow Home Entertainment AG holding 0.636 % and Constantin Entertainment GmbH 0.118 % (previous year: Sport1 GmbH held 5.0 %, Rainbow Home Entertainment AG 4.54 % and Constantin Entertainment GmbH 0.46 %). The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). Owing to financial difficulties at the company, the equity investment was written off in full in previous years and the corresponding impairment loss was recognized in other comprehensive income (OCI). There were no indications of a reversal of impairment in the year under review.

The investments in AGF Videoforschung GmbH, in which Sport1 GmbH holds a 5.56 % share, were written down in full in previous years. There were no indications of a reversal of impairment in the year under review. The equity interest is irrevocably recognized at fair value through other comprehensive income (FVTOCI). It is allocated to level 3 of the fair value hierarchy (see note 8.4).

In addition, Sport1 GmbH holds 10 % of the shares in Summacum GmbH. The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). The shares were partially written down in previous years. There were no indications of further impairment or a reversal of impairment in the reporting period.

A profit participation right was acquired in return for advertising services in the reporting year. Through this profit participation right, Sport1 GmbH is entitled to 19.99 % of the EBIT of a third-party company’s profit center. As the profit participation right contains a combined call/put option in a company yet to be founded, this is treated as an equity instrument, recognized at fair value through other comprehensive income (FVTOCI) and assigned to Level 3 of the fair value hierarchy (see note 8.4).

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

The 5 % interest in Mister Smith Entertainment Ltd., London, has been held since 2015. The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). The carrying amount is TCHF 0 (previous year: TCHF 0). There is no active market for these shares. The cost also continues to represent the best estimate for the fair value of this financial instrument. In accordance with IFRS 9, non-listed equity instruments are also to be recognized at fair value.

Other non-current assets also include two equity interests of 1.0 % and 5.556 %, both of which are recognized at fair value through other comprehensive income (FVTOCI) and are allocated to level 3 of the fair value hierarchy (see note 8.4).

The Dynamic Bets Inc. convertible loan was sold for TCHF 12 in the previous year.

As in the previous year, there are no other current financial assets as of the end of the reporting period.

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

6.10 Inventories

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Net balance		
Work in progress	10,874	68,529
Blu-rays/DVDs	540	634
Constants	132	138
Total	**11,546**	**69,301**

Unfinished goods and services essentially relate to service productions in development that have not yet been ordered by the broadcaster, as well as service productions where revenue is recognized at a point in time and that cannot be recognized as contract assets or liabilities.

In the year under review, impairment losses were recognized in the amount of TCHF 550 (previous year's period: TCHF 1,175) and reversed in the amount of TCHF 4 (previous year's period: TCHF 0).

6.11 Trade receivables and other receivables

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts receivable	71,894	59,683
Other receivables	57,181	61,955
Total	**129,075**	**121,638**

6.11.1 Trade accounts receivable

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts receivable (financial assets)		
Current receivables	69,850	53,669
Expected lifetime credit losses (level 2)	-252	-124
Individual value adjustments (level 3)	-2,675	-2,749
Total	**66,923**	**50,796**
Trade accounts receivable (non-financial assets)		
Receivables from countertrades	4,971	8,887
Total	**4,971**	**8,887**
Total trade accounts receivable	**71,894**	**59,683**

Trade accounts receivable includes receivables of TCHF 153 (previous year: TCHF 177) from a media-for-equity fund relating to advertising services provided and invoiced. The guaranteed minimum claim is recognized in receivables with remuneration taking place only when the fund sells its equity interests. In this connection, embedded derivatives and options of TCHF 300 (previous year: TCHF 382) were recognized under other financial assets. These items were measured at TCHF 128 (previous year: TCHF 564) in financial income through profit or loss and TCHF 156 (previous year: TCHF 52) in financial expenses through profit or loss.

The carrying amount of receivables not yet due and receivables that are overdue by up to 90 days is approximately their fair value.

Impairment losses

(CHF thousand)	Expected lifetime credit losses (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2020	**181**	**4,910**
Currency translation differences	-4	-117
Addition due to an increase in the volume of receivables	6	-
Reduction due to a decrease in the volume of receivables	-59	-
Additions	-	15
Consumption	-	-1,966
Reversals	-	-93
Balance on December 31, 2021	**124**	**2,749**
Currency translation differences	-6	-113
Addition due to an increase in the volume of receivables	136	-
Reduction due to a decrease in the volume of receivables	-2	-
Additions	-	144
Consumption	-	-105
Balance on December 31, 2022	**252**	**2,675**

Trade accounts receivable are measured using the simplified approach. Stage 3 impairment is recognized following an individual assessment. There is no relevant collateral or other credit enhancements.

The level 3 impairment losses relate to various individual matters that were not yet completed and therefore were not derecognized.

Currency profile

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
CHF	879	1,932
EUR	41,019	42,491
USD	29,870	15,221
Other	126	39
Total	**71,894**	**59,683**

6.11.2 Other receivables

Other receivables (financial assets)

(CHF thousand)		Expected credit losses			
Dec. 31, 2022	Gross	Level 1	Level 2	Level 3	Net
Suppliers with debit balances	1,911	-2	-	-	1,909
Receivables from loans	2,581	-5	-	-246	2,330
Subsidies receivables	26,634	-2	-	-	-26,632
Positive fair value of derivative financial instruments without hedging relationships	1,047	-	-	-	1,047
Receivables due from personnel (financial)	426	-	-	-	426
Other assets (financial)	14,200	-18	-	-1,745	12,437
Total	**46,799**	**-27**	**-**	**-1,991**	**44,781**

(CHF thousand)		Expected credit losses			
Dec. 31, 2021	Gross	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)	18,771	-31	-	-1,758	16,982
Total	**48,347**	**-40**	**-**	**-2,016**	**46,291**

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

Other financial assets essentially include options for script rights, deposits paid and receivables from foreign project funding. These tax credits are tax investment subsidies for the performance of movie productions granted by some countries (such as Canada or Czechia) and excluded from the scope of IAS 20 and IAS 12. Tax credits are recognized and deducted from cost when the comfort letter or payment is received, or by the time the project is completed at the latest.

The carrying amount for all current financial assets is approximately their fair value. They are measured using the general approach.

Impairment losses

(CHF thousand)	Credit losses expected over 12 months (level 1)	Expected lifetime credit losses (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2020	**55**	**-**	**2,042**
Currency translation differences	-1	-	-26
Reduction due to a decrease in the volume of receivables	-14	-	-
Balance on December 31, 2021	**40**	**-**	**2,016**
Currency translation differences	-2	-	-25
Reduction due to a decrease in the volume of receivables	-11	-	-
Addition	-	-	27
Consumption	-	-	-27
Balance on December 31, 2022	**27**	**-**	**1,991**

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

Other receivables (non-financial assets)

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses	7,631	9,450
Input tax	824	2,889
Other taxes	220	16
Advance payments	379	163
Other assets (non-financial)	3,346	3,146
Total	**12,400**	**15,664**

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

Currency profile

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
CHF	3,636	3,827
EUR	24,541	41,866
USD	3,612	3,100
CAD	10,336	7,465
PLN	12,234	-
Other	2,822	5,697
Total	**57,181**	**61,955**

6.12 Contract assets

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Contract assets	29,000	31,161
Expected lifetime credit losses (level 2)	-8	-6
Total	**28,992**	**31,155**

The contract assets are mainly services rendered that have not yet been invoiced or that it has not yet been possible to invoice. They are measured using the simplified approach in accordance with IFRS 9.

Development of contract assets

(CHF thousand)	
Balance on December 31, 2020	**32,680**
Currency translation differences	-780
Additions	31,912
Impairment	-6
Reclassification to trade accounts receivable	-32,651
Balance on December 31, 2021	**31,155**
Currency translation differences	-725
Additions	15,190
Impairment	-8
Reclassification to trade accounts receivable	-16,620
Balance on December 31, 2022	**28,992**

Impairment losses

(CHF thousand)	Expected lifetime credit losses (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2020	**6**	**-**
Balance on December 31, 2021	**6**	**-**
Addition due to an increase in the volume of receivables	2	-
Balance on December 31, 2022	**8**	**-**

6.13 Income tax receivables

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Income taxes Switzerland	33	33
Income taxes Germany	1,907	318
Income taxes rest of the world	165	169
Total	**2,105**	**520**

6.14 Cash and cash equivalents

Interest is paid on call money and short-term sight deposits. The interest rate varies between 0 % and 0.25 % (previous year: between 0 % and 0.25 %).

Cash funds of TCHF 11,390 were earmarked for Highlight Communications AG's squeeze-out of the shareholders of Sport1 Medien AG and were restricted.

6.15 Equity

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

Share capital

As of December 31, 2022, the fully paid-up share capital of the parent company, Highlight Event and Entertainment AG, amounted to CHF 85,140,000 (previous year: CHF 85,140,000), divided into 9,460,000 bearer shares with a par value of CHF 9.00 per share (previous year: 9,460,000 bearer shares of CHF 9.00 per share).

Treasury shares

As of December 31, 2022, the separately reported item "Treasury stock" amounted to TCHF -45 (previous year: TCHF -45). The amount reflects the nominal capital of treasury shares.

As of December 31, 2022, the number of directly held non-voting treasury shares was 5,021 Highlight Event and Entertainment AG shares (previous year: 5,021).

Non-controlling interests

Non-controlling interests in consolidated subsidiaries amounted to TCHF 173,715 as of December 31, 2022 (previous year: TCHF 194,113).

Dividend payments in the reporting year amounted to TCHF 1,050 (previous year's period: TCHF 1,116) and the net profit for the period attributable to non-controlling interests was TCHF -7,606 (previous year's period: TCHF 1,959). Differences from currency translation amounted to TCHF -5,388 (previous year: TCHF -5,694). The increase in the equity interest in Highlight Communications AG, recognized in equity, resulted in an overall reduction in non-controlling interests by TCHF 7,564 (previous year: reduction in non-controlling interests by increasing the equity interest in Sport1 Medien AG, Olga Film GmbH, and Highlight Communications AG by a total of TCHF 4,521). On December 14, 2021, a squeeze-out was executed in respect to the minority shareholders of Sport1 Medien AG. In the process, the obligation was reclassified to other current liabilities (see note 6.20). This resulted in a reduction of non-controlling interests by TCHF 6,878 in 2021. The change in the equity interest in Jackpot50 GmbH increased non-controlling interests by TCHF 1,603 in the previous year.

Remeasurement reserves and retained earnings

As of the end of the reporting period, other reserves totaled TCHF -14,569 (previous year: TCHF -9,344).

As of December 31, 2022, these essentially relate to the translation of the equity of companies that do not use Swiss francs as their functional currency.

The cash flow hedge reserve before taxes developed as follows as of December 31, 2022.

Reconciliation of the market valuation of financial instruments

(CHF thousand)	
Balance on December 31, 2020	**732**
Gains or losses from effective hedging relationships	-921
Balance on December 31, 2021	**-189**
Gains or losses from effective hedging relationships	585
Reclassification due to realization of the hedged item	189
Balance on December 31, 2022	**585**

The changes in other components of equity in fiscal years 2022 and 2021 were as follows:

Other comprehensive income/loss (OCI)

2022 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	-10,429	-	-10,429
Reclassification of realized gains/losses through profit or loss	-	-	-
Currency translation differences	-10,429	-	-10,429
Gains/losses from cash flow hedges	774	-238	536
Items that can be reclassified to profit or loss	**-9,655**	**-238**	**-9,893**
Actuarial gains/losses of defined benefit pension plans	1,925	-183	1,742
Gains/losses from financial assets at fair value through other comprehensive income	-	-	-
Items that cannot be reclassified to profit or loss	**1,925**	**-183**	**1,742**
Other comprehensive income/loss	**-7,730**	**-421**	**-8,151**

2021 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	-11,117	-	-11,117
Reclassification of realized gains/losses through profit or loss	–	–	–
Currency translation differences	-11,117	-	-11,117
Gains/losses from cash flow hedges	-921	275	-646
Items that can be reclassified to profit or loss	**-12,038**	**275**	**-11,763**
Actuarial gains/losses of defined benefit pension plans	2,839	-280	2,559
Gains/losses from financial assets at fair value through other comprehensive income	-3,254	-	-3,254
Items that cannot be reclassified to profit or loss	**-415**	**-280**	**-695**
Other comprehensive income/loss	**-12,453**	**-5**	**-12,458**

Information on capital management

In managing capital, the HLEE 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.

The objective of Highlight Event and Entertainment AG 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 HLEE 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 HLEE Group is managed centrally for all segments. This does not include Constantin Film AG and Sport1 Medien AG, which manage their own liquidity independently of Highlight Event and Entertainment AG. In addition to a liquidity report and liquidity planning to assess its liquidity status, Highlight Event and Entertainment 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 Event and Entertainment AG comprises all items of equity reported in the statement of financial position.

Highlight Event and Entertainment AG also monitors the debt of the Film segment and the Sports and Events segment in the context of Group management. Debt capital is monitored non-centrally by Highlight Event and Entertainment AG, Sport1 Medien AG and Constantin Film AG.

Financial ratios and other conditions must be complied with for borrowed funds, and information must be provided.

The credit agreements of Highlight Communications AG and Constantin Film AG include compliance with certain financial covenants. The financial covenants of the Highlight Group relate to EBITDA, gearing, the interest coverage ratio, the economic equity ratio, and reported equity including non-controlling interests. If the conditions on borrowed funds are violated, the interest rate could increase or a termination option could arise. The financial covenants had not been violated as of December 31, 2022.

6.16 Pension obligations

6.16.1 Defined benefit pension plans

The defined benefit pension plans in place relate to the Swiss companies of the HLEE 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, and 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. However, they are available to the employer in order to settle future employer contributions (employer contribution reserve).

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

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

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

The forecast employer contributions for fiscal year 2023 amount to TCHF 1,800.

Maturity profile of defined benefit obligation

(CHF thousand)	2022	2021
Less than 1 year	5,970	4,112
Weighted average maturity of defined benefit obligation (in years)	12.7	14.5

Change in defined benefit liabilities

The defined benefit liabilities recognized in the consolidated statement of financial position are calculated as follows:

Pension liabilities

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Present value of defined benefit obligation	37,608	41,709
Fair value of plan assets	41,722	43,869
Asset ceiling	5,792	5,048
Carrying amount	**1,678**	**2,888**

The pension liabilities totaling TCHF 1,678 (previous year: TCHF 2,888) consist of pension assets of TCHF 1,520 (previous year: TCHF 1,520, (see note 6.9) and pension liabilities of TCHF 3,198 (previous year: TCHF 4,408). The figure to be included as assets is limited to the amount of the employer contribution reserve, resulting in an asset ceiling of TCHF 5,792 as of December 31, 2022 (previous year: TCHF 5,048).

Development of defined benefit obligation

(CHF thousand)	2022	2021
Present value of defined benefit obligation as of January 1	**41,709**	**47,949**
Current service cost (without employee contributions and administrative expenses)	2,278	2,159
Employee contributions	1,036	1,006
Interest cost	123	73
Curtailment, settlement	77	-796
Benefits paid	-1,985	-5,433
Actuarial losses/(gains) from experience adjustments	1,229	-683
Actuarial losses/(gains) from changes in financial assumptions	-6,859	-592
Actuarial losses/(gains) from changes in demographic assumptions	-	-1,974
Present value of defined benefit obligation as of December 31	**37,608**	**41,709**
thereof actively insured persons	34,688	38,641
thereof pensioners	2,920	3,068

Development of plan assets

(CHF thousand)	2022	2021
Fair value of assets as of January 1	**43,869**	**43,670**
Interest income	114	66
Employee contributions	1,036	1,006
Employer contributions	1,744	1,235
Administrative expenses of the foundation	-95	-96
Benefits paid	-1,985	-5,433
Actuarial (losses)/gains from experience adjustments	-2,961	3,421
Fair value of assets as of December 31	**41,722**	**43,869**

Retirement benefit expenses broke down as follows:

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Current service cost (without employee contributions and administrative expenses)	2,278	2,159
Administrative expenses of the foundation	95	96
Effects from curtailments and settlements	77	-796
Net interest cost (income)	9	7
Total income statement	**2,459**	**1,466**

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

(CHF thousand)	2022	2021
Cash and cash equivalents	1,149	1,426
Bonds with quoted market prices on active markets	5,740	8,006
Bonds without quoted market prices	-	573
Shares with quoted market prices on active markets	12,273	14,305
Real estate	15,822	13,375
Insurance surrender value	4,083	3,628
Other	2,655	2,556
Total	**41,722**	**43,869**

The actual return on plan assets in the year under review amounted to TCHF -2,847 (previous year's period: TCHF 3,487).

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

	2022	2021
Discount rate	2.25	0.30
Pension trend	0.00	0.00
Salary trend	2.00	1.50
Average life expectancy after retirement – men (in years)	22.82	22.70
Average life expectancy after retirement – women (in years)	25.59	25.48

As in the previous year, the new BVG 2020 generation table was used for the actuarial assumptions for mortality, disability, and employee turnover.

Sensitivity analysis
Changes in one of the key actuarial assumptions that would reasonably be expected to be possible as of the end of the reporting period would affect the pension obligation as follows:

	Discount rate (incl. change in projected interest rate)		Pension trend		Salary trend		Average life expectancy
2022 (TCHF)	+25 BP	-25 BP	+25 BP	-25 BP	+25 BP	-25 BP	+1 year
Impact on defined benefit obligation	-733	771	562	-	201	-196	993

	Discount rate (incl. change in projected interest rate)		Pension trend		Salary trend		Average life expectancy
2021 (TCHF)	+25 BP	-25 BP	+25 BP	-25 BP	+25 BP	-25 BP	+1 year
Impact on defined benefit obligation	-985	1,045	767	-	255	-248	1,050

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

6.16.2 Defined contribution plans
The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 7,605 in the year under review (previous year's period: TCHF 8,358).

6.17 Deferred tax liabilities

Breakdown of deferred tax liabilities

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Intangible assets and film assets	80,208	71,302
Right-of-use assets	8,844	10,180
Inventories	2	3
Trade receivables and other receivables	454	5,230
Contract assets	3,468	4,442
Other financial assets	82	105
Pension assets	204	204
Trade payables and other liabilities	2,288	2,709
Contract liabilities	168	124
Advance payments received	23,787	9,944
Total	**119,505**	**104,243**
Netting with deferred tax assets	-68,373	-52,738
Deferred tax liabilities (net)	**51,132**	**51,505**

Maturities

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Current deferred tax liabilities	-	-
Non-current deferred tax liabilities	51,132	51,505

6.18 Financial liabilities

Reconciliation of liabilities arising from financial liabilities

			Non-cash changes				
(CHF thousand)	Jan. 1, 2022 restated	Cash	Accrual of interest	Currency translation	Reclassification	Other	Dec. 31, 2022
Non-current financial liabilities	**34,818**	12,439	482	-1,217	47,036	-	**93,558**
Current financial liabilities	**255,628**	-4,475	786	-5,870	-47,036	-49	**198,984**
Total financial liabilities	**290,446**	**7,964**	**1,268**	**-7,087**	**-**	**-49**	**292,542**

					Non-cash changes				
(CHF thousand)	Jan. 1, 2021	Adjustments due to restatement	Jan. 1, 2021 restated	Cash	Accrual of interest	Currency translation	Reclassification	Other	Dec. 31, 2021 restated
Non-current financial liabilities	**114,712**	4,870	119,582	28,342	230	-1,623	-111,403	-310	**34,818**
Current financial liabilities	**163,885**	2,112	165,997	-14,236	176	-6,132	109,823	-	**255,628**
Total financial liabilities	**278,597**	**6,982**	**285,579**	**14,106**	**406**	**-7,755**	**-1,580**	**-310**	**290,446**

Please see note 6.4 for the reconciliation with lease liabilities.

6.18.1 Current financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 109,433 (previous year: TCHF 190,647), TCHF 82,463 (previous year: TCHF 76,766) of which relates to financing film projects. In addition, current financial liabilities as of December 31, 2022 included liabilities from sale and leaseback agreements with repurchase options of TCHF 2,834 (previous year: 2,537 TCHF), which are reported as financing transactions, and other short-term borrowings of TCHF 1,980 (previous year: 2,071 TCHF). Liabilities to related parties amounted to TCHF 84,737 (previous year: 60,373 TCHF, also see note 12). The HLEE Group had free short-term credit facilities totaling around TCHF 156,731 (previous year: TCHF 127,775) as of the end of the reporting period. Of this, the Constantin Film Group's credit facilities (production financing and license trading facilities) are secured by the film rights reported as film assets in the amount of TCHF 155,334 (previous year: TCHF 127,010) and the resulting proceeds from exploitation in addition to receivables and contract assets of TCHF 67,731 (previous year: TCH 56,221). The security interests of the banks serve as collateral for all current and future receivables of the banks from Constantin Film AG. The banks are entitled to liquidate this collateral if necessary. They will be transferred back to Constantin Film AG by the banks after all secured claims have been satisfied.

Highlight Communications AG's credit agreement provides for four facilities. Facility A1 amounts to EUR 15.1 million (nominal value EUR 15.2 million), Facility A2 amounts to EUR 9.9 million (nominal value EUR 9.9 million), and Facility B amounts to CHF 19.9 million (nominal value CHF 20 million). Facilities A1 and B are required to be repaid in the amount of 20 % p.a. Facility A2 will be repaid in the amount of EUR 1.1 million in 2022, EUR 2.2 million in 2023, and EUR 7.7 million in 2024. Facility C amounts to CHF 49.7 million (nominal value CHF 50 million) and is not due until 2024. Highlight Communications AG's credit facilities of TCHF 70,000 and TEUR 25,048 (previous year: TCHF 80,000 and TEUR 33,722) are secured by the shares in Sport1 Medien AG and Constantin Film AG. Facility A2 was taken out in the fourth quarter of 2021 to finance the squeeze-out of the minority shareholders in Sport1 Medien AG.

In late June 2023, Highlight Communications AG is required to make repayments of TEUR 7,574 for Facility A1 and TCHF 10,000 for Facility B. Repayment of TEUR 1,100 is required for Facility A2 at the end of June and December 2023.

As of the end of the reporting period, the SPORT1 MEDIEN Group has a floating-rate working capital facility of TCHF 10,889 (previous year: TCHF 7,248) and guarantee lines of TCHF 7,920 (previous year: TCHF 17,603). A total of 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 23,012 (previous year: 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 25,607) were pledged for these credit facilities as of December 31, 2022 and a global assignment of TCHF 8,533 in receivables from Sport1 GmbH (previous year: TCHF 12,569) and TCHF 3,659 from PLAZAMEDIA GmbH (previous year: TCHF 4,049) from goods deliveries and services to third-party debtors was deposited. Financial covenants do not have to be maintained for this borrowed capital.

In the year under review, the loan of CHF 51.3 million from Swiss International Investment Portfolio AG (SWIIP) was extended until June 30, 2024. SWIIP is a related party of the HLEE Group.

At Highlight Event and Entertainment AG, a total of 28.36 million shares in Highlight Communications AG (previous year: 24.31 million shares in Highlight Communications AG) were pledged as collateral.

As of June 14, 2021, Highlight Event and Entertainment AG took up new convertible loans of TCHF 7,200 and TCHF 7,800. The lenders (Victorinox AG and Pensionskasse der Victorinox AG) have the right to convert the loan at a conversion price of CHF 30 per share into a total of 500,000 Highlight Event and Entertainment AG shares. The conversion period commenced on June 14, 2021 and ends on May 30, 2023. The convertible loans bear interest at a rate of 3 % during their terms. If the option is not exercised, the convertible loans must be repaid on May 31, 2023. Both convertible loans were extended by one year until May 30, 2024.

In the reporting year, the Personalfürsorgestiftung der Victorinox AG loan of TCHF 16,500 was extended to June 7, 2024 and thus reclassified from current to non-current financial liabilities.

Currency profile

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021 restated
CHF	35,871	79,238
EUR (restated)	117,529	128,768
USD	35,289	38,011
CAD	10,295	9,611
Total (restated)	**198,984**	**255,628**

6.18.2 Non-current financial liabilities

Financial covenants were agreed for the financial liability arising from the credit agreement with the four facilities. Owing to the breach of an agreed financial covenant, financial liabilities previously classified as non-current were reclassified to current financial liabilities in the previous year. However, a written declaration from the banks waiving the early repayment was received in May 2022. The items were thus reclassified to current financial liabilities.

6.19 Advance payments received

Advance payments received of TCHF 36,381 in total (previous year: TCHF 40,015) essentially include amounts received from productions for which revenue has not yet been recognized.

6.20 Trade payables and other liabilities

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts payable	43,772	45,271
Other liabilities	90,595	105,707
Total	**134,367**	**150,978**

6.20.1 Trade accounts payable

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Trade accounts payable (financial)		
Current liabilities	21,936	24,761
Liabilities to related parties	-	16
Outstanding invoices	18,790	18,084
Total	**40,726**	**42,861**
Trade accounts payable (non-financial)		
Liabilities from countertrades	3,046	2,410
Total	**3,046**	**2,410**
Total trade accounts payable	**43,772**	**45,271**

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

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
CHF	931	540
EUR	35,773	38,173
USD	5,778	3,602
CAD	-	2,170
Other	1,290	786
Total	**43,772**	**45,271**

6.20.2 Other current liabilities

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Other liabilities (financial)		
Liabilities for conditional loan repayment (subsidies)	9,139	16,337
Customers with credit balances	293	401
Commissions, licenses and royalty payments	32,222	36,293
Current other loans	7,303	7,305
Negative fair value of derivative financial instruments without hedging relationships	1,976	49
Personnel-related liabilities (financial)	16,601	16,120
Other current liabilities (financial)	4,641	15,065
Other liabilities due to related parties	688	696
Total	**72,863**	**92,266**

Other liabilities (non-financial)		
VAT liabilities	2,417	3,229
Other taxes	3,716	3,828
Social security	533	722
Prepaid expenses	10,228	4,932
Personnel-related liabilities (non-financial)	828	730
Other current liabilities (non-financial)	10	-
Total	**17,732**	**13,441**

On December 14, 2021, a squeeze-out was executed in respect to the minority shareholders of Sport1 Medien AG. In the process, the obligation was reclassified to other current liabilities (see note 6.15). The squeeze-out at Sport1 Medien AG was entered at the Munich commercial register office on February 2, 2022. The squeeze-out came into effect following this entry (see note 3.2).

Deferred income essentially includes subsidies that have already been received that were not offset by any expenses in the reporting year.

Currency profile

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
CHF	22,117	22,921
EUR	37,419	60,328
USD	24,184	19,373
CAD	6,660	1,752
Other	215	1,333
Total	**90,595**	**105,707**

6.21 Contract liabilities

Development of contract liabilities

(CHF thousand)	
Balance on December 31, 2020	**9,900**
Currency translation differences	-225
Additions	13,571
Amounts consumed due to performance	-9,592
Balance on December 31, 2021	**13,654**
Currency translation differences	-271
Additions	20,249
Amounts consumed due to performance	-11,999
Balance on December 31, 2022	**21,633**

Contract liabilities relate to consideration already received from customers for which the HLEE Group has not yet fulfilled its performance obligations.

The line “Amounts consumed due to performance” relates to sales recognized in the reporting period that were included in net contract liabilities at the beginning of the period.

6.22 Provisions

(CHF thousand)	Jan. 1, 2022	Currency translation differences	Consumption	Reversal	Addition	Dec. 31, 2022
Provisions for litigation risks	503	-20	204	43	92	328
Staff provisions	1,514	-60	45	390	10	1,029
Provisions for guarantees and contractual obligations	6	-	-	6	-	-
Other provisions	66	-2	46	-	-	18
Total	**2,089**	**-82**	**295**	**439**	**102**	**1,375**
thereof current provisions	2,089	-82	295	439	102	1,375

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

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

Staff provisions essentially comprise the risk of potential future obligations for termination benefits. It is anticipated that the staff provisions will be utilized within the first twelve months after the balance sheet date.

As in the previous year, there were no non-current provisions as of the end of the reporting period.

6.23 Income tax liabilities

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Income taxes Switzerland	234	1,538
Income taxes Germany	9,910	12,667
Income taxes rest of the world	347	171
Total	**10,491**	**14,376**

7. NOTES TO INDIVIDUAL ITEMS OF THE INCOME STATEMENT

7.1 Sales from contracts with customers

Please see the segment reporting under note 10 for a breakdown of sales.

Revenue from contracts with customers from prior periods recognized in the current period amounted to TCHF 106 (previous year's period: TCHF 326).

Future revenue from contracts with customers

Revenue expected to be recognized (TCHF)	Dec. 31, 2022	Dec. 31, 2021
within one year	239,005	345,629
between one and five years	131,573	197,103
after five years	3,587	5,530
Total	**374,165**	**548,262**

7.2 Capitalized film production costs and other own work capitalized

Capitalized film production costs and TV service productions amount to TCHF 61,165 (previous year: TCHF 119,741) and are significantly lower than in the previous as a result of the offsetting effects from the change in inventories due to revenue recognition for the Resident Evil series. Other own work capitalized of TCHF 3,414 (previous year's period: TCHF 3,279) mainly relates to digital internally generated intangible assets.

7.3 Other operating income

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Income from the reversal of provisions and deferred liabilities	1,454	4,371
Prior-period income	1,833	516
Recharges	132	525
Price gains	4,051	4,821
Income from rents and leases	25	11
Write-off of liabilities	1,765	-
Income from the disposal of non-current assets	32	7,617
Income from settlements of claims for damages and settlement agreements	4,461	6,025
Miscellaneous operating income	6,515	10,312
Total	**20,268**	**34,198**

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.

In the previous year, income from the disposal of non-current assets primarily included proceeds from the sale of trademark rights of TCHF 7,569.

In addition to a number of items that cannot be allocated to any of the separate items named, miscellaneous operating income essentially includes refunds from the default fund, sales proceeds from productions (such as costume sales) and income from benefits in kind (previous year: this included proceeds from interim assistance III of TCHF 3,494 for the German subsidiaries of Highlight Event and Entertainment AG).

7.4 Cost of materials and licenses

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Licenses and commission	49,173	43,143
Other costs of material	10,289	13,150
Total licenses, commissions and material	**59,462**	**56,293**
Production costs	210,516	182,963
Purchased services	929	1,236
Royalty payments in the Film segment	14,845	19,835
Total purchased services	**226,290**	**204,034**

7.5 Personnel expenses

No government grants were recognized as a deduction from staff costs in the reporting period (previous year: TCHF 205). In the previous year, this related to the reimbursed social insurance contributions for the short-time allowance.

7.6 Other operating expenses

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Rental costs	4,326	2,359
Repair and maintenance costs	863	1,016
Advertising and traveling expenses	7,258	4,937
Legal, consulting and auditing costs	11,486	15,019
IT costs	6,483	6,369
Administrative costs	1,493	1,680
Other personnel-related expenses	1,915	1,399
Insurance, dues and fees	2,542	2,619
Expenses relating to other periods	353	1,012
Price losses	4,678	4,503
Vehicle costs	567	704
Bank fees	304	351
Losses from the disposal of non-current assets	28	105
Other taxes	445	844
Release and promotion expenses	11,941	10,771
Expenses from short-term leases	1,665	1,294
Expenses from leases of low-value assets (if not already short-term)	15	12
Expenses from variable lease payments (not included in lease liabilities)	943	1,043
Miscellaneous operating expenses	3,642	4,382
Total	**60,947**	**60,419**

The increase in incidental premises expenses relates to the significant rise in prices for gas and electricity prices.

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

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

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

7.7 Impairment/reversals of impairment on financial assets

This item includes impairment losses on financial assets of TCHF 318 (previous year's period: TCHF 17) and reversals of impairment losses on financial assets totaling TCHF 207 (previous year's period: TCHF 162).

7.8 Financial income

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Interest and similar income	2,448	1,246
Gains from changes in the fair value of financial instruments	1,889	1,927
Currency exchange gains	7,081	5,659
Total	**11,418**	**8,832**

The interest and similar income item contains essentially income from accrued interest on non-current receivables with a financing component.

Gains from changes in the fair value of financial instruments include those on 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.

7.9 Financial expenses

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021 restated
Interest and similar expenses (restated)	13,680	11,407
Losses from changes in the fair value of financial instruments	2,644	628
Currency exchange losses	7,608	6,597
Interest expenses from lease liabilities (restated)	872	701
Total (restated)	**24,804**	**19,333**

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

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

7.10 Taxes

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes. The expected tax rate of 17.93 % (previous year: 17.93 %) relates to the tax rate applicable at the domicile of Highlight Event and Entertainment AG.

Tax reconciliation

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Earnings before taxes	-16,188	2,681
Expected taxes based on a tax rate of 17.93 % (previous year: 17.93 %)	2,903	-481
Differing tax rates	-1,178	-1,652
Reversal of deferred tax assets	17	-
Write-down on deferred tax assets	-157	106
Tax-exempt income	2	-11
Permanent differences	-391	-536
Tax rate changes	-457	-
Non-deductible expenses	-3,581	-2,706
Aperiodic income taxes	922	718
Other effects	1,267	1,040
Unrecognized deferred taxes	-4,209	-1,211
Actual tax expense	**-4,862**	**-4,733**
Effective tax rate in %	n/a	n/a

8. DISCLOSURES ON FINANCIAL RISK MANAGEMENT

8.1 Financial instruments by class

The table below shows the carrying amounts and fair values of financial instruments by class and a breakdown into the various categories of financial instruments in accordance with IFRS 9.

IFRS 7 disclosures: Classes as of December 31, 2022

				Valuation in the balance sheet under IFRS 9			
ASSETS (TCHF)	Classification category IFRS 9	Carrying amount on Dec. 31, 2022	thereof not relevant under IFRS 7	Amortized cost	Fair value through OCI	Fair value through profit or loss	Fair value on Dec. 31, 2022
Cash and cash equivalents	AC	**30,183**	-	30,183	-	-	**30,183**
Trade accounts receivable	AC	**71,894**	-4,971	66,923	-	-	**66,923**
Contract assets	Without category	**28,992**	-28,992	-	-	-	**-**
Receivables from associates and joint ventures (current and non-current)	AC	**65**	-	65	-	-	**65**
Other receivables (current)							
Financial assets at fair value	FVTPL	**1,047**	-	-	-	1,047	**1,047**
Other receivables	AC	**56,134**	-12,400	43,734	-	-	**43,734**
Non-current receivables							
Financial assets at fair value	FVTPL	**13,689**	-	-	-	13,689	**13,689**
Other receivables	AC	**5,172**	-2,405	2,767	-	-	**2,767**
Other financial assets (non-current)							
Financial assets at fair value	FVTPL	**59**	-	-	-	59	**59**
Financial assets at fair value	FVTOCI	**3,007**	-	-	3,007	-	**3,007**
Financial assets at amortized cost	AC	**5,326**	-	5,326	-	-	**5,326**

EQUITY AND LIABILITIES (TCHF)							
Financial liabilities (current and non-current)	AC	**291,957**	-	291,957	-	-	**280,458**
Financial liabilities with hedging relationships (current and non-current)	AC	**585**	-	585	-	-	**585**
Lease liabilities (current and non-current) **	No category	**37,879**	-	-	-	-	**-**
Trade accounts payable (current and non-current)	AC	**43,772**	-3,046	40,726	-	-	**40,726**
Contract liabilities	No category	**21,633**	-21,633	-	-	-	**-**
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	AC	**88,705**	-17,732	70,973	-	-	**70,973**
Financial liabilities at fair value	FLTPL	**1,976**	-	-	-	1,976	**1,976**
AGGREGATED BY CATEGORY							
Assets (TCHF)							
Financial assets at amortized cost	AC	168,774	-19,776	148,998	-	-	148,998
Financial assets at fair value through profit or loss	FVTPL	14,795	-	-	-	14,795	14,795
Financial assets at fair value through OCI	FVTOCI	3,007	-	-	3,007	-	3,007
Equity and liabilities (TCHF)							
Financial liabilities at amortized cost	AC	425,019	-20,778	404,241	-	-	392,742
Financial liabilities at fair value	FLTPL	1,976	-	-	-	1,976	1,976

* Not relevant under IFRS 7: It does not concern financial instruments.
** In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities
AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

IFRS 7 disclosures: Classes as of December 31, 2021

ASSETS (TCHF)	Classification category IFRS 9	Carrying amount on Dec. 31, 2021 restated	thereof not relevant under IFRS 7	Valuation in the balance sheet under IFRS 9: Amortized cost	Fair value through OCI	Fair value through profit or loss	Fair value on Dec. 31, 2021 restated
Cash and cash equivalents	AC	**48,873**	-	48,873	-	-	**48,873**
Trade accounts receivable	AC	**59,683**	-8,887	50,796	-	-	**50,796**
Contract assets	Without category	**31,155**	-31,155	-	-	-	**-**
Receivables from associates and joint ventures (current and non-current)	AC	**201**	-	201	-	-	**201**
Other receivables (current)							
Financial assets at fair value	FVTPL	**1,023**	-	-	-	1,023	**1,023**
Other receivables	AC	**60,932**	-15,664	45,268	-	-	**45,268**
Non-current receivables							
Financial assets at fair value	FVTPL	**12,622**	-	-	-	12,622	**12,622**
Other receivables	AC	**1,104**	-	1,104	-	-	**1,104**
Other financial assets (non-current)							
Financial assets at fair value	FVTPL	**62**	-	-	-	62	**62**
Financial assets at fair value	FVTOCI	**40**	-	-	40	-	**40**
Financial assets at amortized cost	AC	**5,602**	-	5,602	-	-	**5,602**

EQUITY AND LIABILITIES (TCHF)							
Financial liabilities (current and non-current, restated)	AC	**290,257**	-	290,257	-	-	**292,116**
Financial liabilities with hedging relationships (current and non-current)	AC	**189**	-	189	-	-	**189**
Lease liabilities (current and non-current, restated) **	No category	**42,479**	-	-	-	-	**-**
Trade accounts payable (current and non-current)	AC	**45,271**	-2,410	42,861	-	-	**42,861**
Contract liabilities	No category	**13,654**	-13,654	-	-	-	**-**
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	AC	**105,748**	-13,441	92,307	-	-	**92,307**
Financial liabilities at fair value	FLTPL	**49**	-	-	-	49	**49**
AGGREGATED BY CATEGORY							
Assets (TCHF)							
Financial assets at amortized cost	AC	176,395	-24,551	151,844	-	-	151,844
Financial assets at fair value through profit or loss	FVTPL	13,707	-	-	-	13,707	13,707
Financial assets at fair value through OCI	FVTOCI	40	-	-	40	-	40
Equity and liabilities (TCHF)							
Financial liabilities at amortized cost (restated)	AC	441,465	-15,851	425,614	-	-	427,473
Financial liabilities at fair value	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

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.

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 legally enforceable only in the event of insolvency and the Group neither has a legal right to offset amounts at the current time nor does it intend to settle on a net basis, the derivative financial instruments are reported in the consolidated balance sheet on a gross basis.

The tables below show an overview of the offsetting performed or contractually intended:

Offsetting as of December 31, 2022

Offsetting of financial assets

(CHF thousand)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	1,047	-	1,047	-139	908

Offsetting of financial liability

	Gross amounts	Gross amounts of	Net amounts	Related	Net amount

(CHF thousand)	of recognized financial liabilities	recognized financial assets offset in the balance sheet	of financial liabilities shown in the balance sheet	amounts not offset in the balance sheet	
Financial liabilities at fair value through profit or loss	1,976	-	1,976	-139	1,837

Offsetting as of December 31, 2021

Offsetting of financial assets

(CHF thousand)	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	48,883	-10	48,873	-	48,873

Offsetting of financial liability

(CHF thousand)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	49	-	49	-11	38

8.3 Management of financial risks

The Group is exposed to various financial risks resulting from its operating and financing activities. Financial risks can be broken down into the categories liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks). These risks are monitored centrally within the HLEE 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 the Highlight Event and Entertainment 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. There are suitable processes in place within the HLEE Group to limit this risk, with which cash inflows or outflows and maturities are monitored and controlled on an ongoing basis. Highlight Event and Entertainment AG and the HLEE Group had sufficient liquidity reserves taking into account the short-term credit facilities available as of the end of the reporting period.

The liquidity risk tables show the maturity structure of the primary financial liabilities and an analysis of the cash outflows from derivative financial liabilities and assets. These are undiscounted cash flows.

Liquidity risk

2022 (TCHF)	Carrying amount on Dec. 31, 2022	Due within one year			Due within one to five years			Due after five years		
		Fixed interest	Variable-rate interest	Repayment	Fixed interest	Variable-rate interest	Repayment	Fixed interest	Variable-rate interest	Repayment
Primary financial liabilities										
Liabilities due to banks and similar liabilities *	292,542	3,075	3,111	197,317	216	814	94,091	-	-	-
Lease liabilities	37,879	-	-	7,515	-	-	21,271	-	-	12,540
Other non-interest-bearing financial liabilities	111,699	-	-	111,699	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-	-	
Derivatives without hedge	1,976	-	-	8,451	-	-	24,926	-	-	-
Derivative financial assets	-	-	-	-	-	-	-	-	-	-
Currency derivatives in connection with fair value/cash flow hedges	1,047	-	-	7,961	-	-	6,107	-	-	-

2021 (TCHF)	Carrying amount on Dec. 31, 2021 restated	Due within one year			Due within one to five years			Due after five years		
		Fixed interest	Variable-rate interest	Repayment	Fixed interest	Variable-rate interest	Repayment	Fixed interest	Variable-rate interest	Repayment
Primary financial liabilities										
Liabilities due to banks and similar liabilities (restated) *	290,446	1,118	7,686	161,317	-	4,833	130,350 **	-	-	-
Lease liabilities (restated)	42,479	-	-	7,766	-	-	24,453	-	-	13,418
Other non-interest-bearing financial liabilities	135,168	-	-	135,168	-	-	-	-	-	-
Derivative financial liabilities										
Derivatives without hedge	49	-	-	2,743	-	-	-	-	-	-
Derivative financial assets										
Derivatives without hedge	1,023	-	-	7,130	-	-	-	-	-	-

* *The other financial liabilities relate to sale and leaseback transactions. For this reason, only monthly payments are shown in the "Repayment" column in the "Liquidity risks" table.*

** *Liabilities due to banks are reported in the statement of financial position as current liabilities. As the assessment of the term has not changed, the reported maturity continues to apply.*

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. In some cases Highlight Event and Entertainment AG supports its subsidiaries and in some cases acts as a coordinator at banks to receive the most economical 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 take up further debt 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 be available only at significantly more disadvantageous terms.

8.3.2 Credit risks

Default risk arises from cash and cash equivalents, contractual cash flows from debt instruments carried at amortized cost, 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 HLEE Group performs transactions must have 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 credit risks of the HLEE Group’s key customers are also monitored and assessed on an ongoing basis. Furthermore, in significant cases, the company also protects against the risk of default by a creditor by obtaining credit rating information.

Risks from the international distribution of film licenses are minimized by doing business only with companies of reliable credit quality, by transferring rights to the contractual partner only after payment, or entering into transactions in exchange for corresponding collateral (e.g. letters of credit). The maximum credit risk of the HLEE 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 HLEE Group is exposed to currency risks as part of its ordinary operating activities, especially in terms of 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 HLEE 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 -1,154 (previous year's period: TCHF -620) were recognized in profit or loss in the year under review. In addition, currency differences from the translation of foreign subsidiaries of TCHF -10,429 (previous year’s period: TCHF -4,851) and from cash flow hedges of TCHF 536 (previous year’s period: TCHF -646) were recognized in other comprehensive income (OCI).

Hedge accounting is used where permissible; 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 the interest income and expenses of financial instruments with floating interest rates. 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

			Exchange rate risk									
	Interest rate risk		EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
Dec. 31, 2022 (TCHF)	-1 %	+1 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %
Financial assets												
Cash and cash equivalents	-301	301	-145	145	-52	60	-1	1	-198	206	-	-
Trade accounts receivable (current and non-current)	-	-	-24	23	-3,965	4,841	-	-	-3,989	4,864	-	-
Other receivables (current and non-current)	-	-	-164	164	-325	397	-800	978	-1,289	1,539	-	-
Derivative financial instruments	-	-	-	-	-667	815	-	-	-667	815	-	-
Other financial assets (current and non-current)	-	-	-539	539	-	-	-	-	-539	539	-331	331
Financial liabilities												
Financial liabilities (current and non-current)	2,926	-2,926	8,552	-8,552	3,192	-3,901	922	-1,127	12,666	-13,580	-	-
Lease liabilities (current and non-current)	-	-	-	-	198	-242	-	-	198	-242	-	-
Trade accounts payable (current and non-current)	-	-	314	-314	527	-641	-	-	841	-955	-	-
Other liabilities (current and non-current)	-	-	371	-371	2,178	-2,661	598	-731	3,147	-3,763	-	-
Derivative financial instruments	-	-	-	-	1,657	-2,025	-	-	1,657	-2,025	-	-
Total increase/decrease	**2,625**	**-2,625**	**8,365**	**-8,366**	**2,743**	**-3,357**	**719**	**-879**	**11,827**	**-12,602**	**-331**	**331**
thereof through OCI									-1,124	920		
thereof through profit or loss									12,951	-13,522		

			Exchange rate r									
	Interest rate risk		EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
Dec. 31, 2021 (TCHF)	-1 %	+1 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %
Financial assets												
Cash and cash equivalents	-488	488	-2,112	2,112	-166	202	-1	2	-2,279	2,316	-	-
Trade accounts receivable (current and non-current)	-	-	-142	167	-2,532	3,093	-1	1	-2,675	3,261	-	-
Other receivables (current and non-current)	-	-	-7	7	-281	343	-678	829	-966	1,179	-	-
Other financial assets (current and non-current)	-	-	-639	639	-	-	-	-	-639	639	-364	364
Financial liabilities												
Financial liabilities (current and non-current)	2,841	-2,841	9,737	-9,737	3,455	-4,224	874	-1,068	14,066	-15,029	-	-
Lease liabilities (current and non-current)	-	-	-	-	244	-299	-	-	244	-299	-	-
Trade accounts payable (current and non-current)	-	-	772	-776	329	-399	198	-241	1,299	-1,416	-	-
Other liabilities (current and non-current)	-	-	104	-104	1,761	-2,153	159	-195	2,024	-2,452	-	-
Total increase/decrease	**2,353**	**-2,353**	**7,713**	**-7,692**	**2,810**	**-3,437**	**551**	**-672**	**11,074**	**-11,801**	**-364**	**364**
thereof through OCI									-203	167		
thereof through profit or loss									11,277	-11,968		

8.4 Fair value of financial and non-financial assets and liabilities

8.4.1 Fair value of financial assets and liabilities

The following table shows the allocation to the three levels of the fair value hierarchy of financial assets and liabilities measured at fair value/the fair values to be disclosed in the notes:

Fair value hierarchy

2022 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVTPL/without category	-	747	300	1,047
Financial assets at fair value through profit or loss	FVTPL	-	13,689	59	13,748
Financial assets (equity instruments)	FVTOCI	-	-	3,007	3,007
Financial assets measured at fair value					
Derivative financial instruments	FLTPL	-	1,976	-	1,976

2021 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured 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	62	12,684
Financial assets (equity instruments)	FVTOCI	-	-	40	40
Financial liabilities at fair value					
Derivative financial instruments	FLTPL	-	49	-	49

Disclosures on level 3 financial instruments

	Geenee Holdings Inc.	AGF Videoforschung GmbH	Summacum GmbH	Other investments	Convertible loans	Options	Profit participation rights	Prestige Media Group S.A.	Brand Technologies AG
Fair value on December 31, 2020	-	**-**	**34**	**20**	**6,689**	**174**	**-**	**754**	**2,500**
Gains/(losses) through profit or loss	-	-	-	-	-221	245	-	-	-
Gains/(losses) through equity	-	-	-3	1	-	-8	-	-754	-2,500
Purchase	-	-	-	-	63	49	-	-	-
Sale	-	-	-	-12	-6,469	-35	-	-	-
Transfer to level 3 / (transfer from level 3)	-	-	-	-	-	-186	-	-	-
Fair value on December 31, 2021	-	**-**	**31**	**9**	**62**	**239**	**-**	**-**	**-**
Gains/(losses) through profit or loss	-	-	-	-	-3	-28	-	-	-
Gains/(losses) through equity	-	-	-1	-1	-	-7	-	-	-
Purchase	-	-	-	-	-	96	2,969	-	-
Fair value on December 31, 2022	**-**	**-**	**30**	**8**	**59**	**300**	**2,969**	**-**	**-**

The financial assets measured at fair value through profit or loss and included in level 1 are measured using stock market prices.

The derivative financial instruments in level 2 are measured at current market rates. A discounted cash flow method was used to determine the fair value of level 2 derivative financial instruments.

The shares in Geenee Holdings Inc. (formerly: Geenee Inc.) and in AGF Videoforschung GmbH, both assigned to level 3 of the fair value hierarchy, had already been written down in full in previous years. There were no indications of a reversal of impairment in the year under review. The shares in Summacum GmbH were partially written down in previous years. There were no indications of further impairment or a reversal of impairment in the current reporting period. The shares in Diggin Ltd. were sold in the previous year for TCHF 12. For reasons of materiality, other equity instruments totaling TCHF 8 (previous year: TCHF 9) are recognized at historical cost. The convertible loan Dynamic Bets Inc. was sold in the previous year for TCHF 12. A discounted cash flow method was used to determine the fair value of level 3 derivative financial instruments. The equity interests in Prestige Media Group S.A. and Brand Technologies AG and the associated convertible loan were written down in full in the previous year; the convertible loan to FBNK FINANCE S.A R.L. was swapped against the Garage Italia Finance S.à.r.l.

bond in the previous year. The explanations can be found in the notes to the consolidated financial statements under other assets (see note 6.9).

There was one reclassification between the fair value levels for embedded options in the previous year. As a result of an IPO for the underlying asset, one embedded option was reclassified from level 3 to level 1. There were no reclassifications between the individual levels of the fair value hierarchy in the reporting period. They are reclassified quarterly in each reporting period if circumstances requiring a different classification arise

8.4.2 Financial assets and liabilities at amortized cost

Given the short remaining term, the carrying amounts of current financial receivables and liabilities as of the end of the reporting period are approximately the fair value. Non-current receivables are discounted according to their remaining term. Their carrying amounts are therefore also approximately their fair value. Please see note 8.1 for the fair value disclosures on non-current receivables.

8.4.3 Fair value of non-financial assets and liabilities

As of December 31, 2022 and December 31, 2021, there were no non-financial assets or liabilities measured at fair value.

8.5 Use of hedging instruments

In significant transactions, particularly in US dollars and euro, the Group attempts to minimize currency risks by using suitable derivative and non-derivative financial instruments. Derivative financial instruments are transacted with banks. The financial instruments predominantly relate to future cash flows in foreign currencies for various projects, loans and license purchases. The Group ensures that the amount of the hedge does not exceed the value of the hedged item.

The Group entered into currency forwards and currency swaps for hedging purposes in the current fiscal year. To the extent possible, these are accounted for as fair value hedges or cash flow hedges in accordance with IFRS 9.

The hedged items essentially relate to pending sales in US dollars. Furthermore, currency forwards were bought as a hedge for recognized foreign currency receivables and liabilities.

8.5.1 Fair values of hedging instruments in hedges

Cash flow hedges

As of December 31, 2022, the currency risk component of non-derivative financial liabilities with a nominal amount of TCHF 10,823 (previous year: TCHF 1,797) was designated as a hedging instrument in cash flow hedges. The hedged items are forecast transactions that are highly likely to occur.

The unrealized profit before tax from the remeasurement of hedging instruments recognized in other comprehensive income amounts to TCHF 585 (previous year: TCHF -921).

Derivatives and non-derivative financial liabilities included in hedge accounting are used only to hedge currency risks.

The following table shows the conditions of the non-derivative financial instruments designated in existing hedges as of the end of the reporting period:

Non-derivative financial instruments in hedges

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

				Dec. 31, 2021	
(CHF thousand)	< 1 year	1- 5 years	> 5 years	Nominal volume	Annual average rate
Primary financial instrument (financial liability)					
USD	1,797	-	-	1,797	1.15302

The carrying amounts and nominal amounts of hedging instruments in existing cash flow hedges are shown in the following table:

Information on hedging instruments

Currency risk

(CHF thousand)	2022	2021
Cumulative fair value changes to determine ineffectiveness	585	-921
Carrying amount of financial liabilities	585	-189
Nominal value	10,823	1,797

Only the designated foreign currency component of the financial liability is recognized as carrying amount.
The designated hedged items are as follows:

Information on underlying transactions

Currency risk

(CHF thousand)	2022	2021
Cumulative fair value changes to determine ineffectiveness	-585	921
Reserve for active cash flow hedges	-585	189

Only the change in the carrying amount of the designated currency risk component is shown in the table.

Hedging instruments in hedge accounting

Currency risk

(CHF thousand)	Jan. 1 - Dec. 31, 2022	Jan. 1 - Dec. 31, 2021
Unrealized gains and losses from hedging instruments	585	-921
Reclassification of realized gains and losses through profit or loss due to realization of underlying transaction	189	-

Please see note 6.15 for the reconciliation of the reserve for the fair value remeasurement of financial instruments in other comprehensive income.
CCBS ineffectiveness and credit risks were immaterial in fiscal year 2022 and was therefore not recognized in profit or loss.

Fair value hedges

There were no fair value hedges in the year under review or the previous year.

8.5.2 Derivative financial instruments without a hedge

Derivatives that are not or no longer included in a hedge are still used to hedge a financial risk from operating activities. The hedging instruments are closed out if the operating hedged item no longer exists or is no longer expected.

The nominal amounts and fair values of derivatives not designated in hedge accounting as of December 31, 2022 and 2021 are as follows:

Derivative financial instruments in hedges

	Dec. 31, 2022		Dec. 31, 2021	
(CHF thousand)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forward sale				
CZK	6,573	-405	-	-
PLN	2,155	-81	2,743	-49
USD	6,106	193	-	-
thereof credit balance	6,106	193	-	-
thereof debit balance	8,728	-486	2,743	-49
Foreign currency forwards (acquisition)				
CZK	6,239	360	-	-
HUF	-	-	860	12
PLN	-	-	906	8
USD	20,121	-1,455	-	-
CAD/USD swap	4,528	-35	-	-
PLN/USD swap	1,723	194	-	-
USD/ZAR swap	-	-	5,364	621
thereof credit balance	7,962	554	7,130	641
thereof debit balance	24,649	-1,490	-	-

9. Share-based payment

As part of a stock option program, Highlight Event and Entertainment AG, issued stock options to eligible employees and selected quasi-employees without employee status at the subsidiary Constantin Film AG. The stock options entitle participants to shares in Highlight Event and Entertainment AG at the end of the three-year vesting period. The date of issue for all stock options was July 23, 2021.

The stock option program resulted in the following development:

	Number of options	Weighted average exercise price in CHF
Outstanding as of January 1, 2021	**-**	
Issued	220,000	26.60
Outstanding as of December 31, 2021	**220,000**	
Expired	2,000	
Outstanding as of December 31, 2022	**218,000**	

The program is measured at fair value on the grant date and costs are recognized as an expense in stages over the respective service period in accordance with a vesting schedule, less expected forfeitures of shares. The fair value of the stock options is based on the closing price of the Highlight Event and Entertainment AG share on the grant date. The fair value of the stock options was calculated using the Black-Scholes model.

The expense for the share-based payment in the reporting year was TCHF 228 (previous year's period TCHF 96).

The table below shows the measurement parameters used:

(CHF thousand)	2022	2021
Valuation model	Black-Scholes model	Black-Scholes model
Expected volatility	30 %	30 %
Expected dividend yield	-	-
Expected term	3 years	3 years
Risk-free interest rate	-0.7 %	-0.7 %

The stock options mature in 2024, can be exercised at fixed purchase prices and are measured using an option pricing model. As well as the share price observable on the market and the risk-free interest rates, average share price volatilities for Highlight Event and Entertainment AG and comparable companies derived from past and present values are also used, as these are a more reliable estimate of this input at the end of the reporting period than exclusively current market volatility. The absolute value used for share price volatility at the end of the current reporting date was 30 %.

10. SEGMENT REPORTING

On February 2, 2022, the full acquisition of Sport1 Medien AG by way of a squeeze-out took effect and the minority shareholders were paid off accordingly. Sport1 Medien AG has thus been fully controlled by the HLEE Group since this date. The acquisition of the remaining Sport1 Medien shares allowed the Group to reorganize itself accordingly and implement a clearer management structure. As a result, the two previous divisions Sports- and Event-Marketing and Sport were combined in the new Sports and Events segment and put under the direct management of Bernhard Burgener. Management of the Film segment was handed over to Peter von Büren. The internal reorganization resulted in adjusted segment reporting, with the effect that only the two segments Sports and Events and Film are still reported for fiscal year 2022. The previous year’s figures have been restated accordingly.

Segments and segment reporting are still defined on the basis of the internal reporting (management approach) of the adjusted organizational form to the chief operating decision maker with regard to the allocation of resources and the assessment of earnings power. As the chief operating decision maker, the management of the company makes decisions on the allocation of resources to the segments and assesses their success on the basis of key indicators for sales and segment earnings. The Group’s management does not rate the segments on the basis of their assets and liabilities, which is why the corresponding figures also are not calculated and reported.

As mentioned above, the Group still consists of the Film segment and the Sports and Events segment. Group functions of Highlight Event and Entertainment AG are shown under “Other” and accordingly do not constitute an operating segment. These include actual Group Management, Corporate Finance, Investor Relations, Controlling, Legal, Group Accounts, Corporate Communications, Internal Audit, and Human Resources, as well as the companies Chameleo AG and Chameleo GmbH. Segment earnings are defined as EBIT as this figure is used internally for performance measurement.

The activities of Constantin Film AG and its subsidiaries plus the Highlight Communications equity interest in Rainbow Home Entertainment AG and its subsidiary are combined in the Film segment, as they are managed by Peter von Büren and have similar operating activities. 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 new Sports and Events segment comprises the activities of TEAM Holding AG, Highlight Event AG, World Boxing Super Series AG, and Sport1 Medien AG. The main activities of this segment comprise the following main projects:

- Marketing the UEFA Champions League, the UEFA Europa League, the UEFA Europa Conference League, and the UEFA Super Cup
- Marketing the Eurovision Song Contest and the Vienna Philharmonic Orchestra
- Running the World Boxing Super Series
- Activities in the TV and digital areas with the SPORT1 brand and production, content solutions services, and content marketing with PLAZAMEDIA
- The marketing portfolio and comprehensive expertise in the fields of betting, poker, and casino games, as well as an event agency specializing in the sporting preparation of professional teams and athletes and 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 for 2022

(CHF thousand)	Film	Sports and Events	Other	Reconciliation	Group
External sales	357,409	166,365	258	-	524,032
Intragroup sales	-	2,484	139	-2,623	-
Total sales	357,409	168,849	397	-2,623	524,032
Other segment income	77,136	15,197	244	-7,730	84,847
Segment expenses	-419,339	-184,879	-9,323	3,316	-610,225
thereof amortization, depreciation	*-57,097*	*-23,583*	*-5*	*-*	*-80,685*
thereof impairment	*-5,468*	*-*	*-*	*-*	*-5,468*
Segment earnings	**15,206**	**-833**	**-8,682**	**-7,037**	**-1,346**
Time of revenue recognition					
Over time	165,282	52,125	-	-	217,407
Point in time	192,127	114,240	258	-	306,625
	357,409	**166,365**	**258**	**-**	**524,032**
Sales by product					
Film	124,125	-	-	-	124,125
Production services	233,284	-	-	-	233,284
Sports and Events	-	66,671	-	-	66,671
Platform	-	75,417	-	-	75,417
Services	-	24,277	258	-	24,535
	357,409	**166,365**	**258**	**-**	**524,032**

Segment information for 2021

(CHF thousand)	Film	Sports and Events	Other	Reconciliation	Group
External sales	331,483	176,683	761	-	508,927
Intragroup sales	-	248	9	-257	-
Total sales	331,483	176,931	770	-257	508,927
Other segment income	141,502	17,467	107	-1,858	157,218
Segment expenses	-457,122	-188,065	-9,877	2,115	-652,949
thereof amortization, depreciation	*-101,256*	*-28,265*	*-6*	*-*	*-129,527*
thereof impairment	*-5,539*	*-*	*-*	*-*	*-5,539*
Segment earnings	**15,863**	**6,333**	**-9,000**	**-**	**13,196**
Time of revenue recognition					
Over time	154,673	56,029	-	-	210,702
Point in time	176,810	120,654	761	-	298,225
	331,483	**176,683**	**761**	**-**	**508,927**
Sales by product					
Film	176,810	-	-	-	176,810
Production services	154,673	-	-	-	154,673
Sports and Events	-	68,354	-	-	68,354
Platform	-	84,881	-	-	84,881
Services	-	23,448	761	-	24,209
	331,483	**176,683**	**761**	**-**	**508,927**

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

Segment information by region

Jan. 1 to Dec. 31, 2022 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world *	Total
External sales	74,173	254,808	65,503	129,548	524,032
Non-current assets	325,809	254,723	-	-	580,532

** of which TCHF 125,572 is attributable to the US*

Jan. 1 to Dec. 31, 2021 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world*	Total
External sales	78,619	263,807	92,466	74,035	508,927
Non-current assets	337,141	234,925	-	-	572,066

** of which TCHF 67,206 is attributable to the US*

External sales by customers	2022		2021	
(CHF thousand)	Nominal	in %	Nominal	in %
Customer A (Film segment, previous year: Sports and Events segment)	98,594	19	65,539	13
Customer B (Sports and Events segment, previous year: Film segment)	63,438	12	44,841	9
Customer C (Film segment)	32,749	6	39,348	8
Sales with other customers	329,251	63	359,199	70
Total external sales	**524,032**	**100**	**508,927**	**100**

In total, the HLEE Group generated more than 10 % of its total sales with two customers (previous year's period: one customer).

11. FINANCIAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER UNRECOGNIZED FINANCIAL OBLIGATIONS

11.1 Overview

Financial commitments, contingent liabilities and other unrecognized financial obligations

(CHF thousand)	Financial commitments	Contingent liabilities	Purchase commitments for licenses	Other unrecognized financial obligations	Lease liabilities	Total
As of December 31, 2022						
Due within one year	33,553	-	44,627	24,184	1,166	103,530
Due between one year and five years	-	-	57,331	22,884	8,918	89,133
Due after five years	-	-	-	301	10,238	10,539
Total	**33,553**	**-**	**101,958**	**47,369**	**20,322**	**203,202**

(CHF thousand)	Financial commitments	Contingent liabilities	Purchase commitments for licenses	Other unrecognized financial obligations	Lease liabilities	Total
As of December 31, 2021						
Due within one year (restated)	13,979	-	46,686	25,130	1,551	87,346
Due between one year and five years (restated)	-	-	93,255	32,806	2,872	128,933
Due after five years	-	-	-	292	6,088	6,380
Total (restated)	**13,979**	**-**	**139,941**	**58,228**	**10,511**	**222,659**

11.2 Financial commitments

As of December 31, 2022, there were guarantees to various TV stations for the completion of service productions totaling TCHF 33,553 (previous year: TCHF 13,979). As there are no indications that the collateralized service productions will not be completed as contractually agreed, it is not expected that material actual liabilities will result from the contingent liabilities.

11.3 Contingent liabilities

There were no contingent liabilities as at the balance sheet date.

11.4 Purchase commitments for licenses

The Group secures its access to future film rights by concluding license agreements. Film purchasing and production preparations result in future financial obligations of TCHF 9,924 (previous year: TCHF 6,628).

Furthermore, the purchase commitments for licenses include TCHF 92,034 (previous year: TCHF 133,313) for broadcasting and transmission rights of Sport1 GmbH – chiefly for the Bundesliga rights purchased in 2020.

11.5 Other unrecognized financial obligations

Other financial obligations not recognized in the balance sheet include TCHF 19,372 (previous year: TCHF 22,154) for obligations under option, work and film contracts for the development of in-house productions in addition to obligations for distribution costs and other services of TCHF 27,997 (previous year: TCHF 36,074).

11.6 Rental and lease obligations

The HLEE 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 note 4.8 and note 6.4).

12. RELATED PARTY DISCLOSURES

As part of its normal business activities, the company maintains relations with associated companies, joint ventures and with companies controlled by members of the Board of Directors.

Related party disclosures

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Receivables	-	-
Liabilities	688	712
Non-current financial liabilities Personalfürsorgestiftung der Victorinox AG (interest rate 3 %)	16,500	16,500
Current financial liabilities Victorinox AG (interest rate 3 %, previous year: non-current)	7,138	6,944
Current financial liabilities Pensionskasse der Victorinox AG (interest rate 3 %, previous year: non-current)	7,733	7,523
Current financial liabilities Swiss International Investment Portfolio AG (interest rate 5 %)	49,086	51,344
Current financial liabilities Victorinox AG (interest rate 3 %)	7,000	-
Current financial liabilities Obotritia Capital KGAA (interest rate 6 %)	9,780	9,029
Other current financial liabilities (interest rate 3 %)	4,000	-

(CHF thousand)	Jan. 1 to Dec. 31, 2022	Jan. 1 to Dec. 31, 2021
Sales and other income	-	-
Cost of materials and licenses and other expenses	360	535
Financial expenses for financial liabilities of Personalfürsorgestiftung der Victorinox AG	495	454
Financial expenses for financial liabilities of Victorinox AG	553	117
Financial expenses for financial liabilities of Pensionskasse der Victorinox AG	444	127
Financial expenses for financial liabilities of Swiss International Investment Portfolio AG	2,464	2,680
Financial expenses for financial liabilities of Obotritia Capital KGAA	781	582
Financial expenses for other financial liabilities	82	-

Associates and joint ventures

(CHF thousand)	Dec. 31, 2022	Dec. 31, 2021
Receivables	65	201
Liabilities	-	-

As of December 31, 2022, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 74 (previous year: TCHF 54).

Related parties include the members of the Board of Directors, the members of Group management and their relatives. Highlight Event and Entertainment 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 Board of Directors

	2022			
(CHF thousand)	Remuneratio n	Pension costs	Remuneration as a member of the Board of Directors	**Total remuneration**
Bernhard Burgener, Delegate of the Board of Directors	1,421	234	11	**1,666**
Peter von Büren, CFO	718	114	10	**842**
Alexander Studhalter	-	-	54	**54**
Clive Ng	-	-	-	**-**
Total	2,139	348	75	**2,562**

Total remuneration for the members of the Board of Directors

	2021			
(CHF thousand)	Remuneration	Pension costs	Remuneration as a member of the Board of Directors	**Total remuneration**
Bernhard Burgener, Delegate of the Board of Directors	1,421	234	11	**1,666**
Peter von Büren, CFO	718	114	10	**842**
Alexander Studhalter	-	-	54	**54**
Clive Ng	-	-	-	**-**
Total	2,139	348	75	**2,562**

The total remuneration is indirect remuneration for work done at the subsidiaries of the HLEE Group.

Please see the remuneration report for further information on the remuneration of the Board of Directors and members of the Group's management, and note 4 to the annual financial statements of Highlight Event and Entertainment 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

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 Group.

mazars

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Report of the statutory auditors to the General Meeting of Highlight Event and Entertainment AG, Pratteln

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Highlight Event and Entertainment AG and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 6 to 80) give a true and fair view of the consolidated financial position of the Group as of 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter

a) Revenues from the Film segment

b) A significant portion of revenue is generated from the exploitation of film rights in the areas of movie theaters, global sales, TV and home entertainment, as well as from third-party productions. Revenue is mainly recognized at a point in time. Only in the case of third-party productions is revenue recognized over time according to the stage of completion. At CHF 357.4 million, revenues in the Film segment represent a significant amount. The correct amount and timing of revenue recognition is therefore of crucial importance. As such, we consider revenue recognition in the Film segment to be a key audit matter.

c) Revenues from the Sports and Event segment
Revenue in the Sports and Event segment include CHF 66.7 million from the product type "Sports and Event" with the agency agreement entered into with UEFA for the marketing of media, sponsoring and licensing rights of the UEFA Champions League and UEFA Europa League. The agreed compensation consists of a fixed and a variable component, which is based on the revenues generated by UEFA. The amount of the variable portion is to be estimated for the tournaments not completed at the reporting date. We therefore consider revenue recognition in this segment to be a key audit matter.

Please refer to page 26 (Note 4.16 - Sales from contracts with customers), page 29 (Note 5.2.1 - Estimates used to determine the transaction price for sales from contracts with customers) and page 60 (Note 7.1 - Notes to sales from contracts with customers) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We have performed the following audit procedures for the Group companies concerned:

- We tested the design of internal controls in connection with the measurement and recognition of the amount and timing of revenue. We assessed the approach to revenue recognition in accordance with the criteria of IFRS 15 "Revenue from contracts with customers".
- We assessed compliance with the consistency of the revenue recognition method applied, taking into account the accounting policies in note 4.4 to the consolidated financial statements.
- In the Film segment, we tested revenues on a sample basis with regard to the revenue recognition requirements of IFRS 15. For this purpose, we inspected significant new contracts and evidence of the transfer of rights and obligations and of the acceptance, and examined whether the timing or period-related revenue recognition was correct.
- For revenues of the product type "Sports and Event", we tested the amount of the expected agency contracts for the current 2022/2023 season, taking into account the contractual basis and the expected results for this period. We based our assessment on the calculations of the expected revenues from the marketing of the two tournaments, which are periodically reconciled with UEFA. In our assessment, we also included the results of our questioning of management on the current status and expected financial results of the current match period, as well as the accuracy of the estimated revenues and accruals from the previous year.

We consider management's approach on revenue recognition in the Film segment and in the product type Sports and Event to be appropriate.

Valuation of film assets

Key audit matter

Film assets, consisting of in-house and third-party productions, represent a significant portion of assets at CHF 155.4 million. The acquisition costs of film assets are amortized on the basis of agreed or planned sales and are also subject to an annual impairment test if there are indications of impairment. For this purpose, the recoverable amounts are determined from the expected revenues using the discounted cash flow method.

Discretionary scope is applied in determining assumptions in connection with the forecast revenues and cash flows in the various evaluation stages, as well as in the discount rates applied. These estimates and margins can have a significant impact on the determination of performance-related amortization and any impairment tests, and therefore have a significant influence on the assessment of the recoverability of the film assets.

Please refer to page 18 (Note 4.4 - Film assets), page 29 (Note 5 - Judgment / estimation uncertainty) and page 32 (Note 6.1 - Note on film assets) in the notes to the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures for Group companies reporting significant film assets:

- We tested the design of internal controls related to the valuation of film assets.
- We tested on a sample basis the determination of the performance-based amortization of individual films. In doing so, we tested the plausibility of the assumptions underlying the amortization by reconciling them to the contractual basis.
- We tested the assumptions used, including the discount rate and the impairment test model, for compliance with IAS 36 "Impairment of Assets". We checked the plausibility of the discount rate against the cost of capital of the Group and comparable companies, taking into account country-specific features.
- In addition, we tested whether and to what extent results from the initial exploitation of films (movie theaters) or other indicators led to additional impairments in the book values of individual films. For this purpose, we also examined the aging structure of film assets.

We consider the assumptions made by management to determine the performance-related amortization and to perform the impairment test, if any, to be appropriate and suitable to test the recoverability of the film assets..

Valuation of goodwill AG and intangible assets with indefinite useful lives

Key audit matter

The goodwill and intangible assets with indefinite useful lives are tested for impairment annually by Highlight Event and Entertainment AG. This involves estimates and assumptions in connection with future business results and the discount rates applied to the forecasted cash flows.

The recoverability of the goodwill position of CHF 104.0 million and intangible assets with indefinite useful lives of CHF 53.4 million was identified as a key audit matter because they represent a significant portion of total assets and there is considerable scope for judgment and estimation in determining assumptions and estimates in connection with future profitability and the discount rates applied.

Please refer to page 19 (Note 4.5 Other intangible assets), page 20 (Note 4.6 - Goodwill), page 29 (Note 5 - Judgment / estimation uncertainty) and page 33 (Note 6.2 - Note on other intangible assets and goodwill) in the notes to the consolidated financial statements

How our audit addressed the key audit matter

We have performed the following audit procedures in relation to the impairment test prepared by the Group:

- We assessed the technical accuracy of the valuation models used.
- We assessed the budgeting process, in particular whether the Group Executive Board and the Board of Directors monitored this process and whether the values used for the impairment test were in line with the budget approved by the Board of Directors. In addition, we performed a benchmarking exercise with comparable companies to verify whether the values were within acceptable ranges.
- We checked the plausibility of the discount rate against the cost of capital of the Group and comparable companies, taking into account country-specific features.
- We compared the assumptions regarding sales and earnings of the previous year with those of the reporting year, with the aim of identifying in retrospect overly optimistic assumptions in the budgeted sales and earnings. We analyzed reasons for any deviations.
- In addition, we used sensitivity analyses to check whether any changes in the key assumptions (discount rate, EBITDA margin and long-term sales growth) deemed possible would result in an impairment of the goodwill of Sport1 Medien AG.

The risk of incorrect valuation of goodwill and intangible assets with indefinite useful lives has been addressed by the procedures described above. We consider management's approach to the impairment testing of goodwill and intangible assets with indefinite useful lives to be appropriate. The assumptions used were consistent and within reasonable ranges.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2021, were audited by another auditor whose report, dated 10 June 2022, expressed an unmodified opinion on those consolidated financial statements.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report, and our auditor’s reports thereon.

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

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

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

Board of Directors’ Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 28 April 2023

MAZARS AG

Cyprian Bumann	Roger Leu
Licensed Audit Expert (Auditor in Charge)	Licensed Audit Expert

BALANCE SHEET

in CHF thousand	Note	Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	6.1	235	424
Other current receivables	6.2	135	95
Prepaid expenses		72	49
Current assets		**442**	**568**
Financial receivables from equity investments and related parties	6.3	8,999	9,625
Equity investments	6.4	199,713	194,518
Financial assets	6.7	5,130	5,130
Intangible assets		**6,929**	**0**
Non-current assets		**220,771**	**209,273**
ASSETS		**221,213**	**209,841**
Trade accounts payable		25	54
Current interest-bearing liabilities	6.10	30,008	27,043
Other current liabilities	6.11	620	649
Financial liabilities	6.9	91,904	65,904
Deferred income	6.12	3,358	1,335
Current liabilities		**125,915**	**94,985**
Financial liabilities	6.9	16,500	31,500
Non-current liabilities		**16,500**	**31,500**
Share capital	1	85,140	85,140
Statutory capital reserves	6.5	66,515	66,515
Statutory retained earnings		3,067	3,067
Accumulated losses	6.6	-71,220	-50,324
Net profit/loss for the year		-4,558	-20,896
Treasury shares	2	-146	-146
Equity		**78,798**	**83,356**
EQUITY AND LIABILITIES		**221,213**	**209,841**

INCOME STATEMENT

in CHF thousand	Note	2022	2021
Other operating income	7.1	175	184
Administrative expenses and selling costs	7.2	-1,706	-2,302
Write-downs on non-current assets	7.6	-854	-13,927
Dividend income	7.5	0	0
Operating result		**-2,385**	**-16,045**
Currency translation differences	7.3	-29	15
Interest expenses and other financial expenses	6.9	-6,523	-5,043
Interest income & other financial income	7.7	4,379	177
Financial result		**-2,173**	**-4,851**
Earnings before taxes		**-4,558**	**-20,896**
Direct taxes	7.4	0	0
Net profit/loss for the year		**-4,558**	**-20,896**

1 General information on the company

Legal form and domicile

Highlight Event and Entertainment AG is a stock corporation that is listed on the SIX Swiss Exchange and has been domiciled at Netzibodenstrasse 23b, 4133 Pratteln, Switzerland, since June 13, 2016.

Approval of the financial statements

The financial statements approved by the Annual General Meeting are legally binding. The Board of Directors approved these financial statements on April 28, 2023.

Capital structure

The ordinary share capital of CHF 85,140,000 is divided into 9,460,000 bearer shares with a notional interest in the share capital of CHF 9 each. All shares are fully paid up.

The existing authorized capital was increased and extended at the Annual General Meeting on June 29, 2021. In addition, contingent capital for employee participations was introduced.

A total of 240,000 bearer shares were utilized from the authorized capital by way of a private placement on June 16, 2021, and another 300,000 on June 21, 2021. The Annual General Meeting on June 29, 2021 extended the authorized capital until June 29, 2023. The Board of Directors was authorized to increase the capital by a maximum of CHF 34.2 million (previously CHF 36 million) until June 29, 2023 by issuing a maximum of 3.8 million (previously 4 million) fully paid-up bearer shares each with a notional interest in the share capital of CHF 9.

The contingent share capital is increased by a maximum of CHF 9,270,000 by issuing a maximum of 1,030,000 fully paid-up bearer shares, each with a nominal value of CHF 9, if and to the extent that conversion rights granted in connection with new or existing convertible loans are exercised. The conversion option for 120,000 bearer shares under the SWIIP loan was exercised at a conversion price of CHF 17.52 in December 2020 and was entered in the Articles of Association on June 16, 2021.

The Board of Directors is introducing an employee participation program for certain employees of Constantin Film AG. This is intended to allow for remuneration of top executives in the creative sector at a typical market level for the film industry. The company's share capital is increased by a maximum of CHF 2,250,000 by issuing a maximum of 250,000 fully paid-up bearer shares each with a notional interest in the share capital of CHF 9.

In the previous year, non-current financial liabilities included the convertible loans of CHF 7.2 million and 7.8 million. The conversion period (conversion right) commenced on June 14, 2021 and ends on May 30, 2023. The convertible loans bear interest at a rate of 3 % during their terms. If the option is not exercised, the convertible loans must be repaid on May 31, 2023.

In addition, current financial liabilities to investees and investors include the convertible loan of TCHF 10,137. The conversion period (conversion right) commenced on June 26, 2017 and ends on April 26, 2022. The convertible loan bears interest at a rate of 6 % during its term. If the option were not exercised, the convertible loan would have to be repaid on May 26, 2023. Further information is provided in section 6.9 "Financial liabilities."

As in the previous year, there were no preferential rights or participation certificates. No options were granted.

In the past year, a further investment of 1.98 % in Highlight Communications AG was acquired. As of December 31, 2022, the equity investment in Highlight Communications AG came to 51.61 %.

Shares outstanding		**Dec. 31, 2022**	**Dec. 31, 2021**
Bearer shares outstanding each with a nominal value of CHF 9	Number	9,454,979	9,459,979
Share price as of December 31	CHF	18.50	26.80
Market capitalization as of December 31	CHF thousand	174,917	253,527

2 Number of treasury shares each with a nominal value of CHF 9

	2022	2021
Shares at beginning of year	5,021	21
Acquisition of treasury shares	0	5,000
Disposal of treasury shares	0	0
Shares at end of year	**5,021**	**5,021**

On January 22, 2021, a total of 5,000 treasury shares were purchased for TCHF 146.

No treasury shares were acquired or sold in the 2022 reporting period.

The average price was CHF 29.11 as of December 31, 2022 (previous year: CHF 29.11).

3 Principal shareholders

	Dec. 31, 2022	Dec. 31, 2021
Swiss International Investment Portfolio AG	27.38 %	26.38 %
Bernhard Burgener	18.50 %	18.50 %
Victorinox AG	11.31 %	11.31 %
Obotritia Capital KGAA	7.76 %	8.76 %
AM Portfolio AG	7.06 %	7.06 %
René Camenzind	4.97 %	4.97 %
Stella Holding AG	4.87 %	4.87 %
Miralco Holding AG	4.73 %	4.73 %

4 Bearer shares each with a nominal value of CHF 9 held by members of the management team and the Board of Directors

Number of shares held personally (Highlight Event and Entertainment AG CH0003583256)	Dec. 31, 2022	Dec. 31, 2021
Bernhard Burgener, President of the Board of Directors	1,750,000	1,750,000
Peter von Büren, member of the Board of Directors	none	none
Alexander Studhalter, member of the Board of Directors*	*	2,495,119
Clive Ng, member of the Board of Directors	none	none
Rolf Elgeti, member of the Board of Directors	733,409	828,409
Sven Heller, member of the Board of Directors	7,993	7,993
Number of shares (total)	2,491,402	5,081,521
Shares as a percentage of total share capital	26.34 %	53.72 %

* On November 15, 2022, Alexander Studhalter resigned from the Board of Directors.

The members of the management team and the Board of Directors hold no (previous year: no) conversion or option rights.

The corresponding conversion rights are described in note 6.18. “Financial liabilities” of the notes to the consolidated financial statements.

5 Significant accounting policies

These financial statements were prepared in accordance with the provisions of Swiss law, and in particular, the articles on commercial accounting and financial reporting (articles 957 to 962 OR). The following key principles were applied in preparing the financial statements of Highlight Event and Entertainment AG (HLEE):

Cash and cash equivalents
Cash and cash equivalents include cash in hand, postal check and bank balances and call and demand deposits with an original term of no more than 90 days.

Currency translation
The functional currency of HLEE is the Swiss franc (CHF). Transactions in foreign currencies are translated into the functional currency CHF at the respectively daily exchange rate. Monetary assets and liabilities in foreign currency are translated into CHF at the closing rate as of the end of the reporting period. The resulting currency losses are recognized in the income statement and currency gains are deferred.

Financial assets
Financial assets are carried at amortized cost.

Income recognition
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. Sales are recognized net of invoiced VAT, trade discounts and volume rebates.

Dividend income is reported in the financial result.

6 Disclosures on items of the statement of financial position

6.1 Cash and cash equivalents

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents in CHF	11	8
Cash and cash equivalents in EUR at the closing exchange rate of 0.98992 (1.03545)	224	416
Total	**235**	**424**

6.2 Other current receivables

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Receivables from equity investments	124	71
Receivables from third parties	11	24
Total	**135**	**95**

6.3 Financial receivables from equity investments and related parties

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Financial receivable from Escor Automaten AG in liquidation*	0	16,500
Impairment	0	-14,500
Financial receivable from WBSS AG **	28,944	25,568
Impairment	-20,057	-20,057
Financial receivable from Chameleo AG ***	2,335	1,481
Impairment	-2,335	-1,481
Financial receivable from Chameleo GmbH	30	30
Impairment	0	0
Financial receivable from Sport1 Medien AG	82	2,084
Impairment	0	0
Total	**8,999**	**9,625**
* of which subordinated	0	16,500
** of which subordinated	22,195	22,195
*** of which subordinated	1,481	1,481

6.4 Equity investments

in CHF thousand	Share capital as of Dec. 31, 2022	Equity interest as of Dec. 31, 2022	Share of voting rights as of Dec. 31, 2022	Share capital as of Dec. 31, 2021	Equity interest as of Dec. 31, 2021	Share of voting rights as of Dec. 31, 2021
World Boxing Super Series AG, Pratteln, Switzerland	3,000	60 %	60 %	3,000	60 %	60 %
Chameleo AG, CH-Pratteln	100	80 %	80 %	100	80 %	80 %
Highlight Communications AG, Pratteln, Switzerland	63,000	52 %	52 %	63,000	50 %	50 %
Brand Technologies AG, Reinach, Switzerland	196	23 %	23 %	164	27 %	27 %

6.5 Statutory capital reserves

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Statutory reserves from capital contributions confirmed by the Swiss Federal Tax Administration	66,515	55,360
Statutory reserves from capital contributions not yet confirmed by the Swiss Federal Tax Administration	0	11,155
Total	**66,515**	66,515

6.6 Accumulated losses

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Losses carried forward	-71,220	-50,324
Net profit/loss for the year	-4,558	-20,896
Total	**-75,778**	**-71,220**

6.7 Financial assets

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Garage Italia Finance S.à.r.l. bond	5,130	5,130
Total	**5,130**	**5,130**

6.8 Intangible assets

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Domain	6,929	0
Total	**6,929**	**0**

On December 20, 2022, a domain was acquired from a related company for EUR 7 million.

6.9 Financial liabilities

2022 in CHF thousand	Interest rate	Maturity	Maturity
		< 1 year	1-5 years
Related parties			
SWIIP	5 %	53,602	
Obotritia Capital KGAA	6 %	10,137	
Personalfürsorgestiftung der Victorinox AG	3.00 %		16,500
Victorinox AG	3.00 %	7,200	
Pensionskasse der Victorinox AG	3.00 %	7,800	
Victorinox AG	3.00 %	7,000	
AM Portfolio AG	5.00 %	2,165	
B. Burgener	3.00 %	4,000	
Third parties			
Total current		91,904	
Total non-current			16,500

After the end of the reporting period, all current financial liabilities except those of Obotritia Capital KGAA were extended by one year until June 30, 2024. This extension took place in April 2023.

2021 in CHF thousand	Interest rate	Maturity	Maturity
		< 1 year	1-5 years
Related parties			
SWIIP	5 %	53,602	
Obotritia Capital KGAA	6 %	10,137	
Personalfürsorgestiftung der Victorinox AG	3.00 %		16,500
Victorinox AG	3.00 %		7,200
Pensionskasse der Victorinox AG	3.00 %		7,800
AM Portfolio AG	5.00 %	2,165	
Third parties			
Total current		65,904	
Total non-current			31,500

6.10 Current interest-bearing liabilities

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Highlight Communications AG	19,708	12,704
Other Group companies	10,300	14,339
Total	**30,008**	**27,043**

6.11 Other current liabilities

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Liabilities to related companies	614	642
Liabilities to third parties	6	7
Total	**620**	**649**

6.12 Deferred income

in CHF thousand	Dec. 31, 2022	Dec. 31, 2021
Financial statement and audit costs	105	422
Deferred loan interest	324	378
Other deferred income	2,929	535
Total	**3,358**	**1,335**

7 Disclosures on items of the statement of comprehensive income

7.1 Other operating income

in CHF thousand	2022	2021
Other operating income from equity investments and related parties	175	184
Total	**175**	**184**

7.2 Administrative expenses and selling costs

in CHF thousand	2022	2021
Administrative and consulting expenses for the holding company, stock exchange listing, internal audit, taxes	1,366	1,947
Goods and services of related parties	340	355
Total	**1,706**	**2,302**

7.3 Exchange rate differences

in CHF thousand	2022	2021
Exchange rate differences on cash and cash equivalents	29	-15
Total	**29**	**-15**

7.4 Tax loss carryforwards

in CHF thousand	2022	2021
Expiring in 2024 (gross amounts)	10,129	10,129
Expiring in 2025 (gross amounts)	2,647	2,647
Expiring in 2026 (gross amounts)	27,515	27,515
Expiring in 2027 (gross amounts)	14,403	14,403
Expiring in 2028 (gross amounts)	20,896	20,896
Expiring in 2029 (gross amounts)	**4,558**	**0**
Total	**80,148**	**75,590**

7.5 Dividend income

in CHF thousand	2022	2021
Dividends from subsidiaries	0	0
Total	**0**	**0**

7.6 Write-downs on non-current assets

In the previous year, the Board of Directors decided to recognize a write-down for WBSS in the amount of CHF 7 million on the equity investment and CHF 2.2 million on loans in line with the prudence principle. In the opinion of HLEE's Board of Directors, the WBSS project still has potential. Therefore, no further write-downs were recognized in the year under review.

In addition, a write-down of CHF 0,854 million (previous year: TCHF 1,500) was recognized on the financial receivables of Chameleo AG. In the previous year, write-downs of TCHF 754 were also recognized on the equity interest of the Prestige Media Group, while write-downs of CHF 0.5 million were recognized on financial receivables and CHF 2 million on the equity interest at Brand Technologies AG.

7.7 Other financial income

Other financial income from the previous year consists of exchange rate gains of TCHF 65 and interest income of TCHF 112. Other financial income relates to the liquidation of Escor Automaten AG of TCHF 4,038 and interest income of TCHF 341.

8 Other disclosures required by law and not already disclosed (Article 959c OR)

8.1 Average number of FTEs for the year

	Dec. 31, 2022	Dec. 31, 2021
up to 10 FTEs	yes	yes

8.2 Residual amount of liabilities from leases with the characteristics of purchase agreements and other lease commitments not expiring or terminated within twelve months of the end of the reporting period

	Dec. 31, 2022	Dec. 31, 2021
	none	none

8.3 Liabilities to pension schemes

	Dec. 31, 2022	Dec. 31, 2021
	none	none

8.4 Security pledged for third-party liabilities

	Dec. 31, 2022	Dec. 31, 2021
	none	none

8.5 Assets pledged as security for own liabilities and assets subject to retention of title

A total of 28.36 million (previous year: 24.31 million) shares in Highlight Communications AG were pledged as security for own liabilities.

8.6 Contingent liabilities

	Dec. 31, 2022	Dec. 31, 2021
No other contingent liabilities	yes	yes

8.7 Extraordinary, non-recurring or prior-period items of the statement of comprehensive income

	Dec. 31, 2022	Dec. 31, 2021
	none	none

8.8 Additional disclosures, cash flow statement and management report

There are no additional disclosures on the cash flow statement and management report in accordance with Article 961d(1) OR as the Highlight Event and Entertainment Group prepares its consolidated financial statements in accordance with accepted accounting standards.

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Report of the statutory auditor to the General Meeting of Highlight Event and Entertainment AG, Pratteln

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Highlight Event and Entertainment AG (the Company), which comprise the balance sheet as of 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 87 to 96) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of equity investments

Key audit matter

We treated the assessment of the recoverability of equity investments amounting to CHF 199.7 million (90% of total assets) as a key audit matter because the position represents a significant portion of total assets and there is considerable scope for judgment and estimation in determining assumptions related to future business results and discount rates applied.

The equity investments are measured individually, and recoverability is assessed by comparing the carrying amount with the recoverable amount. The management of Highlight Event and Entertainment AG has updated the calculation of the recoverable amount for the investments in Highlight Communications AG and World Boxing Super Series AG.

Please refer to page 90 (Note 5 – Significant accounting policies) and page 92 (Note 6.4 – Note on equity investment) in the notes to the financial statements.

How our audit addressed the key audit matter

We performed the following audit procedures in relation to the recoverability of equity investments:

- We tested the valuation models used for technical accuracy.
- Using scenario analyses, we checked whether a significant change in the assumptions would lead to an impairment loss.
- We checked the plausibility of the discount rate against the cost of capital of the Group and comparable companies, taking into account country-specific features.

For the investment in Highlight Communications AG, we examined the assumptions made by management to forecast future results and cash flows for the most significant operating subsidiaries of Highlight Communications AG:

- We assessed the budgeting process, in particular whether the Group Executive Board and the Board of Directors monitored this process and whether the values used for the impairment test were in line with the budget approved by the Board of Directors. In addition, we performed a benchmarking exercise with comparable companies to verify whether the values were within acceptable ranges.
- We compared the assumptions regarding sales and earnings of the previous year with those of the reporting year, with the aim of identifying in retrospect overly optimistic assumptions in the budgeted sales and earnings. We analyzed reasons for any deviations.
- In addition, we used sensitivity analyses to check whether any changes in the key assumptions (discount rate, EBITDA margin and long-term sales growth) deemed possible would result in an impairment of the investment.

The audit procedures described above address the risk of impairment of the equity investments. We consider management's approach to the impairment testing of the equity investments to be appropriate. The assumptions used were consistent and within reasonable ranges..

Other Matters

The financial statements of the Company for the year ended 31 December 2021, were audited by another auditor whose report, dated 10 June 2022, expressed an unmodified opinion on those financial statements.

Other Information

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

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

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

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

Board of Directors’ Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Zurich, 28 April 2023

MAZARS AG

Cyprian Bumann	Roger Leu
Licensed audit expert (Auditor in Charge)	Licensed audit expert

REMUNERATION REPORT

This remuneration report for 2022 sets out the remuneration system and remuneration paid to members of the Board of Directors and the management team of Highlight Event and Entertainment 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.

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.

The main tasks of the full Board of Directors are:

- Determining the principles of the remuneration strategy
- Determining the level and composition of overall remuneration for the chairman and the other members of the Board of Directors
- Determining the level and composition of individual overall remuneration for the committee members
- Determining the level and composition of overall remuneration and individual remuneration for the individual members of the management team

As part of the implementation of VegüV, the Compensation Committee has since fiscal year 2015 devised proposals for the overall remuneration of the Board of Directors, the chairman of the Board of Directors, the individual members of the Board of Directors, the overall remuneration of the management team as well as the individual members of the management team and the members of the committees. The corresponding proposals are submitted by the compensation committee to the full Board of Directors for a resolution.

Remuneration to members of the Board of Directors

Principles

The compensation paid to the members of the Board of Directors is based on Article 31 of the Articles of Association and Item 2.6 of the operational and organizational rules (www.hlee.ch, “Corporate Governance” section).

Total remuneration to the Board of Directors consists of the following elements:

- Fixed Directors’ fee (paid as cash remuneration)
- Pension benefits

At the request of the Compensation Committee, the full Board of Directors usually decides on the level of the fixed Directors’ and committee fees at its discretion once a year. There are no share, option, or similar participation programs.

Fixed Directors’ fee

The members of the Board of Directors receive fixed remuneration. The full Board of Directors determines the level of fixed remuneration at the request of the Compensation Committee. In addition to the role, the degree of responsibility, and the actual time commitment, it also takes account of a comparison with compensation at other companies. This looks at companies that operate internationally, that both handle inherited problems and also examine and implement acquisitions, that have several subsidiaries, and that operate in the event and entertainment industry. The individual factors were weighted at the discretion of the Board of Directors. The fees could be received in money only, i.e. not in shares or options. No attendance fees were paid to the members of the Board of Directors.

For fiscal year 2022, a Directors’ fee was paid to the members at the Group company Highlight Communications AG (as members of the Board of Directors/of committees):

	2022 in CHF thousand	2021 in CHF thousand
Chairman of the Board of Directors, Bernhard Burgener	10.4	10.8
Member of the Board of Directors, Peter von Büren	10.0	10.0
Member of the Board of Directors, Alexander Studhalter[1]	54.0	54.0
Member of the Board of Directors, Rolf Elgeti	0	0
Member of the Board of Directors, Sven Heller	0	0
Member of the Board of Directors, Clive Ng	0	0
Total	**74.4**	**74.8**

[1]Alexander Studhalter was elected as an executive member of the Board of Directors of Highlight Event and Entertainment AG as of the date of the 2020 Annual General Meeting and resigned from the Board of Directors on November 15, 2022.

As in the previous year, no Directors' fee was paid at the level of HLEE. Rolf Elgeti, Clive Ng, and Sven Heller are not members of the Board of Directors of Highlight Communications AG. On November 15, 2022, Alexander Studhalter resigned from the Board of Directors of Highlight Communications AG.

The Remuneration Report of Highlight Communications AG is available on the website http://www.hlcom.ch/en/Annual-reports.htm.

Variable remuneration
No variable remuneration was paid in the current fiscal year.

Pension benefits
Pension benefits consist of all contributions by the employer to old-age and risk insurance as well as the contributions to AHV/IV/EO and ALV.

Remuneration to the individual members of the Board of Directors

Fiscal year 2022
The members of the Board of Directors received the following remuneration in 2022:

Audited	Compensation Committee	Period	Fixed Directors' fee	Variable remuneration	Pension benefits	Total in TCHF
Bernhard Burgener, Chairman	--	Jan. 1, 2022 - Dec. 31, 2022	0	0	0	0
Peter von Büren, member	--	Jan. 1, 2022 - Dec. 31, 2022	0	0	0	0
Alexander Studhalter, member	--	Jan. 1, 2022 - Nov. 15, 2022	0	0	0	0
Rolf Elgeti, member	X	Jan. 1, 2022 - Dec. 31, 2022	0	0	0	0
Sven Heller, member	X	Jan. 1, 2022 - Dec. 31, 2022	0	0	0	0
Clive Ng, member	--	Jan. 1, 2022 - Dec. 31, 2022	0	0	0	0
Total			**0**	**0**	**0**	**0**

As in the previous year, no Directors' fee was paid at the level of HLEE. Rolf Elgeti, Sven Heller, and Clive Ng are not members of the Board of Directors of Highlight Communications AG. On November 15, 2022, Alexander Studhalter resigned from the Board of Directors of Highlight Communications AG.

Component of the audit scope for the statutory auditor's report on the remuneration report in accordance with the Ordinance Against Excessive Compensation in Listed Stock Corporations (VegüV) pursuant to Articles 14 – 16

No variable remuneration, loans, or credits were granted and no shares, option rights, or similar participation rights were assigned in the year under review or in the previous year.

Fiscal year 2021
The individual members of the Board of Directors received the following remuneration in fiscal year 2021:

Audited	Compensation Committee	Period	Fixed Directors' fee	Variable remuneration	Pension benefits	Total in TCHF
Bernhard Burgener, Chairman	--	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	0
Peter von Büren, member	--	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	0
Alexander Studhalter, member	--	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	0
Rolf Elgeti, member	X	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	0
Sven Heller, member	X	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	0
Clive Ng, member	--	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	0
Total			**0**	**0**	**0**	**0**

Remuneration to members of the management team
Principles
The remuneration of the members of the management team is geared towards the scope of work and the role of the individual member, and consists of the following elements:

- Fixed salary (paid as cash remuneration)
- Variable remuneration (paid as cash remuneration)
- Pension benefits
- Use of a company car for private and business purposes

Basic remuneration
The full Board of Directors determines the level of fixed basic remuneration for the members of the management team at the request of the Compensation Committee. In addition to the role, the degree of responsibility, and the actual time commitment, it also takes account of a comparison with compensation at other companies. The fixed salary is reviewed annually by the Board of Directors/Compensation Committee. In determining the fixed salary, the full Board of Directors particularly takes account of the actual time required and the volume of business, as well as comparing the compensation with compensation at other companies, as it does when determining the compensation for the Board of Directors. The individual factors were weighted at the discretion of the Board of Directors. The fees could be received in money only, i.e. not in shares or options.

Variable remuneration
The full Board of Directors decides at its own discretion whether a bonus is to be paid to a member of the management team. If a bonus is to be paid, it must be based on personal and/or company-specific targets. The weighting of the targets is determined by the full Board of Directors at the request of the Compensation Committee. Other than this, there are no defined bonus or participation programs for members and/or former members of the management team. No variable remuneration was paid in the current fiscal year (previous year: none).

The members of the management team receive variable remuneration indirectly for their work at the subsidiary Highlight Communications AG as executive members. The level of the variable remuneration is basis on the calculation of the average share price for the period from January 1 to October 31, multiplied by a figure which the Board of Directors has specified in line with performance and seniority. Unless otherwise resolved by the Board of Directors, disbursement of the variable remuneration takes place in cash. The remuneration is paid in the fourth quarter of the reporting year. At present, there are no share, option or similar participation programs which provide entitlement to (physical) subscription of shares in Highlight Communications AG.

Component of the audit scope for the statutory auditor's report on the remuneration report in accordance with the Ordinance Against Excessive Compensation in Listed Stock Corporations (VegüV) pursuant to Articles 14 – 16

Pension benefits
Pension benefits consist of all contributions by the employer to old-age and risk insurance as well as the contributions to AHV/IV/EO and ALV.

Remuneration to the individual members of the management team

Fiscal year 2022
In 2022, the following remuneration was paid to the members of the management team at the Group company Highlight Communications AG. No remuneration was paid at the level of HLEE.

Audited	Period	Fixed remuneration (gross)	Variable remuneration	Pension benefits	Indirect remuneration for activities at subsidiaries	**Total in TCHF**
Bernhard Burgener, Delegate of the Board of Directors	Jan. 1, 2022 - Dec. 31, 2022	0	0	0	1,611	**1,611**
Alexander Studhalter, COO	June 29, 2022 - Nov. 15, 2022	0	0	0	366	**366**
Peter von Büren, CFO	Jan. 1, 2022 - Dec. 31, 2022	0	0	0	802	**802**
Total		0	0	0	2,779	2,779

On November 15, 2022, Alexander Studhalter resigned from the Board of Directors and the management team of Highlight Communications AG.

Details of remuneration are listed on page 19 of the annual report of Highlight Communications AG.

No loans or credits were granted and no shares, option rights, or similar participation rights were assigned in the year under review or in the previous year.

Fiscal year 2021
The members of the management team received the following remuneration for fiscal year 2021:

Audited	Period	Fixed remuneration (gross)	Variable remuneration	Pension benefits	Indirect remuneration for activities at subsidiaries	Total in CHF
Bernhard Burgener, Delegate of the Board of Directors	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	1,666	1,666
Peter von Büren, CFO	Jan. 1, 2021 - Dec. 31, 2021	0	0	0	842	842
Total		0	0	0	2,508	2,508

The Remuneration Report of Highlight Communications AG is available on the website http://www.hlcom.ch/en/Annual-reports.htm.

Advisory Board
Highlight Event and Entertainment AG did not have an Advisory Board in the year under review or in the previous year. Accordingly, no remuneration was paid to members of an Advisory Board.

Component of the audit scope for the statutory auditor’s report on the remuneration report in accordance with the Ordinance Against Excessive Compensation in Listed Stock Corporations (VegüV) pursuant to Articles 14 – 16

Contract terms and benefits payable to members on leaving Highlight Event and Entertainment AG
No members of the Board of Directors or the management team have a contract with Highlight Event and Entertainment AG that grants them severance pay on leaving Highlight Event and Entertainment AG.

The statutory notice periods apply to members of the management team. No post-contractual non-competition clauses have been agreed with members of the Board of Directors or of the management team.

Statutory provisions regarding loans, credits, and retirement benefits for members of the Board of Directors and of the management team
Loans and credits from the company to a member of the Board of Directors or of the management team and guarantees or other collateral provided by the company for obligations of a member of the Board of Directors or of the management team must not exceed CHF 50,000.

Retirement benefits for members of the Board of Directors and of the management team are paid only as part of domestic and foreign pension plans and comparable plans of the company or its Group companies. The benefits for the insured parties and the employer contributions arise from the above-mentioned plans and the corresponding regulations.

Statutory provisions regarding votes on remuneration at the Annual General Meeting
Once a year, usually at the ordinary Annual General Meeting, the Annual General Meeting separately approves the total remuneration for the members of the Board of Directors and of the management team for the fiscal year following the Annual General Meeting. Votes at the Annual General Meeting are binding.

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

Loans and credits to related parties
All loans and credits are concluded at arm's length conditions. There were no loans or credits to related parties in the reporting period or in the previous year.

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

Remuneration to former members of executive bodies
No compensation was paid to former members of executive bodies in 2022 or in the previous year.

Management contracts
There are no management contracts.

Equity interests in Highlight Event and Entertainment AG
As of December 31, 2022, the members of the Board of Directors and the management team (including related parties) held a total of 53.72 % of the outstanding bearer shares in Highlight Event and Entertainment AG (previous year: 53.72 %).

The individual members of the Board of Directors and the management team (including related parties) held the following equity interests:

a. Bernhard Burgener: 1,750,000, or 18.50 %
b. Peter von Büren: None
c. Related companies: Obotritita Capital KGAA 733,409, or 7.76 %
d. Related companies: Swiss International Investment Portfolio AG 2,590,119, or 27.38 %
e. Sven Heller: 7,993, or 0.08 %

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Report of the statutory auditor to the General Meeting of High-light Event and Entertainment AG, Pratteln

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Highlight Event and Entertainment AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked “audited” on pages 102 to 104 of the Remuneration Report.

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

Basis for Opinion

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

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

Other matters

The Remuneration Report of the Company for the year ended 31 December 2021, was audited by another auditor whose report, dated 10 June 2022, expressed an unmodified opinion on the Remuneration Report.

Other information

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

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

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

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

Board of Directors' Responsibilities for the Remuneration Report

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

Auditor’s Responsibilities for the Audit of the Remuneration Report

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

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

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

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

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

Zurich, 28 April 2023

MAZARS AG

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CORPORATE GOVERNANCE

Highlight Event and Entertainment AG strives for transparency at all times and pursues an open communication policy. Pursuing these efforts is important to us.

Highlight Event and Entertainment AG aligns its activities with the general guidelines of the Swiss Code of Best Practice of economiesuisse and complies with the Corporate Governance Directive (RLCG) of SIX Swiss Exchange. The corporate governance rules of Highlight Event and Entertainment AG are determined by law and set forth in the company's Articles of Association and organizational and operational rules.

The disclosures in this Corporate Governance report relates to the company's organization, regulations and Articles of Association effective as of December 31, 2022.

GROUP STRUCTURE AND SHAREHOLDERS

Group structure

Operating Group structure

Highlight Event and Entertainment AG, hereinafter referred to as the company or HLEE, is a holding company based in Pratteln.

The company holds a 51.61 % equity interest in Highlight Communications AG. The share capital of Highlight Communications AG amounts to CHF 63,000,000 and is divided into 63 million bearer shares with a nominal value of CHF 1 each. As a strategic and financial holding company, Highlight Communications AG comprises the Film segment and the Sports and Events segment.

The HLEE Group holds 60 % of the share capital of World Boxing Super Series AG, Pratteln. The share capital of CHF 3,035,639 is divided into 3,000,000 registered shares and 35,639 preference shares (registered shares) with a nominal value of CHF 1 each.

The company produces the World Boxing Super Series in the Sports and Events segment.

On February 22, 2022, the Group company Escor Automaten AG, Pratteln, was liquidated and removed from the commercial register. The company is reported in the Other segment.

In addition, the company holds an 80 % equity interest in Chameleo AG. The share capital amounts to CHF 100,000 and is divided into 100,000 bearer shares with a nominal value of CHF 1. The company is at an early stage of development and is reported in the Other segment.

Information on segment reporting can be found starting on page 43 of the annual report of Highlight Communications AG.

Listed companies

Highlight Event and Entertainment AG's shares (bearer shares) are quoted on the SIX Swiss Exchange (ticker symbol: HLEE; securities number 358 325; ISIN no.: CH0003583256). Its nominal share capital amounts to CHF 85,140,000. The company is based in Pratteln. For information on market capitalization, please refer to the figures on page 2 of the annual report of Highlight Event and Entertainment AG. The consolidated group of the HLEE Group includes Highlight Communications AG, domiciled in Pratteln, which is a listed media company. Its shares are listed in the Prime Standard of the Frankfurt Stock Exchange (ISIN: CH 000 653 9198, German securities number: 920 299, stock market symbol: HLG). As of December 31, 2022, the market capitalization of Highlight Event and Entertainment AG was CHF 174.9 million.

Non-listed companies

In addition, the non-listed companies Chameleo AG and World Boxing Super Series AG, Pratteln, are included in the consolidated group of Highlight Event and Entertainment AG.

Principal shareholders

The company is aware of the following shareholders with a share of voting rights of more than 3 % of the share capital entered into the Commercial Register as of December 31, 2022 in accordance with Article 20 of the *Börsengesetz* (BEHG – Swiss Stock Exchange Act):

Shareholder	Share of voting rights as disclosed
Swiss International Investment Portfolio AG, Lucerne (beneficial owner: Alexander Studhalter)	27.38 %
Bernhard and Rosmarie Burgener, Zeiningen	18.50 %
Victorinox AG, Ibach (beneficial owner: Victorinox Foundation)	11.31 %
Obotritia Capital KGAA, Potsdam, Germany (beneficial owner: Rolf Elgeti)	7.76 %
AM Portfolio AG, Vaduz, Liechtenstein (beneficial owner: Igor Migushov)	7.06 %
Miralco Holding AG, Muttenz (beneficial owners: Nicole Kunz and Otto Kunz)	4.73 %
René Camenzind, Brunnen	4.97 %
Stella Holding AG, Glarus (beneficial owners: Martin Hellstern and Anita Hellstern Stettler)	4.87 %

The following disclosures were made in fiscal 2022:

- Obotritia Capital KGAA, reduction in shareholding to 7.76 % (previous year: 8.76 %)
- Swiss International Investment Portfolio AG, increase in shareholding to 27.38 % (previous year: 26.38 %)

Cross-holdings

The company does not hold any cross-holdings with capital or voting rights at or with other companies.

CAPITAL STRUCTURE

Capital (ordinary, authorized and contingent capital)

Please see page page 89 of the notes to the financial statements of Highlight Event and Entertainment AG.

Ordinary capital as of December 31, 2022

Ordinary share capital: HLEE has share capital of CHF 85,140,000, divided into 9,460,000 bearer shares each with a nominal value of CHF 9.

Authorized and contingent capital in particular

The existing authorized capital was increased and extended at the Annual General Meeting on June 29, 2021. In addition, contingent capital for employee participations was introduced. For this reason, the following was added to Article 3 of the Articles of Association:

Article 3a: Authorized capital

The Board of Directors is authorized to increase the capital by a maximum of CHF 34,200,000 until June 29, 2023 by issuing a maximum of 3,800,000 fully paid-up bearer shares each with a notional interest in the share capital of CHF 9.

Article 3b: Contingent capital

The contingent share capital is increased by a maximum of CHF 9,270,000 by issuing a maximum of 1,030,000 fully paid-up bearer shares, each with a nominal value of CHF 9, if and to the extent that conversion rights granted in connection with new or existing convertible loans are exercised.

Article 3c: New contingent capital for employee participation

The Board of Directors is introducing an employee participation program for certain employees of Constantin Film AG. This is intended to allow for remuneration of top executives in the creative sector at a typical market level for the film industry. The company's share capital is increased by a maximum of CHF 2,250,000 by issuing a maximum of 250,000 fully paid-up bearer shares each with a notional interest in the share capital of CHF 9.

Changes in capital over the past three reporting periods

Information in CHF as of Dec. 31	2020	2021	2022
Share capital	79,200,000	85,140,000	85,140,000
General reserves	3,066,685	3,066,685	3,066,685
Reserve from capital contributions	54,451,513	66,515,270	66,515,270
Treasury shares	-277	-146,160	-146,160
Net accumulated losses	-50,437,115	-71,219,115	-75,778,115
Equity	86,280,806	83,356,680	78,798,207

Information in CHF as of Dec. 31	2020	2021	2022
Authorized capital	34,200,000	34,200,000	34,200,000
Contingent capital	8,100,000	11,520,000	11,520,000

Changes in equity in 2022

There were no changes in ordinary share capital in 2022.

Changes in equity in 2021

Two capital increases were implemented from the authorized capital in 2021. In this context, 240,000 and 300,000 new bearer shares were issued by way of a private placement. In the previous year, Swiss International Investment Portfolio AG (SWIIP) exercised the option to convert the loan of EUR 1,929,600 into a total of 120,000 bearer shares in Highlight Event and Entertainment AG (see 2020 annual report, notes to the consolidated financial statements; notes 6.15 and 6.18.2). The shares for the continent capital increase were created in June 2021.

Changes in equity in 2020

A capital increase was implemented from the authorized capital in 2020. In this context, 200,000 new bearer shares were issued by way of a private placement.

Shares and participation certificates

A total of 9,460,000 bearer shares with a nominal value of CHF 9 each have been issued. All shares are fully paid up. Each share entitles the holder to one vote. All shares entitle the holder to dividends.

There are no preferential rights or participation certificates.

Profit-sharing certificates

No profit-sharing certificates were issued.

Restrictions on transferability and nominee registrations

The company has issued bearer shares. There are no registered shares, which is why there are also no restrictions regarding transferability or nominee registrations.

The conversion of bearer shares into registered shares and the introduction of restrictions on transferability and registrations are permitted in accordance with statutory quorum requirements.

Convertible bonds and options

No options were granted. As of June 14, 2021, Highlight Event and Entertainment AG took up new convertible loans of TCHF 7,200 and TCHF 7,800. The lenders (Victorinox AG and Pensionskasse der Victorinox AG) have the right to convert the loan at a conversion price of CHF 30 per share into a total of 500,000 Highlight Event and Entertainment AG shares. The conversion period commenced on June 14, 2021 and ends on May 30, 2023. The convertible loans bear interest at a rate of 3 % during their terms. If the option is not exercised, the convertible loans must be repaid on May 31, 2023. The convertible loans are discussed in note 6.8 to the (separate) financial statements under “Financial liabilities”.

BOARD OF DIRECTORS

Members of the Board of Directors

Bernhard Burgener, President of the Board of Directors and CEO, executive member of the Board of Directors

- Swiss citizen from Mund (VS), born in 1957. Businessman. 1976: Graduated from the Kaufmännischer Verein Basel. Bernhard Burgener has been working as an entrepreneur in the film industry and the area of sports and event management for 39 years. He has been a member of the Board of Directors of Highlight Communications AG, Pratteln, since 1994 and has been the President of the Board of Directors and CEO since 2011.
- Bernhard Burgener was elected as the President of the Board of Directors of HLEE by the Annual General Meeting on May 11, 2012. Mr. Burgener was elected as the CEO at the Annual General Meeting on June 13, 2016.

Peter von Büren, executive member of the Board of Directors and CFO

- Swiss citizen from Stansstad (NW), born in 1955. Businessman. He has been performing various management activities at Highlight Communications AG since 1994. He has been a member of Highlight Communications AG's Group management since 1999. In addition to his role as Head of IT and Human Resources, he has been Highlight Communications AG's CFO since 2008 and a member of the Board of Directors of Highlight Communications AG since 2015.
- Peter von Büren has been a member of the Board of Directors of HLEE since May 11, 2012. He has not been a member of the management team of HLEE or one of its subsidiaries in the four years preceding the period under review. There are no significant business relations between HLEE or one of its subsidiaries and Board member Peter von Büren. He has been in charge of Finance since the Annual General Meeting on June 13, 2016.

Clive Ng, executive member of the Board of Directors

- Malaysian citizen, born in 1962. Clive Ng is a successful international entrepreneur, founder and CEO of many different companies. Among other roles, he is a co-founder of C Ventures. He has many years of experience in managing several international media companies and has excelled in strategy development here.
- He has an outstanding international network, particularly in Asia.
- For example, he was a founding shareholder of a number of Asian new media companies such as MTV Japan and E*TRADE Asia and has established several start-ups in the field of e-commerce in Asia and the USA, also acting as their chairman. Clive Ng was elected as an executive member of the Board of Directors of Highlight Event and Entertainment AG at the 2020 Annual General Meeting.

Rolf Elgeti, non-executive member of the Board of Directors

- German citizen, born in 1976 in Locarno. He studied in Mannheim and Paris and graduated in business administration. Started his career as an analyst and equity strategist in Great Britain. From 2009 to 2014, he was CEO of TAG Immobilien AG, Hamburg. Today Rolf Elgeti is an independent real estate manager with Obotritia, which holds approx. 7.76 % in the company.
- He was elected as non-executive member of the Board of Directors by the Annual General Meeting on June 29, 2018.
- In the most recent reporting periods, Rolf Elgeti had no function in the management team of the HLEE Group. There are also no significant business relations.

Sven Heller, non-executive member of the Board of Directors

- Swiss citizen, born in 1965 in Locarno. He graduated in law from HSG. After several years in investment banking and trading at large Swiss banks, Sven Heller heads his own law firm as a practicing attorney. He holds several Board of Director mandates at unlisted companies.
- He was elected as non-executive member of the Board of Directors by the Annual General Meeting on June 29, 2018.
- In the most recent reporting periods, Sven Heller had no function in the management team of the HLEE Group. There are also no significant business relations.

Alexander Studhalter, executive member of the Board of Directors

- Swiss citizen from Lucerne, born in 1968. After training as a business economist and earning a Swiss federal diploma in finance and accounting, he started his career and, as an innovative entrepreneur, managed to establish a successful international corporation thanks to his experience, his extensive network, and his constant endeavor to create real added value. In 2017, he invested in Highlight Event and Entertainment AG via Swiss International Investment Portfolio AG, and at the 2020 Annual General Meeting he was elected as an executive member of the Board of Directors at both Highlight Event and Entertainment AG and Highlight Communications AG.

  Alexander Studhalter resigned as an executive member of the Board of Directors on November 15, 2022.

Other activities and interests

Bernhard Burgener

Highlight Communications AG, Pratteln	President and CEO
Constantin Film AG, Munich, Germany	Chairman of the Supervisory Board
Sport1 Medien AG, Ismaning, Germany	Chairman of the Supervisory Board
Constantin Film und Entertainment AG, Zürich	President
Rainbow Home Entertainment AG, Pratteln	President
TEAM Holding AG, Lucerne	President
TEAM Football Marketing AG, Lucerne	President
TEAM Marketing AG, Lucerne	President
TEAM Vorsorgestiftung, Lucerne	President of the Foundation
Highlight Event AG, Emmen	President
World Boxing Super Series AG, Pratteln	President
Chameleo AG, Pratteln	President
Lechner Marmor AG, Laas, Italy	President
EurAsia Heart - A Swiss Medical Foundation, Zürich	Member of the board of trustees
Chameleo AG	President

Board member Bernhard Burgener does not act in an official or political capacity.

Peter von Büren

Highlight Communications AG, Pratteln	Member
Constantin Film AG, Munich, Germany	Supervisory Board
Sport1 Medien AG, Ismaning, Germany	Supervisory Board
Constantin Film und Entertainment AG, Zürich	Member
Rainbow Home Entertainment AG, Pratteln	Vice President
TEAM Holding AG, Lucerne	Member
TEAM Football Marketing AG, Lucerne	Member
TEAM Marketing AG, Lucerne	Member
TEAM Vorsorgestiftung, Lucerne	Member
Highlight Event AG, Emmen	Member
World Boxing Super Series AG, Pratteln	Member
Chameleo AG, Pratteln	Member
CBE Marmor & Handels AG, Ibach	President

Board member Peter von Büren does not act in an official or political capacity.

Clive Ng

C Ventures	President
Youngtimers AG	Member
C Digital Libraries Inc.	President and Director

Board member Clive Ng does not act in an official or political capacity.

Rolf Elgeti

TAG Immobilien AG, Hamburg	Chairman of the Supervisory Board
Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main	Chairman of the Supervisory Board
creditshelf Aktiengesellschaft, Frankfurt am Main	Chairman of the Supervisory Board
NEXR Technologies SE, Berlin, Germany (previously Staramba SE, Berlin, Germany)	Member of the Board of Directors
Laurus Property Partners, Munich	Member of the Advisory Board
Obotritia Hotel SE, Potsdam, Germany	Chairman of the Supervisory Board
Deutsche Konsum REIT-AG, Potsdam	Chairman
Deutsche Industrie REIT-AG, Potsdam	Chairman
Obotritia Capital KGaA, Potsdam	General Partner
Bankhaus Obotritia GmbH, Munich, Germany	Member of the Audit Committee
OboTech Acquisition SE, Luxembourg	CEO member of the Board of Directors

Board member Rolf Elgeti does not act in an official or political capacity.

Sven Heller

Heller Anwaltskanzlei AG, Lucerne	President
Peak One AG, Lucerne	President
Fumibe AG, Lucerne	President
Gresch & Partner AG, Lucerne	Member
Brixel AG, Zürich	Member
MySlide GmbH	Partner
Heller & Co., Lucerne	Partner
Brixel Realestate AG, Lucerne	Member

Board member Sven Heller does not act in an official or political capacity.

Alexander Studhalter

Highlight Communications AG, Pratteln	Member
Sport1 Medien AG, Ismaning, Germany	Supervisory Board
World Boxing Super Series AG, Pratteln	Member
Studhalter International Group AG	President
Swiss International Investment Portfolio AG, Lucerne	President
Swiss International Real Estate Portfolio AG, Lucerne	President
Swiss International Advisory Group AG, Lucerne	President
Personalfürsorgestiftung der Firma Swiss International Advisory Group AG, Lucerne	President
Swiss International Asset Consulting AG, Lucerne	President
AUVISO Audio Visual Solutions AG, Emmen	Member
avony ag, Lucerne	President
Augusta Eisenwaren AG, Lucerne	Member
Schweizer der gemeinnützigen Stiftungen Fondation Aengeli, Lucerne, and Human Diversity Foundation, Lucerne	President
Parkleitsystem AG, Lucerne	Member
Papa Oscar Ventures GmbH, Frankfurt, Germany	Advisory Board

Alexander Studhalter resigned as an executive member of the Board of Directors on November 15, 2022. Alexander Studhalter does not act in an official or political capacity.

Number of activities permitted outside the Highlight Event and Entertainment Group

In accordance with Article 29 of the Articles of Association, members of the Board of Directors and the management team is not permitted to perform more than the following number of additional activities in senior management or administrative bodies at other legal entities that must be entered into the Commercial Register or a similar register abroad and that are not controlled by the company or that do not control, own or influence the company:

- Five mandates (members of the Board of Directors and the management team) at listed companies, with multiple mandates at various companies within the same Group counting as one mandate, and
- 15 remunerated mandates (members of the Board of Directors and the management team) at other legal entities, with multiple mandates at different companies within the same Group counting as one mandate, and
- Ten (members of the Board of Directors and the management team) unpaid mandates, with the reimbursement of expenses not considered remuneration and multiple mandates at different companies within the same Group counting as one mandate.

This restriction does not apply to mandates that members of the Board of Directors or the management team have on behalf of the company (such as joint ventures or pension schemes of this legal entity or in companies where the legal entity holds a significant investment that is not included in consolidation).

No members of the Board of Directors have exceeded the defined limits on additional activities.

Election and term of office

General
In accordance with Article 19 of the Articles of Association, the Board of Directors consists of one or more members. Every year, the Annual General Meeting elects:

- the members and President of the Board of Directors;
- the members of the Compensation Committee who must be members of the Board of Directors.

Members are elected individually and for the period until the next Annual General Meeting. Re-election is permitted. If a member of the Board of Directors leaves before the end of their term of office, the following Annual General Meeting shall elect a successor for the remainder of the current term of office. If all members of the Compensation Committee have not been determined, the Board of Directors shall appoint the number of members required for the remaining term of office.

The following members of the Board of Directors were elected at the Annual General Meeting on June 29, 2022. Bernhard Burgener was re-elected as the President of the Board of Directors. Rolf Elgeti and Sven Heller were elected as members of the Compensation Committee.

First and last election of each member of the Board of Directors

Members of the Board of Directors	Member since	last election/elected until
Bernhard Burgener	1995	AGM 2022/AGM 2023
Peter von Büren	2012	AGM 2022/AGM 2023
Alexander Studhalter	2020	AGM 2022/AGM 2023
Clive Ng	2020	AGM 2022/AGM 2023
Rolf Elgeti	2018	AGM 2022/AGM 2023
Sven Heller	2018	AGM 2022/AGM 2023

Alexander Studhalter resigned as an executive member of the Board of Directors on November 15, 2022.

Internal organization

Division of responsibilities on the Board of Directors
The Board of Directors is organized in line with the company's organizational and operational rules of June 14, 2011, which were enacted on the basis of Article 22 of the Articles of Association and Article 716b OR.

The Board of Directors meets as a whole. Bernhard Burgener is the President of the Board of Directors. He manages and informs the Board of Directors. As a member of the Board of Directors, he is responsible for the pre-evaluation of new business areas and strategies. The Compensation Committee assists the Board of Directors, in particular, with remuneration matters and the selection and succession planning of senior management.

Composition and responsibilities of the Compensation Committee
The Compensation Committee is made up of at least two members of the Board of Directors. At the Annual General Meeting of June 29, 2022, Rolf Elgeti and Sven Heller were elected as members of the Compensation Committee. For more information about the tasks of the Compensation Committee, please refer to Article 23 of the Articles of Association and the remuneration report (starting on page 101).

Working methods of the Board of Directors and its committees
The Board of Directors meets as a whole. The Board of Directors holds board meetings at least twice a year. Beyond this, the Board meets as often as necessary. Board meetings last an average of two hours, although the duration of individual meetings may differ from this average depending on the respective agenda or workload. Three board meetings took place in fiscal 2022. The individual items on the agenda can be found in the table below:

Board meetings in 2022
10.03.2022
August 17, 2022
29.12.2022

The Compensation Committee holds meetings at least twice a year. Beyond this, the Board meets as often as necessary. The duration of the meetings of the Compensation Committee depends on the issues discussed in each case. As there were no special reasons, the Compensation Committee did not hold any meetings in 2022.

Allocation of duties
The Board of Directors manages the company in accordance with Article 22 of the Articles of Association, the company's organizational and operational rules and Swiss law. The Board of Directors is part of the company's senior management. It has the corresponding powers to establish the company's organization and targets, determine accounting principles, approve the business, financial and investment budget, recruit and dismiss members of the management team and approve their terms of employment. The Board of Directors prepares the Annual Report and is in charge of the preparation of the Annual General Meeting and resolutions passed within this context.

In accordance with Items 2.1 and 4.1 of the company's organizational and operational rules, the Board of Directors has delegated overall management to the CEO and management team since the Annual General Meeting on May 11, 2012. Operational management is the responsibility of the CEO appointed by the Board of Directors in accordance with the company's organizational and operational rules, which includes a wide range of management responsibilities and duties, including in particular:

- Periodically determining the market strategy and policies;
- Performing management tasks vis-à-vis subordinate managers with examples, motivation, support and periodic evaluations;
- Complying with the internal control system and taking all the necessary steps to ensure and improve operating activities;
- Providing key figures and documents required for management and monitoring activities;
- Managing accounting, ensuring liquidity and budgeting, and preparing annual accounts for the Board of Directors;
- Determining HR policies and planning, recruiting, promoting and dismissing middle managers (authorized signatories and representatives);
- Representing the overall interests of the company and Group in respect of third parties;
- Recruiting and dismissing staff while considering the responsibilities of the Board of Directors;
- Other allocated activities outside their area of responsibility.

In addition, the company's organizational and operational rules include a list of business activities that require the prior consent of the Board of Directors, including in particular:

- Determining and changing business policies, the Group's organization and other matters of fundamental importance;
- Releasing approved investments in the budget of more than CHF 50,000 and investments exceeding the specified investment amount over the entire duration of the annual budget;
- One-off expenses that are not included in the budget if the amount of CHF 50,000 per transaction and case per year is exceeded;
- Fulfilling obligations for recurring expenses, particularly rental and lease agreements and contracts by which the company is bound for more than two years;
- The acquisition and disposal of all types of companies in part of in full (equity investments) and no sales of assets over CHF 100,000 on a case-by-case basis;
- Establishing and closing branch offices;
- Acquiring, mortgaging or disposing of land and similar land rights;
- Determining standards and guidelines for terms of employment and determining principles for annual salary adjustments;
- Legal transactions and legal action outside normal business operations and litigations of fundamental significance or worth more than CHF 50,000;
- Taking out and terminating loans and other borrowings or changing credit limits if this is not established in the approved financial plan or outside normal business activities;
- Granting loans of more than CHF 10,000 on a case-by-case basis
- Acquiring sureties, guarantees, letters of comfort and similar obligations.

Management information and monitoring tools
The CEO must provide the Board of Directors with a report on the company's operational and business development, at least on a quarterly basis, in accordance with the company's organizational and operational rules. The CEO attended all board meetings, ensuring direct contact between the Board of Directors and the management team and adequate monitoring as a result. In addition, he presented current key figures, statements of comprehensive income and disclosures on the statement of financial position and cash flows on a quarterly basis.

The statutory auditor receives information on a regular basis. This also allows the statutory auditor to obtain information on business development during the year and to intervene immediately if there are any ambiguities or inconsistencies. Subject to ordinary audit activities and the publication of the semi-annual report, there are no other monitoring tools within the context of the audit.

Furthermore, the CEO informed the Board of Directors of news within the management team in writing at least four times. At board meetings, he provided written and oral information on the respective quarterly reports with the statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity.

The Board of Directors conducted periodic risk assessments to an adequate extent and, where applicable, derived the resulting measures in order to ensure that the risk of material misstatements affecting the consolidated financial statements in the Annual Report is low.

Based on an extensive risk assessment and a corresponding strategy, the Board of Directors implemented an internal control system (ICS) for financial reporting in fiscal 2008. In this context, business procedures and controls are assessed on a quarterly basis. The Board of Directors as a whole reassesses risks at least once a year and receives information from the management team on the functionality and effectiveness of the internal control system. Every year, the statutory auditor checks whether an internal control system exists and provides a written report on the findings of the audit to the Board of Directors.

Summary of the opportunity and risk situation

The risks and opportunities reported by the individual risk officers are accordingly 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 the probabilities of occurrence, maximum loss amounts and the impact of the countermeasures taken, the HLEE Group management comes to the conclusion that these risks do not pose a threat to the continued existence of the Group. This applies to the risks both individually and collectively, to the extent that their collective impact can be reasonably simulated or estimated by other means. The Group management believes that the HLEE Group is currently equipped to deal with the residual risks 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 comprises issues that the Group management deliberately accepts in order to implement the business strategy. These include risks from film and TV production, access to license rights and source materials, and sales, taste and consumer risks. The Group management believes that the impact of these risks is manageable in relation to the income opportunities arising from the respective business areas. By monitoring key figures, the Group can determine whether this relationship is permanently deteriorating in individual areas. It can then react to this by adjusting its strategy. The last group covers risks relating to operating business and particularly includes operating risks, safety and security plans, contractual and financial obligations, ensuing liquidity and legal risks. The Group management manages these risks with guidelines and process controls and by calling in external consultants, with the effect that the residual risk remains at an economically acceptable level.

In the Group management’s view, the biggest opportunities still lie in the systematic expansion of the digital strategy and in the possibilities that a transformation of the media world could bring. Further opportunities arise from the continuous cultivation of existing business relationships, the development of new partnerships, and the diversification of business activities to the two established segments.

The Group companies are all established in their respective areas, have access to a broad network of technical and creative energy, and can react quickly to changes. The Group management therefore believes that the measures taken keep the risks at an economically acceptable level, and considers the Group’s risk-bearing capacity to be adequate. At the same time, it is continuing to systematically pursue the existing opportunities.

MANAGEMENT

Members of the management team

Bernhard Burgener, President of the Board of Directors and CEO since June 13, 2016

Detailed information about Bernhard Burgener can be found on page 112 “Members of the Board of Directors” in this Annual Report.

Peter von Büren, CFO and member of the Board of Directors since June 13, 2016

Detailed information about Peter von Büren can be found on page 112 “Members of the Board of Directors” in this Annual Report.

Other activities and interests

Bernhard Burgener

Detailed information about Bernhard Burgener can be found on page 112 of this Annual Report. A description of his other activities and interests can be found on page 113 of the Annual Report.

Number of activities permitted outside the Highlight Event and Entertainment Group
The wording of Article 29 of the Articles of Association regarding the number of activities permitted outside the Highlight Event and Entertainment Group can be found in the information concerning the Board of Directors on page 115.

Management contracts
There are no management contracts between HLEE or one of its subsidiaries and third parties.

COMPENSATION, EQUITY INVESTMENTS AND LOANS
Detailed information on compensation, equity investments and loans granted to current and former members of the Board of Directors and the management team in addition to responsibilities and procedures can be found in the remuneration report (starting on page 101).

Statutory provisions regarding remuneration principles and additional amounts, loans, borrowings and retirement benefits are specified in articles 31 to 34 of the Articles of Association. Rules regarding votes on remuneration at the Annual General Meeting can be found in Article 18 of the Articles of Association.

Contract terms and benefits payable to departing employees at the company
Members of the Board of Directors and the management team do not have contracts with special severance pay clauses or contracts with unusually long terms.

Compensation for members of the management team at Highlight Communications AG
The members of the management team at the Group company Highlight Communications AG (including the executive members of the Board of Directors) also receive variable remuneration. The level of the variable remuneration is basis on the calculation of the average share price for the period from January 1 to October 31, multiplied by a figure which the Board of Directors has specified in line with performance and seniority. Unless otherwise resolved by the Board of Directors, disbursement of the variable remuneration takes place in cash. The remuneration is paid in the fourth quarter of the reporting year.

At present, there are no share, option or similar participation programs which provide entitlement to (physical) subscription of shares in Highlight Communications AG. As two of four members of the Board of Directors of Highlight Communications AG were also members of the compensation committee, they exercised the responsibilities and authorizations for remuneration in the meetings of the Board of Directors in the year under review.

The Remuneration Report of Highlight Communications AG is available on the website http://www.hlcom.ch/en/Annual-reports.htm.

PARTICIPATION RIGHTS OF SHAREHOLDERS

Restrictions on voting rights and proxy voting

Restrictions on voting rights
There are no restrictions on voting rights. Each share entitles the holder to one vote.

Proxy voting
Shareholders can be represented at the Annual General Meeting by a person authorized in writing (who does not have to be a shareholder) or by the independent proxy.

The Annual General Meeting elects an independent proxy. Natural persons, legal persons and partnerships are eligible. Their mandate ends at the end of the following Annual General Meeting. Re-election is permitted.

The Annual General Meeting on June 29, 2022 elected Ms. Silvia Margraf, lawyer and notary, as the independent proxy until the end of the 2023 Annual General Meeting. Ms. Margraf is independent and has no other mandates for the company.

Statutory provisions regarding independent proxies are specified in Article 14 of the Articles of Association. The Articles of Association are available at www.hlee.ch in the “Corporate Governance” section.

Statutory quorums
The Annual General Meeting passes resolutions and hold elections with the absolute majority of voting shares represented. At least two thirds of the voting shares represented and the absolute majority of the nominal share capital value represented are also required for resolutions in accordance with Article 704(1) and (2) OR. All provisions of the Articles of Association comply with statutory provisions.

Convening the Annual General Meeting
Invitations to the Annual General Meeting are published in the Swiss Official Gazette of Commerce at least 20 days before the meeting. Invitations must include the items on the agenda and proposals of the Board of Directors and shareholders that have requested certain items to be added to the agenda.

Addition of an item to the agenda
Shareholders who represent shares with a nominal value of CHF 1 million or 10 % of share capital can request the addition of an item to the agenda at the Annual General Meeting. In this case, items to be added to the agenda must be submitted in writing up to 45 days before the Annual General Meeting, specifying the items and proposals to be submitted to the Board of Directors.

Requests for items that have not been duly announced can be approved for discussion by resolution of the Annual General Meeting. However, it is not possible to adopt resolutions on such matters before the next Annual General Meeting. This does not apply to requests for calls for an extraordinary Annual General Meeting, the execution of a special audit, or the appointment of a statutory auditor at a shareholder's request.

Stock ledger entries/authentication
There are no registered shares and thus no stock ledger.

Owners of stock certificates or relevant custody accounts are considered to be shareholders by the company. The company recognizes only one beneficiary per share.

CHANGE OF CONTROL AND PROTECTIVE MEASURES

Duty to make an offer
At the Annual General Meeting on May 11, 2012, the company introduced an opting-out clause, i.e. an acquirer of shares in the company is not required to make a public purchase offer in accordance with Article 32 BEHG.

Change-of-control clauses
No change-of-control clauses were agreed with members of the Board of Directors or management, or with other members the company's management.

AUDITORS

Mandate term of the head auditor

Appointment date of the current auditor
Mazars AG, Zürich (previous year: PricewaterhouseCoopers AG, Lucerne) has been the statutory auditor of Highlight Event and Entertainment AG since fiscal 2022.

Appointment of the head auditor
As head auditor, Mr. Cyprian Bumann at Mazars AG is in charge of the audit mandate. Mr. Cyprian Bumann can and will remain in office as head auditor for a maximum term of seven years. He has served as the head auditor for the company since 2022.

Auditor's fees
The total audit fees invoiced by the audit firm in the year under review for the audit of the annual financial statements of Highlight Event and Entertainment AG and the Group companies, in addition to the consolidated financial statements of the HLEE Group, and deferred by HLEE.

in CHF thousand	Auditor's fees	Tax advice	Other services	**Total**
Mazars	587	0	0	587
Other audit firms	497	27	49	573
Total for 2022	**1,084**	**27**	**49**	**1,160**
Total for 2021	1,115	131	478	1,724

Additional fees
No additional fees were paid to the statutory auditor in the year under review.

Information tools of external auditors
The Board of Directors communicates directly with the external statutory auditor to discuss the audit work on the annual and semi-annual financial statements. After completing the audit, the statutory auditor reports on their findings to the Board of Directors and prepares an extensive report for the Board of Directors. The Board of Directors supervises and monitors external auditors and held a meeting with these auditors for fiscal 2022. The Board of Directors periodically assesses the ability, independence, work and invoicing of external statutory auditors.

Changes resulting from the Swiss Ordinance on Compensation in Listed Stock Corporations
Overview of issues related to the Swiss Ordinance Against Excessive Compensation in Listed Stock Corporations (VegüV) of November 20, 2013 enacted by the Swiss Bundesrat and their adoption dates at Highlight Event and Entertainment AG:

Provisions	Implementation status
The right to transfer voting rights to the Board of Directors and the right of banks to vote shares held in custody accounts have been abolished	January 1, 2014
Preparation of a remuneration report	Fiscal year 2014
Individual election of Board members by the AGM for a one-year term	Annual General Meeting in 2015
Election of the President of the Board of Directors by the AGM for a one-year term	since the Annual General Meeting in 2014
Individual election of Compensation Committee members by the AGM for a one-year term	since the Annual General Meeting in 2014
Election of the independent proxy by the AGM for a one-year term	since the Annual General Meeting in 2014
Adjustment of existing employment contracts to VegüV requirements	no later than December 31, 2015
Electronic instructions to the independent proxy are permitted	from the Annual General Meeting in 2015
Approval of remuneration paid to the Board of Directors and management team by the AGM	from the Annual General Meeting in 2015
Adjustment/addition to the Articles of Association	since the Annual General Meeting in 2014
Adjustment/supplement to internal regulations	until the Annual General Meeting in 2015

Other provisions that do not require adjustments at HLEE are not included in the table above:

- Bans on termination pay, advance payments, provisions for the acquisition or transfer of companies and parts thereof (adopted as of January 1, 2014).
- Transfer of management to natural persons only (applied as of January 1, 2014). HLEE has allocated operational management to the CEO and management team (natural persons) in the past.
- Obligation for pension funds to exercise their voting rights (adopted as of January 1, 2015). These provisions relate to pension funds and pension schemes that are subject to the *Freizügigkeitsgesetz* (Swiss Vested Benefits Act) of December 17, 1993.

INFORMATION POLICY

The company discloses information in accordance with Article 42 of the Articles of Association in individual publications in the Swiss Official Gazette of Commerce and other means of publication specified by the Board of Directors.

Information issued to shareholders is mainly included in this publication and the publication of annual and semi-annual reports. In addition, the Annual Report and semi-annual report can be viewed online at www.hlee.ch in the "Investor Relations" section.

These reports are prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and comply with Swiss law and the Directive on Financial Reporting of SIX Swiss Exchange.

The website (www.hlee.ch) is also updated on an ongoing basis. HLEE has a push and pull system (cf. also www.hlee.ch AD HOC section). These websites contain all the key information on media reports and ad hoc disclosures which registered investors are directly informed of in the newsletter (www.hlee.ch see AD HOC section). In addition, all key information can be requested by e-mail (via www.hlee.ch in the CONTACT section), fax or phone:

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Users can subscribe or unsubscribe to the newsletter at www.hlee.ch in the AD HOC section.