ANNUAL REPORT 2021

Highlight Event and Entertainment AG, CH-4133 Pratteln

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KEY FIGURES

in CHF thousand		2021	2020 restated
Consolidated total assets	as of December 31	875,893	875,843
Consolidated equity	as of December 31	265,853	273,947
Market capitalization	as of December 31	253,393	246,399
Consolidated net income		-2,052	-12,725
Consolidated net income attributable to shareholders		-4,011	-9,198
Shares outstanding at beginning of fiscal year	Number	8,799,979	8,599,979
Shares outstanding at end of fiscal year	Number	9,454,979	8,799,979
Treasury shares at beginning of reporting period	Number	21	21
Treasury shares at end of reporting period	Number	5,021	21
Weighted average number of shares outstanding	Number	9,150,979	8,610,938
Earnings per outstanding share	CHF	-0.44	-1.07
Share price of bearer shares each with a nominal value of CHF 9 as of December 31	CHF	26.80	28.00
Dividend of bearer shares each with a nominal value of CHF 9 (2020 request of the Board of Directors)	CHF	-	-
Number of employees (FTEs)	as of December 31	1,306	1,344
Number of employees (FTEs)	Average for the year	1,553	1,452

Dear shareholders

2021 was an unprecedented year for everyone. The HLEE Group is also looking back on a very challenging year that was mainly dominated by the COVID-19 pandemic and its effects.

The pandemic did not impede our strategic development, but rather encouraged us to systematically continue on the path we had taken. Especially at the start of 2021, there were strict measures to contain the COVID pandemic. These measures impacted particularly Constantin Film as all movie theaters remained closed, but the pandemic also strongly impacted the Sports- and Event-Marketing and Sport segments. Over the course of the year, most measures were eased, but had to be partially reintroduced to the end of the year. Even so, the HLEE Group reacted appropriately on the basis of proactive actions and adjustments.

Course of business and earnings

The HLEE Group achieved a stable operating result in the 2021 reporting year. No dividend will be paid out for the past fiscal year.

Film segment

Despite the movie theater closures at the beginning of the year, the Constantin Film Group managed to get ten productions into the theaters. These included “Monster Hunter” and “Ostwind - Der große Orkan” which came into the German theaters in July. They were followed by “Kaiserschmarrndrama” and “After Love”. And in November, despite restrictions, “Wrong Turn”, “Welcome to Racoon City” and “Eiffel in Love” were launched in the movie theaters. In addition, there were numerous successful TV productions, including those for ARD and ZDF. Furthermore, the positive trend for digital exploitation formats continued. Digital exploitation formats continued to grow rapidly, driven in part by the contract restrictions. Undoubtedly they can be considered a winner of the pandemic crisis.

Sports- and Event-Marketing segment

TEAM Group

This year, in Sport- and Event-Marketing the focus of the TEAM Group was providing operating support and further developing UEFA digital sport events. It was pleasing that fans could again take part in person at sport events. Another focus in 2021 was on the rapid growth of Non-Fungible Tokens (NFTs), which contributed not only to increased sales, but also better fan loyalty.

Highlight Event AG

The concert of the Vienna Philharmonic in the Sagrada Familia was held successfully so that Highlight Event AG was able to fulfill all sponsorship agreements. In the following months, the concert was and will be marketed in over 50 countries. With it being possible to stage the Eurovision Song Contest, subject to specific conditions being fulfilled, we are now concentrating on marketing the ESC 2022. This year the ESC took place in May in the PalaOlimpico in Turin.

Sport segment

World Boxing Super Series

The World Boxing Super Series platform successfully completed its second season. Due to the pandemic, the planned third season has not yet been executed. With pandemic measures having been eased, it should be possible to successfully implement the planned third season in 2022.

Sport1 Medien Group

In the Sports segment, in 2021 Sport1 GmbH launched the new multisport streaming platform “SPORT1 extra” in Germany, Austria and Switzerland. When the DFB Cup media rights were awarded, SPORT1 acquired an extensive new package for the seasons 2022/2023 up to and including 2025/2026. Over the last year, on the basis of numerous new shows produced by Plazamedia, we also expanded the successful partnership with DAZN. The broadening base of the Sport1 pay TV channels, SPORT1+ and eSPORTS1, was further expanded on the basis of cooperations with Joyn and Amazon Prime Video Channels.

“Other” segment

This segment comprises the administrative functions of HLEE as the holding company, the non-operational company Escor Automaten AG and the digital transformation specialist Chameleo AG.

Personnel

The HLEE Group and its subsidiaries employed around 1,452 full-time employees on average over fiscal 2021. Specifically, Highlight Communications AG employed 1,541 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 61).

Outlook and acknowledgments

Despite the continuing pandemic, at Constantin Film we focused on maintaining high quality and the ongoing optimization of our productions. Particularly in the movie theater area, there is still planning uncertainty for 2022, although there is the prospect of working at fuller capacity and without closures. In the current financial year, subject to the above reservations, at Constantin Film we plan to release at least ten new movie productions, including movies which it had not been possible to show in 2021. These include “Caveman”, “Der Nachname”, “Lieblingsding” and “Gugelhupfgeschwader”.

The focus of the TEAM Group is on marketing the UEFA club competitions for the 2021/22 to 2023/24 seasons together with the UEFA. The TEAM Group continues to support the UEFA in implementing further club competition games. In February 2022, after a tender process held by the UEFA and the European Club Association (ECA), TEAM was named UEFA marketing partner for the UEFA club competitions. The mandate as global marketing agency relates to the worldwide marketing of the media, sponsorship and licensing rights (excluding the marketing of media rights in the USA) relating to the UEFA Champions League, the UEFA Super Cup, the UEFA Europa League, the UEFA Europa Conference League, the UEFA Youth League and the UEFA Futsal Champions League for three seasons, from 2024/25 to 2026/27.

In 2022, Highlight Event AG is focusing on fulfilling existing sponsorship agreements at its two large projects, the Eurovision Song Contest and Vienna Philharmonic sponsoring events.

At SPORT1, the focus in 2022 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, so advancing the diversification of the SPORT1 brand.

Finally, on behalf of the entire Board of Directors, I would like to thank all employees of our Group for their successful work in 2021, 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:

B. Burgener

Bernhard Burgener

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FINANCIAL STATEMENTS **Highlight Event and Entertainment AG**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in CHF thousand	Note	Dec. 31, 2021	Dec. 31, 2020	Jan. 1, 2020
			restated	restated
Cash and cash equivalents	6.14	48,873	50,282	55,266
Receivables	6.11/6.13	122,359	110,528	124,770
Contract assets	6.12	31,155	32,680	18,626
Other financial assets	6.9	0	23	14
Inventories	6.10	69,301	24,114	7,187
Current assets		**271,688**	**217,627**	**205,863**
Film assets	6.1	127,066	161,975	174,673
Property, plant and equipment	6.3	12,718	13,683	14,691
Right-of-use assets	6.4	48,326	38,276	38,236
Intangible assets (restated)	6.2	275,156	292,791	315,902
Goodwill (restated)	6.2	108,751	113,363	114,123
Other assets	6.9	7,224	11,924	6,945
Investments in associated companies and joint ventures	6.6	49	54	54
Non-current receivables	6.7	13,726	13,116	17,321
Deferred tax assets	6.8	11,189	13,034	13,534
Non-current assets		**604,205**	**658,216**	**695,479**
ASSETS		**875,893**	**875,843**	**901,342**
Current liabilities	6.20	150,978	144,174	151,503
Contract liabilities	6.21	13,654	9,900	7,401
Financial liabilities	6.18	253,091	163,885	139,086
Lease liabilities	6.4	9,496	9,888	8,046
Current tax liabilities	6.23	14,376	6,679	5,818
Advance payments received	6.19	40,015	52,147	57,487
Provisions	6.22	2,089	2,835	4,572
Current liabilities		**483,699**	**389,508**	**373,913**
Non-current liabilities		90	94	311
Financial liabilities	6.18	30,967	114,712	130,314
Lease liabilities	6.4	39,371	29,328	31,904
Benefit plan liabilities	6.16	4,408	7,446	6,609
Deferred tax liabilities (restated)	6.17	51,505	60,808	62,927
Non-current liabilities		**126,341**	**212,388**	**232,065**
Debt		**610,040**	**601,896**	**605,978**
Share capital	6.15	85,140	79,200	77,400
Treasury shares	6.15	-45	0	0
Reserves (restated)	6.15	-13,355	-13,004	-10,089
Equity attributable to the shareholders of HLEE		**71,740**	**66,196**	**67,311**
Non-controlling interests (restated)	6.5/6.15	194,113	207,751	228,053
Equity		**265,853**	**273,947**	**295,364**
EQUITY AND LIABILITIES		**875,893**	**875,843**	**901,342**

The disclosures contained in the notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF thousand	Note	2021	2020
			restated
Sales		508,927	414,663
Capitalized film production costs and other own work capitalized	7.2	123,020	93,241
Other operating income	7.3	34,198	15,986
Costs for licenses, commissions and materials		-56,293	-44,602
Cost of purchased services		-204,034	-173,886
Cost of materials and licenses	7.4	-260,327	-218,488
Salaries		-173,790	-135,724
Social security, pension costs		-23,486	-19,176
Staff costs	7.5	-197,276	-154,900
Other operating expenses	7.6	-60,419	-54,378
Amortization, depreciation and impairment (restated)	6.1–6.4	-135,066	-93,412
Impairment/reversal on financial assets	7.7	145	454
Losses/gains on the derecognition of financial assets (AC)		-6	-20
Operating result		**13,196**	**3,146**
Net income from associates and joint ventures	6.6	-14	6
Interest income and other financial income	7.8	8,832	5,418
Interest expense and other finance cost	7.9	-19,333	-14,906
Earnings before taxes		**2,681**	**6,336**
Current taxes	7.10	-11,158	-8,200
Deferred taxes (restated)	7.10	6,425	1,811
Consolidated net income		**-2,052**	**-12,725**
Other comprehensive income/loss not reclassified to profit or loss			
Gains/losses from financial assets at fair value	6.15	-3,254	59
Pension plan remeasurement	6.15	2,559	1,552
Other comprehensive income/loss reclassified to profit or loss			
Currency translation differences (restated)	6.15	-11,117	-1,267
Gains/losses from cash flow hedges	6.15	-646	904
Other comprehensive income including taxes		**-12,458**	**1,248**
Total comprehensive income		**-14,510**	**-11,477**
Consolidated net income attributable to:			
Shareholders of Highlight Event and Entertainment AG		-4,011	-9,198
Non-controlling interests		1,959	-3,527
Total comprehensive income attributable to:			
Shareholders of Highlight Event and Entertainment AG		-11,736	-7,865
Non-controlling interests		-2,774	-3,612
Basic earnings per share (CHF, restated)		-0.44	-1.07
Diluted earnings per share (CHF, restated)		-0.44	-1.07
Weighted number of shares outstanding		9,150,979	8,610,938

The disclosures contained in the notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF thousand	Note	2021	2020
			restated
Consolidated net income		-2,052	-12,725
Deferred taxes (restated)	6.8	-6,425	-1,811
Income tax	7.10	11,158	8,200
Net finance cost	7.8/7.9	9,563	11,044
Amortization and depreciation (restated)	6.1 - 6.4	135,066	93,412
Other non-cash income and expenses		-5,560	11
Gain (-)/loss (+) from disposal of non-current assets	7.3/7.6	-7,512	-52
Net income from associates and joint ventures	6.6	14	-6
Dividends received from associates and joint ventures	6.6	8	5
Interest paid and other finance cost		-9,844	-8,908
Interest received and other financial income		333	1,119
Taxes paid		-3,117	-7,530
Taxes received		542	391
Increase in assets attributable to operating activities		-64,603	-13,965
Decrease in liabilities attributable to operating activities		-5,414	-13,133
Cash flow from operating activities		**52,157**	**56,052**
Acquisition of property, plant and equipment	6.3	-4,155	-3,745
Acquisition of intangible assets	6.2	-4,071	-2,713
Acquisition of film assets		-71,006	-41,036
Acquisition of investments from associates and joint ventures	6.6	-20	0
Sales of intangible assets	7.3	7,569	0
Sales of financial assets		58	0
Disposal of property, plant and equipment		130	219
Change in cash and cash equivalents due to acquisitions		0	-130
Acquisition of right-of-use assets		0	-477
Acquisition of financial assets	6.9	-63	-2,767
Cash flow from investing activities		**-71,558**	**-50,649**
Proceeds from capital increase	6.15	16,200	5,400
Acquisition of treasury shares		-146	0
Payments for purchase of non-controlling interests	6.15	-3,517	-13,417
Proceeds from sale of non-controlling interests	6.15	3,106	0
Increase in current financial liabilities	6.18	49,104	31,785
Borrowing of non-current financial liabilities	6.18	26,781	2,165
Repayment of current financial liabilities	6.18	-61,300	-25,687
Repayment of lease liabilities	6.4	-9,623	-8,903
Dividend payments	6.15	-1,116	-1,176
Cash flow from financing activities		**19,489**	**-9,833**
Net change in cash and cash equivalents		**88**	**-4,430**
Cash and cash equivalents as of January 1		50,282	55,266
Effect of exchange rate differences		-1,497	-554
Cash and cash equivalents as of December 31		**48,873**	**50,282**
Thereof Cash earmarked for squeeze-out		11,390	0

The disclosures contained in the notes form part of the consolidated financial statements.

CHANGES IN CONSOLIDATED EQUITY

Changes in equity in 2021 in CHF thousand	Share capital	Reserves	Treasury shares	Equity attributable to the shareholders of Equity	Non-controlling interests	Total Equity
January 1, 2021	**79,200**	**-13,004**	**0**	**66,196**	**207,751**	**273,947**
Consolidated net income in 2021		-4,011		-4,011	1,959	-2,052
Other comprehensive income/loss in 2021		-7,725		-7,725	-4,733	-12,458
Total comprehensive income		**-11,736**	**0**	**-11,736**	**-2,774**	**-14,510**
Capital increase	5,940	12,177		18,117		18,117
Acquisition of treasury shares		-101	-45	-146	0	-146
Change in non-controlling interests		2,507		2,507	-2,918	-411
Staff costs from share-based remuneration		48		48	48	96
Dividend payments		0		0	-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	0	310
December 31, 2021	**85,140**	**-13,355**	**-45**	**71,740**	**194,113**	**265,853**

Changes in equity in 2020 (restated) in CHF thousand	Share capital	Reserves	Treasury shares	Equity attributable to the shareholders of Equity	Non-controlling interests	Total Equity
January 1, 2020	**77,400**	**16,398**	**0**	**93,798**	**266,633**	**360,431**
Adjustments due to restatement		**-26,487**		**-26,487**	**-38,580**	**-65,067**
January 1, 2020 (restated)	**77,400**	**-10,089**	**0**	**67,311**	**228,053**	**295,364**
Consolidated net income in 2020 (restated)		-9,198		-9,198	-3,527	-12,725
Other comprehensive income/loss in 2020 (restated)		1,333		1,333	-85	1,248
Total comprehensive income		**-7,865**	**0**	**-7,865**	**-3,612**	**-11,477**
Capital Iincrease	1,800	3,600		**5,400**		**5,400**
Change in non-controlling interests		1,350		1,350	-15,514	-14,164
Dividend payments		0		0	-1,176	-1,176
December 31, 2020 (restated)	**79,200**	**-13,004**	**0**	**66,196**	**207,751**	**273,947**

The disclosures contained in the notes form 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 June 10, 2022 and require the approval of the Annual General Meeting on June 29, 2022.

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 business of Highlight Event and Entertainment AG comprises the Film, Sport and Sports- and Event-Marketing operating segments. 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, 2021, were complied with.

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

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

In preparing the consolidated financial statements in accordance with IFRS, the management is required to make estimates and assumptions influencing the income, expenses, assets, liabilities as well as contingent liabilities and assets reported as of the end of the reporting period. These estimates and assumptions are based on the management’s best possible assessment based on past experience and other factors including estimates of future events. Estimates and 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

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

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

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

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

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

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

The HLEE 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 Restatement of prior-year figures in the consolidated financial statements

In preparing the consolidated financial statements, the Board of Directors and the management team established that the estimated purchase price allocation (PPA) for the acquisition of Highlight Communications AG (“HLC”) on September 28, 2017 contains an error. Among other things, other intangible assets of TCHF 325,775 and goodwill of TCHF 1,579 were reported at this date. Some of the intangible assets relate to the Sport- and Event-Marketing segment (TCHF 275,755) and have been restated as described below.

PPA adjustments (TCHF)	Previous amounts	Corrected amounts
Other intangible assets	275,755	-
“TEAM” brand	-	9,989
TEAM customer relationships	-	197,088
Contractual rights	-	45,029
Deferred tax liabilities	27,575	25,211
Goodwill	1,579	6,901

The useful lives of the TEAM brand and the goodwill are indefinite and are not subject to scheduled amortization, but instead are tested for impairment annually. The customer relationship has a useful life of 30 years, and the contractual rights were amortized on a straight-line basis until the end of the contract in May 2021. For calculating goodwill, the partial goodwill method was used.

Impact of the correction on equity:

(CHF thousand)	Dec. 31, 2020	Jan. 1, 2020
Other intangible assets	-271,159	-275,755
“TEAM” brand	9,989	9,989
TEAM customer relationships	175,686	182,256
Contractual rights	5,026	17,306
Deferred tax liabilities	-8,045	-6,619
Goodwill	5,322	5,322
Net impact on equity	-67,091	-54,263

Impact of the correction on the statement of comprehensive income:

(CHF thousand)	2020
Amortization and depreciation	-14,254
Taxes	+1,425
Consolidated net income	-12,829
Total earnings	-12,829

There were corresponding adjustments to consolidated net income, amortization and depreciation, and deferred taxes in the cash flow statement for 2020; however, these were offset within the cash flow from operating activities.

Impact on earnings per share:

(CHF thousand)	2020
Basic earnings per share	-0.70
Diluted earnings per share	-0.70

In accordance with IAS 21.47, goodwill arising on the acquisition of a foreign operation must be treated as an asset of a foreign operation. Furthermore, the asset must be translated into the functional currency of the foreign operation at the closing rate in accordance with IAS 21.39. In the consolidated financial statements in previous years, this translation did not take place within the intangible assets that were initially recognized for the Constantin Film AG brand in 2017. This error was identified during the preparation of the financial statements. Additionally, this translation did not take place in the consolidated financial statements of the Highlight Group in previous years for the goodwill of Sport1 Medien AG that was initially recognized in 2018. This error was identified during the preparation of the financial statements. As a result, the goodwill and the foreign currency reserve both had excessively high carrying amounts as of December 31, 2020. In the case of the Constantin Film AG brand and the Sport1 goodwill, the intangible assets and the foreign currency reserve both had excessively high carrying amounts as of December 31, 2020.

The prior-year figures were restated in accordance with the provisions of IAS 8 on the correction of errors. The following items were adjusted in the consolidated financial statements for the Constantin Film AG brand:
Carrying amount of the brand in the statement of financial position: TCHF -2.480 as of January 1, 2020 / CHF -2,614 as of December 31, 2020;
deferred tax liabilities in the statement of financial position: TCHF -441 as of January 1, 2020 / CHF -464 as of December 31, 2020;
foreign currency reserves in the statement of financial position: TCHF -2.039 thousand as of January 1, 2020 / TCHF -2,150 thousand as of December 31, 2020. In the consolidated statement of comprehensive income, the currency translation item amounted to TCHF -111 in 2020.

The effect for the Sport1 Goodwill was as follows: Carrying amount of the goodwill in the statement of financial position: TCHF -8,765 as of January 1, 2020/CHF -9,063 as of December 31, 2020; foreign currency reserves in the statement of financial position: TCHF -8,765 thousand as of January 1, 2020/TCHF -9,063 thousand as of December 31, 2020. In the consolidated statement of comprehensive income, the currency translation item amounted to TCHF -298 in 2020. These corrections did not have any impact on the consolidated income statement or the basic and diluted earnings per share.

3. SCOPE OF CONSOLIDATION

3.1 Acquisitions

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

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

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

In the 2021 reporting year, the Group company Highlight Communications AG increased its shareholding in Sport1 Medien AG, which was already included in consolidation, from 94.91 % to 95.32 %. This is a transaction between equity providers that changed equity by TCHF –966. 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 also note 6.15 and note 6.20).

In the past year, a further investment of 0.93 % in Highlight Communications AG was acquired. As of December 31, 2021, the equity interest in Highlight Communications AG came to 49.63 %. This is a transaction between equity providers that reduced equity by a total of TCHF 2,473.

3.2 Other changes

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

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

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

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

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

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

3.3 Overview of fully consolidated companies

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 49.63 % 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, 2021

	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 %
Escor Automaten AG in liquidation	No operating activities	CH	CHF	3,000,000	100 %	100 %
Highlight Communications AG	Holding company	CH	CHF	63,000,000	49.63 %	49.63 %
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 %
Highlight Event AG	Event Marketing	CH	CHF	500,000	100 %	100 %
Rainbow Home Entertainment AG	Distribution	CH	CHF	200,000	100 %	100 %
Constantin Film und Entertainment AG	Acquisition and development of content	CH	CHF	500,000	100 %	100 %
Highlight Communications (Deutschland) GmbH	Marketing	DE	EUR	256,000	100 %	100 %
Constantin Film AG	Film production and distribution	DE	EUR	12,742,600	100 %	100 %
Constantin Media GmbH audiovisuelle Produktionen	Acquisition and development of content	DE	EUR	26,000	100 %	100 %
Constantin Film Produktion GmbH	Film and TV production	DE	EUR	105,100	100 %	100 %
Dahoam Television GmbH	TV entertainment production	DE	EUR	25,000	100 %	100 %
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	100 %	100 %
Constantin Film Development Inc.	Acquisition and development of content	US	USD	530,000	100 %	100 %
Mythos Film GmbH	Administration	DE	EUR	37,500	100 %	100 %
Constantin Film International GmbH	International film production	DE	EUR	105,000	100 %	100 %
Constantin Pictures GmbH	International film and TV production	DE	EUR	25,000	100 %	100 %

Constantin Entertainment GmbH	TV entertainment production	DE	EUR	200,000	100 %	100 %
Constantin Entertainment Polska Sp z.o.o.	TV entertainment production	PL	PLN	54,000	100 %	100 %
Constantin Entertainment SRB d.o.o.	TV entertainment production	RS	RSD	526,944	100 %	100 %
Constantin Entertainment RO SRL**	TV entertainment production	RO	RON	10,000	100 %	100 %
Constantin Entertainment CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	100 %	100 %
Olga Film GmbH	Film and TV production	DE	EUR	603,000	100 %	100 %
Moovie GmbH	Film and TV production	DE	EUR	104,000	100 %	100 %
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Constantin Film Verleih GmbH	License trading and theatrical distribution	DE	EUR	250,000	100 %	100 %
Constantin Film Licensing Lda, in liquidation***	License trading	PT	EUR	5,000	100 %	100 %
Constantin Music Verlags-GmbH	Exploitation of music rights	DE	EUR	70,000	100 %	100 %
Constantin Music GmbH	Exploitation of music rights	DE	EUR	25,000	90 %	90 %
Königskinder Music GmbH	Record label and music consulting	DE	EUR	50,000	50 %	50 %
Olga Film Services GmbH (formerly: Constantin Film Production Services GmbH)	Film and TV production	DE	EUR	100,000	100 %	100 %
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	100 %	100 %
Hager Moss Film GmbH	TV entertainment production	DE	EUR	102,300	100 %	100 %
PSSST! Film GmbH	Film and TV production	DE	EUR	25,000	51 %	51 %
Sport1 Medien AG	Holding company	DE	EUR	93,600,000	95.32 %	95.32 %
Sport1 Holding GmbH	Holding company	DE	EUR	55,000	100 %	100 %
Sport1 GmbH	Platform operator	DE	EUR	500,000	100 %	100 %
Jackpot50 GmbH (formerly: Spin50 GmbH)	Business and services relating to virtual online games	DE	EUR	33,333	75 %	75 %
PLAZAMEDIA GmbH	Production service provider	DE	EUR	150,000	100 %	100 %
PLAZAMEDIA Swiss AG in liquidation	Production service provider	CH	CHF	100,000	100 %	100 %
LEitMOTiF Creators GmbH	Consulting	DE	EUR	25,000	100 %	100 %
Magic Sports Media GmbH	Marketing	DE	EUR	25,000	100 %	100 %
Match IQ GmbH	Consulting	DE	EUR	30,000	50.1 %	50.1 %
Event IQ GmbH	Consulting	DE	EUR	25,000	100 %	100 %

* Direct and/or indirect share held by the Group
** 0.1 % are held by Constantin Film Produktion GmbH
*** 50 % are held by Constantin Film AG

3.4 Overview of companies not included in consolidation

Owing to a lack of business activities, Impact Pictures LLC, Delaware, is insignificant in providing a true and fair view of the Group's net assets, financial position and results of operations. This company is therefore not included in 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, 2021

	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 associated company is included in the consolidated financial statements using the equity method:

	Share of capital	Period included in the consolidated financial statements	Currency	Share capital
BECO Musikverlag GmbH	50 %	Jan. 1 - Dec. 31, 2021	EUR	25,565

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

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

3.6 Overview of joint ventures

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

	Share of capital	Period recognized in the consolidated financial statements	Currency	Share capital
High-end productions GmbH	50%	June 17, 2021 - Dec. 31, 2021	EUR	35,000

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

4. SUMMARY OF 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, 2021	Dec. 31, 2020	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
Euro	(EUR)	1.03545	1.08233	1.08131	1.07030
US dollar	(USD)	0.91285	0.88248	0.91408	0.93891
Pound sterling	(GBP)	1.23344	1.20462	1.25745	1.20438
Canadian dollar	(CAD)	0.71885	0.69258	0.72921	0.70028

4.3 Fair value measurement

The Group measures its financial instruments, including derivatives, and non-financial assets and liabilities 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 Event-Marketing 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) the fair value of the consideration transferred as of the acquisition date,
(ii) the amount of any non-controlling interests and
(iii) the fair value of shares of the acquired company previously held by the acquirer in a step acquisition less the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

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

4.7 Property, plant and equipment

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

Leasehold improvements are measured at cost less depreciation and impairment. Depreciation is usually recognized over the term of the respective rental agreement lease (of up to 27.5 years). Technical equipment and other equipment, operating and office equipment are measured at cost less depreciation and impairment. Depreciation is recognized on a straight-line basis over the standard useful life of three to 25 years. Repairs and maintenance expenses are expensed as and when incurred. More extensive renovation work or improvements are capitalized. Renovation work is also depreciated over the 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 that the Group can exercise with reasonable certainty and the payments of penalties for terminating the lease early if the Group exercises the option. Variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

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

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

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

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

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

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

4.8.3 Leases for intangible assets

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

4.8.4 Additional lease components

Contracts containing both lease components and non-lease components are not separated. Each lease component is recognized as a lease together with the other service components.

4.8.5 Right-of-use assets

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

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

4.8.6 COVID-19-related rent concessions

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

4.9 Impairment of non-financial assets

Goodwill at the level of cash-generating units and intangible assets with an indefinite useful life are tested for impairment at least once per year or more frequently if there are indications of impairment. Highlight 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 only netted if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis.

Derivative financial instruments and separable embedded derivatives are measured at fair value as of the trading date on first-time 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 only derecognized against the carrying amount of impaired financial assets if the issue in question is past the statute of limitations.

4.11.1 Financial assets at amortized cost

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

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

Current trade 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 only reported as cash and cash equivalents if they can be converted into amounts of cash determined in advance at any time, are subject to only minor fluctuations in value and have a remaining maturity of three months or less from the date of acquisition. Cash and cash equivalents are measured at amortized cost.

4.11.2 Financial assets at fair value

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

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

Equity instruments are – 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.

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

4.14 Income taxes

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

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

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

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

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

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

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 only recognized 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.

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

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

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

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

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.

4.17 Government grants

Project promotion

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

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

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

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

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

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

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

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

Distribution loans

Distribution loan as a contingently repayable loan
Distribution loans are provided in the form of a contingently repayable interest-free loan in accordance with the requirements of the Film Promotion Act and 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. These are government grants for expenses already incurred. The sales subsidies granted are recognized in profit or loss as a reduction of release costs at the time of the subsequent film's release.

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

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

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

5. JUDGMENT/ESTIMATION UNCERTAINTY
In preparing the consolidated financial statements in accordance with IFRS, the management is required to make estimates and assumptions influencing the income, expenses, assets, liabilities, and contingent liabilities and assets reported as of the end of the reporting period. These estimates and assumptions represent the management's best estimate based on past experience and other factors including estimates of future events. This is particularly true in light of the coronavirus pandemic and the crisis in Ukraine. These developments are dynamic and so deviations from the estimates and assumptions made in these consolidated financial statements cannot be ruled out. Estimates and judgments are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based have changed or new or additional information has become available. Such changes are recognized in the reporting period in which the estimate is modified.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the reported income, expenses and contingent liabilities within the next twelve months are discussed below.

5.1 Significant risks

5.1.1 Impairment of non-financial assets

To assess whether assets have become impaired, the expected future cash flows from the use and possible disposal of such assets are estimated per cash-generating unit. The estimates and assumptions are based on premises that reflect the most recent information available. The actual cash flows may differ significantly from the discounted future cash flows based on these estimates. Changes in 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 sales 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 and the costs of legal disputes could increase. Such changes may affect the provisions recognized for litigation in future reporting periods.

5.2.7 Pension liabilities

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

5.2.8 Income taxes

Extensive estimates are required to determine deferred tax assets and liabilities. Some of these estimates are based on an interpretation of existing tax laws and regulations. Management is of the opinion that the estimates are appropriate and take sufficient account of any uncertainty in the tax assets and liabilities recognized. In particular, the deferred tax assets arising from loss carryforwards that can be offset are dependent on future profits being generated. Deferred tax claims arising from remeasurement are also dependent on future profits. Moreover, tax loss carryforwards expire after a certain number of years in some countries. Actual profits may differ from estimates. Such changes may affect the deferred tax assets and liabilities recognized in future reporting periods.

5.2.9 Leases

The Group determines the lease term as the non-cancellable lease term and all periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and all periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The Group assesses whether it is reasonably certain to exercise the extension option at its own discretion. This means that management takes into account all relevant factors that create an economic incentive to extend the lease. After the inception of the lease, the Group reassesses the term of the lease when a material event or change in circumstances (such as a change in business strategy) occurs within the Group’s control and affects its ability to exercise (or not exercise) the option.

6. NOTES TO INDIVIDUAL ITEMS OF THE BALANCE SHEET

6.1 Film assets

(TCHF)	Third-party productions	In-house productions	Total film assets
Cost in 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
Adjustment of gross values *	6,134	-3,315	2,819
Balance 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
Balance on December 31, 2021	**52,372**	**345,745**	**398,117**

Cost in 2020			
January 1, 2020	48,768	386,743	435,511
Currency translation differences	-879	-3,591	-4,470
Additions	6,545	35,401	41,946
Balance on December 31, 2020	**54,434**	**418,553**	**472,987**
Accumulated amortization/value adjustments in 2020			
January 1, 2020	33,712	227,126	260,838
Currency translation differences	-845	-2,998	-3,843
Depreciation for the year	4,969	42,115	47,084
Impairment	1,396	7,361	8,757
Write-ups	531	1,293	1,824
Balance on December 31, 2020	**38,701**	**272,311**	**311,012**
Net carrying amounts on December 31, 2021	**10,015**	**117,051**	**127,066**
Net carrying amounts on December 31, 2020	**15,733**	**146,242**	**161,975**

* *When Highlight Communications AG was initially consolidated on September 27, 2017, the residual carrying amounts, which corresponded to the fair value, 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 5,539 (previous year's period: TCHF 8,757) were recognized in the year under review as the value in use no longer covers the acquisition costs or the carrying amount of certain films due to a lack of market acceptance. The pre-tax discount rates used for determination of impairment are between 4.06 % and 4.52 % (previous year: between 4.22 % and 4.23 %). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review. Write-ups are recognized for projects for which a write-down has been recognized in the past and whose forecast revenues for the remaining exploitation period are considerably higher than the previous year's estimates.

During the year under review, the HLLE Group received project subsidies and project promotion loans of TCHF 23,440 (previous year: TCHF 29,084) which were deducted from the capitalized costs.

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

In addition, sales subsidies and distribution loans of TCHF 4,026 (previous year's period: TCHF 1,611) were recognized in the consolidated income statement in the year under review as a reduction of release costs. These grants are recognized in the periods in which the corresponding release costs are incurred.

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

Directly attributable financing costs of TCHF 1,225 (previous year's period: TCHF 1,767) were capitalized in the year under review. The costs to be capitalized were calculated using the interest rates from the funds borrowed specifically for the financing. The financing interest rate varied from 1.0 % to 8.0 % (previous year: 1.0 % to 8.0 %).

6.2 Other intangible assets and goodwill

(TCHF)	Purchased intangible assets with limited useful life	Purchased intangible assets with unlimited useful life (brands)	Purchased software	Internally developed intangible assets	Advance payments	Total intangible assets	Goodwill
Cost in 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	-
Balance 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	-
Balance on December 31, 2021	**92,229**	**-**	**2,182**	**3,470**	**-**	**97,881**	**438**
Cost in 2020							
January 1, 2020	337,553	50,020	2,160	2,463	3,444	395,640	117,566
Adjustments from restatement	-33,638	7,509	-	-	-	-26,129	-3,443
January 1, 2020 (restated)	303,915	57,529	2,160	2,463	3,444	369,511	114,123
Currency translation differences (restated)	5	-134	-10	27	-33	-145	-301
Additions	402		694	633	984	2,713	-
Disposals	15		91	581	-	687	-
Reclassifications	-200		200	3,013	-3,013	-	-
Balance on December 31, 2020 (restated)	**304,107**	**57,395**	**2,953**	**5,555**	**1,382**	**371,392**	**113,822**
Accumulated amortization/value adjustments in 2020							
January 1, 2020	8,865	-	866	1,323	-	11,054	-
Adjustments from restatement	42,555	-	-	-	-	42,555	-
January 1, 2020 (restated)	51,420	-	866	1,323	-	53,609	-
Currency translation differences	3	-	-7	1	-	-3	5
Depreciation for the year (restated)	23,912	-	623	1,147	-	25,682	-
Impairment	-	-	-	-	-	-	454
Disposals	15	-	91	581	-	687	-
Balance on December 31, 2020 (restated)	**75,320**	**-**	**1,391**	**1,890**	**-**	**78,601**	**459**
Net carrying amounts on December 31, 2021	**212,160**	**55,342**	**2,185**	**2,294**	**3,175**	**275,156**	**108,751**
Net carrying amounts on December 31, 2020	**228,787**	**57,395**	**1,562**	**3,665**	**1,382**	**292,791**	**113,363**

** When Highlight Communications AG was initially consolidated on September 27, 2017, the residual carrying amounts, which corresponded to the fair value, 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:

(TCHF)	Dec. 31, 2021	Dec. 31, 2020 restated
Highlight Communications AG (Sports- and Event-Marketing segment) (restated)	6,901	6,901
Sport1 Medien AG (Sport segment) (restated)	93,106	105,684
Jackpot50 GmbH (Sport segment)	8,000	-
Hager Moss Film GmbH (Film segment)	487	509
Mythos Film GmbH (Film segment)	-	-
PSSST! Film GmbH (Film segment)	257	269
Total	**108,751**	**113,363**

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

Goodwill was tested for impairment at the level of the cash-generating units in the respective segment. The recoverable amounts in goodwill impairment testing are equal to the value in use or the fair value less costs to sell for the Jackpot50 GmbH cash-generating unit. 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: 0.5 %). 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, 2021, the CAPM-based discount factor before taxes was set at 6.62 % for the impairment test of Sport1 Medien AG (previous year: 7.03 %) and at 7.38 % to 7.67 % for other items (previous year: 7.57 % to 7.71 %).

In goodwill impairment testing for Jackpot50 GmbH, the recoverable amount was determined as the fair value less costs to sell. The sale of 25% of the shares on December 9, 2021 provided an appropriate basis for determining the value at the end of the year.

CHF 45,4 million 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 8,55 % as of December 31, 2021 (previous year: 8.55 %).

Following a further inspection, the Board of Directors and the management team came to the conclusion that the PPA performed in 2017 was incorrect, which is why it was prepared again. The other intangible assets from Sport- and Event-Marketing recognized at the time have been newly allocated to different elements. In the process, there was a new identification of the TEAM brand and customer relationships. The revised PPA for September 28, 2017 results in the following adjustments (see note 2.3).

PPA adjustments (TCHF)	Previous amounts	Corrected amounts
Other intangible assets	275,755	0
"TEAM" brand	0	9,989
TEAM customer relationships	0	197,088
Contractual rights	0	45,029
Deferred tax liabilities	27,575	25,211
Goodwill	1,579	6,901

The useful lives of the TEAM brand and the goodwill 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. With the UEFA a partnership spanning decades is in place and an ongoing long-term partnership is anticipated, so that the customer relationships have a useful life of 30 years. The contractual rights were amortized on a straight-line basis until the end of the contract in May 2021.

As of December 31, 2021, goodwill was tested for impairment as part of the annual impairment test. This did not result in any impairment. The impairment recognized in the previous year related to goodwill at Mythos Film GmbH, whose activities are reported in the Film segment.

The impairment is recognized in the income statement under "Goodwill impairment".

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

Results and sensitivity of impairment testing

At the measurement date, the recoverable amount, which is based on the value in use, exceeded the relevant carrying amount for impairment testing for all cash-generating units. The recoverable amount depends on the occurrence of assumptions relating to future cash flows. There are possible future scenarios which could mean that the carrying amount of the cash-generating units does not exceed the recoverable amount. However, based on the best estimates used, the Group is of the opinion that this does not result in any goodwill reduction.

Goodwill 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 6.47 % and a long-term growth rate of 1.5 %.

Goodwill 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 11,5 million (previous year: CHF 33.2 million). The following changes in the significant assumptions would lead to the value in use corresponding to the net carrying amount:

	2021	
	Assumption	Sensitivity
Revenue growth in 2026 with EBITDA margin unchanged as compared to the business plan	3.0%	2.4%
Normalized EBITDA margin in 2026	13.9%	13;3%
Discount rate after taxes	5.5%	5.7%
Long-term growth rate	2.0%	1.7%
	2020 (restated)	
	Assumption	Sensitivity
Sales growth in 2023 with EBITDA margin unchanged as compared to the business plan	0.3%	1.4%
Normalized EBITDA margin in 2023	14.9%	11.4%
Discount rate after taxes	5.5%	6.71%
Long-term growth rate	0.5%	-0.82%

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

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

	2021	
	Assumption	Impairment (TCHF)
Lower sales growth	1% lower p.a. (incl. long-term growth rate)	38,900
Lower EBITDA margin	1% lower p.a.	12,112
Long-term growth rate	1%	20,152
Lower EBITDA margin from 2026	12.90%	8,572

6.3 Property, plant and equipment

(TCHF)	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total property, plant and equipment
Cost in 2021					
January 1, 2021	-341	8,760	10,544	246	19,209
Currency translation differences	-46	-499	-474	-23	-1,042
Additions	68	2,104	1,406	577	4,155
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	**2,835**	**11,086**	**14,241**	**531**	**28,693**
Accumulated depreciation 2021					
January 1, 2021	-1,977	4,053	3,450	-	5,526
Currency translation differences	-35	-275	-249		-559
Depreciation for the year	759	1,598	2,197		4,554
Disposals	240	265	590		1,095
Adjustment of gross values *	3,138	1,013	3,398		7,549
Balance on December 31, 2021	**1,645**	**6,124**	**8,206**	**-**	**15,975**
Cost in 2020					
January 1, 2020	-567	7,099	10,721	62	17,315
Currency translation differences	-4	-9	-36	1	-48
Additions	310	1,837	1,415	183	3,745
Disposals	80	167	1,556	-	1,803
Balance on December 31, 2020	**-341**	**8,760**	**10,544**	**246**	**19,209**
Accumulated depreciation 2020					
January 1, 2020	-2,425	2,651	2,398	-	2,624
Currency translation differences	-4	1	-12	-	-15
Depreciation for the year	532	1,559	2,462	-	4,553
Disposals	80	158	1,398	-	1,636
Balance on December 31, 2020	**-1,977**	**4,053**	**3,450**	**-**	**5,526**
Net carrying amounts on December 31, 2021	**1,190**	**4,962**	**6,035**	**531**	**12,718**
Net carrying amounts on December 31, 2020	**1,636**	**4,707**	**7,094**	**246**	**13,683**

** When Highlight Communications AG was initially consolidated on September 27, 2017, the residual carrying amounts, which corresponded to the fair value, 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

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

The following material leases were concluded in the reporting period:

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

Reconciliation of liabilities arising from financial liabilities

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

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

Lease payments in the consolidated income statement

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Expenses from short-term leases	1,294	1,302
Expenses from leases of low-value assets (if not already short-term)	12	13
Expenses from variable lease payments (not included in lease liabilities)	1,043	923
Amortization on right-of-use assets from leases	9,221	8,706
Interest expenses from lease liabilities	877	780
Total	**12,447**	**11,724**

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

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

Lease payments in the consolidated cash flow statement

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Short-term leases	1,294	1,302
Leases for low-value assets	12	13
Variable lease payments	1,043	923
Payment for right-of-use assets	-	477
Repayment and interest on lease liabilities	10,500	9,683
Total	**12,849**	**12,398**

Cash flow from investing activities in the previous year contained an advance payment for right-of-use assets of TCHF 477, as this payment was made before the leased objects were available for use.
Under IFRS 16, the following lease-related future payments are not included in the measurement of lease liabilities:

Future unrecognized lease payments

(TCHF)	Future payments from short-term leases	Future payments from leases for low-value assets	Future variable lease payments	Future payments from contractually agreed leases that have not yet begun	Future payments from unrecognized residual value guarantees	Future payments from uncertain extension options	Future payments from uncertain termination options	Total
As of December 31, 2021								
Due within one year	598	12	652	169	-	-	4,293	5,724
Due between one to five years	-	6	1,550	753	1,175	242	3,173	6,899
Due after five years	-	-	1,678	-	-	4,410	-	6,088
Total	**598**	**18**	**3,880**	**922**	**1,175**	**4,652**	**7,466**	**18,711**
As of December 31, 2020								
Due within one year	394	13	619	-	-	-	7,522	8,548
Due between one to five years	-	9	1,547	-	1,025	11,636	5,542	19,759
Due after five years	-	-	1,446	-	-	3,156	-	4,602
Total	**394**	**22**	**3,612**	**-**	**1,025**	**14,792**	**13,064**	**32,909**

6.5 Financial information of subsidiaries with material non-controlling interests

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

Subsidiaries with material non-controlling interests

Subsidiary	**Dec. 31, 2021**	**Dec. 31, 2020**
World Boxing Super Series AG, Pratteln, Switzerland	40 %	40 %

Disclosures on financial information (after elimination of internal transactions)

(TCHF)	**Dec. 31, 2021**	**Dec. 31, 2020**
Share in equity of non-controlling interests	-12,154	-11,408

(TCHF)	**Jan. 1 to Dec. 31, 2021**	**Jan. 1 to Dec. 31, 2020**
Share of earnings of non-controlling interests	-755	-766

Disclosures on financial information (before elimination of internal transactions)

(TCHF)	**Dec. 31, 2021**	**Dec. 31, 2020**
Current assets	10,481	10,472
Non-current assets	425	510
Total assets	**10,906**	**10,982**
Current liabilities	41,150	39,347
Non-current liabilities	141	154
Total liabilities	**41,291**	**39,501**
Net assets	**-30,385**	**-28,519**

(TCHF)	**Jan. 1 to Dec. 31, 2021**	**Jan. 1 to Dec. 31, 2020**
Sales	-5	-462
Net income from continuing operations after taxes	-1,888	-1,914
Other comprehensive income after taxes	22	347
Total net income for the year	**-1,866**	**-1,567**
Cash flow from operating activities	-2,310	-5,062
Cash flow from investing activities	-	-
Cash flow from financing activities	2,269	5,067
Cash flow for the reporting period	**-41**	**5**

There are also non-controlling interests at Highlight Communications AG of CHF 205.6 million (previous year: CHF 218.4 million). 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.

The other non-controlling interests are immaterial.

6.6 Investments in associated companies

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

Carrying amounts

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

Financial information

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Earnings after taxes	9	12
Other comprehensive income/loss (OCI)	-	-
Total comprehensive income	**9**	**12**

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

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2020 were used for reporting on associated companies as the annual financial statements as of December 31, 2021 have not yet been prepared. No circumstances arose in the current fiscal year that would have necessitated an adjustment to the annual financial statements used as a basis.

Joint ventures

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

Carrying amounts

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

Financial information

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

	31.12.2021
Contingent liabilities (proportional)	-

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

6.7 Non-current receivables

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

Non-current receivables primarily relate to the transfer of rights. Non-current receivables also relate to the VAT portion for sales not yet recognized in accordance with IFRS. They are discounted in line with their maturity and measured in accordance with the impairment provisions under IFRS 9.

6.8 Deferred tax assets

Breakdown of deferred tax assets

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

Maturities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Current deferred tax assets	-	973
Non-current deferred tax assets	11,189	12,061

The Group has total loss carryforwards of TCHF 158,802 (previous year: TCHF 154,710) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

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

2020 (TCHF)	Expiry date			
	< 1 year	1- 5 years	> 5 years	thereof without expiry
	-	47,809	106,901	15,886

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

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020 (restated)
Changes in deferred taxes (assets and liabilities)	7,458	1,619
thereof:		
Change in income statement	6,425	1,811
Change in statement of comprehensive income	-5	-274
Change in currency translation	1.038	82

6.9 Other assets

Other financial assets

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Other non-current financial assets		
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in Prestige Media Group S.A.	-	754
Investment in Brand Technologies AG	-	2,500
Investment in Geenee Inc.	-	-
Investment in AGF Videoforschung GmbH	-	-
Investment in Summacum GmbH	31	34
Other investments	9	9
Equity instruments at fair value through profit or loss (FVTPL)		
Convertible loans	62	6,677
Debt instruments at amortized cost (AC)		
Garage Italia Finance S.à.r.l.	5,602	-
Total	**5,704**	**9,974**

Other current financial assets		
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investments in the leADSPORT1 Accelerator Program	-	11
Equity instruments at fair value through profit or loss (FVTPL)		
Convertible loans	-	12
Total	**-**	**23**

In the previous year, Highlight Event and Entertainment AG acquired a 3.5 % equity interest in Prestige Media Group S.A. for TCHF 734. 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 which was recognized in other comprehensive income (OCI) (see note 6.15).

In the fourth quarter of 2021, the convertible bond in FBNK FINANCE S.A R.L. was swapped against the Garage Italia Finance S.à.r.l. bond, recognized at amortized cost and allocated to non-current financial assets. Due to the exchange, a price loss of TCHF 856 was recognized in financial expense.

In the previous year, Highlight Event and Entertainment AG acquired a 30 % equity interest in Brand Technologies AG. In the reporting period, a capital increase was executed. The new shares were assumed by third parties. As a result, the equity interest declined from 30 % to 27 % as of December 31, 2021. 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, in the previous year Highlight Event and Entertainment AG granted a convertible loan of TCHF 500 that is measured at fair value through profit or loss. As the budget figures were not achieved, and due to financial developments, lower budget figures are anticipated in the future, so that there in the reporting year an impairment loss was recognized in other comprehensive income (OCI) and financial expense (see note 6.15 and note 7.9).

The shares in Geenee Inc. are held by Rainbow Entertainment AG with 4.54 % while Constantin Entertainment GmbH holds 0.46 % and Sport1 GmbH 5.0 %. The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). Due to financial difficulties at Geenee Inc., the equity interest was written off in full in previous years and the corresponding impairment loss was recognized in other comprehensive income (OCI). There were no indications of a reversal of impairment in the year under review.

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

In addition, Sport1 GmbH holds 10 % of the shares in Summacum GmbH. The equity interest is measured at fair value through other comprehensive income (FVTOCI) and allocated to level 3 of the fair value hierarchy (see note 8.4). The shares were written down by TCHF 295 to TCHF 34 in the previous year. There were no indications of further impairment or a reversal of impairment in the reporting period.

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

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

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

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

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

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

6.10 Inventories

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Net balance		
Work in progress	68,529	23,376
Blu-rays/DVDs	634	594
Constants	138	144
Total	69,301	24,114

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

In the year under review, impairment losses were recognized in the amount of TCHF 1,175 (previous year’s period: TCHF 1,583) and reversed in the amount of TCHF 0 (previous year’s period: TCHF 10).

6.11 Trade accounts receivable and other receivables

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Trade receivables	59,683	46,806
Other receivables	61,955	62,963
Total	121,638	109,769

6.11.1 Trade accounts receivable

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Trade receivables (financial assets)		
Current receivables	53,669	46,161
Expected lifetime credit losses (level 2)	-124	-181
Individual value adjustments (level 3)	-2,749	-4,910
Total	**50,796**	**41,070**
Trade receivables (non-financial assets)		
Receivables from barter transactions	8,887	5,736
Total	**8,887**	**5,736**
Total trade receivables	**59,683**	**46,806**

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

Trade accounts receivable includes receivables of TCHF 177 (previous year: TCHF 773) from a media-for-equity fund relating to advertising services provided and invoiced. The guaranteed minimum claim is recognized in receivables, with remuneration taking place only when the fund sells its equity interests. In this connection, embedded derivatives and options of TCHF 382 (previous year: TCHF 174) were recognized under other financial assets. TCHF 0 (previous year's period: TCHF 135) was measured in equity via contract liabilities, with TCHF 564 (previous year's period: TCHF 92) measured in financial income and TCHF 52 (previous year's period: TCHF 53) in financial expense.

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

Impairment losses

(TCHF)	Expected lifetime credit losses (level 2)	Specific loss allowances (level 3)
Balance on December 31, 2019	**278**	**5,230**
Currency translation differences	-4	-15
Reduction from decrease in receivables volume	-105	-
Change in risk parameters	12	-
Additions	-	299
Consumption	-	-31
Reversals	-	-573
Balance on December 31, 2020	**181**	**4,910**
Currency translation differences	-4	-117
Addition due to an increase in the volume of receivables	6	-
Reduction from decrease in receivables volume	-59	-
Additions	-	15
Consumption	-	-1,966
Reversals	-	-93
Balance on December 31, 2021	**124**	**2,749**

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

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

Currency profile

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
CHF	1,932	923
EUR	42,491	35,229
USD	15,221	10,654
Other	39	-
Total	**59,683**	**46,806**

6.11.2 Other receivables

Other receivables (financial assets)

(TCHF)		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
Receivables from subsidies	23,203	-1	-	-	23,202
Positive fair value of derivative financial instruments not in hedges	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**

(TCHF)		Expected credit losses			
Dec. 31, 2020	Gross	Level 1	Level 2	Level 3	Net
Suppliers with debit balances	483	-1	-	-	482
Receivables from loans	15,011	-29	-	-270	14,712
Receivables from subsidies	16,681	-1	-	-	16,680
Positive fair value of derivative financial instruments in hedges	1,099	-	-	-	1,099
Positive fair value of derivative financial instruments not in hedges	211	-	-	-	211
Receivables due from personnel (financial)	224	-	-	-	224
Other assets (financial)	15,948	-24	-	-1,772	14,152
Total	**49,657**	**-55**	**-**	**-2,042**	**47,560**

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

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

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

Impairment losses

(TCHF)	Credit losses expected over 12 months (level 1)	Expected lifetime credit losses (level 2)	Specific loss allowances (Level 3)
Balance on December 31, 2019	**25**	**-**	**2,702**
Currency translation differences	-	-	-10
Addition due to an increase in the volume of receivables	-30	-	-
Consumption	-	-	-650
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**

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

Other receivables (non-financial assets)

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Prepaid expenses	9,450	8,525
Input tax	2,889	1,802
Other taxes	16	290
Advance payments	163	988
Other assets (non-financial)	3,146	3,798
Total	**15,664**	**15,403**

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

Currency profile

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
CHF	3,827	4,535
EUR	41,866	44,346
USD	3,100	4,261
CAD	7,465	5,549
Other	5,697	4,272
Total	**61,955**	**62,963**

6.12 Contract assets

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Contract assets	31,161	32,686
Expected lifetime credit losses (level 2)	-6	-6
Total	**31,155**	**32,680**

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

Development of contract assets

(TCHF)	
Balance on December 31, 2019	**18,626**
Currency translation differences	-45
Additions	32,472
Impairment	-6
Reclassification to trade receivables	-18,367
Balance on December 31, 2020	**32,680**
Currency translation differences	-780
Additions	31,912
Impairment	-6
Reclassification to trade receivables	-32,651
Balance on December 31, 2021	**31,155**

6.13 Income tax receivables

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Income taxes in Switzerland	33	33
Income taxes in Germany	318	545
Income taxes in rest of the world	169	181
Total	**520**	**759**

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 %).

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

6.15 Equity

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

Capital increase

In the second quarter of 2021, the Board of Directors of Highlight Event and Entertainment AG used the company's authorized capital to issue 240,000 and 300,000 bearer shares, each with a nominal value of CHF 9.00 by way of a private placement. The subscription price was set at CHF 30.00 per share.

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.

As a result, the company's share capital increased to CHF 85,140,000.

Share capital

As of December 31, 2021, the fully paid-up share capital of the parent company, Highlight Event and Entertainment AG, amounted to CHF 85,140,000 (previous year: CHF 79,200,000), divided into 9,460,000 bearer shares with a par value of CHF 9.00 per share (previous year: 8,800,000 bearer shares of CHF 9.00 per share).

Treasury shares

As of December 31, 2021, the separately reported item "Treasury stock" amounted to TCHF –45 (previous year: TCHF 0). The amount reflects the nominal capital of treasury shares.

As of December 31, 2021, the number of directly held non-voting treasury shares was 5,021 Highlight Event and Entertainment AG shares (previous year: 21).

Non-controlling interests

Non-controlling interests in consolidated subsidiaries amounted to TCHF 194,113 as of December 31, 2021 (restated) (previous year: TCHF 207,751).

Dividend payments in the reporting year amounted to TCHF 1,116 (previous year's period: TCHF 1,176) and the net profit for the period attributable to non-controlling interests was TCHF 1,959 (previous year's period (restated): TCHF -3,527). The increase in the equity interests in Sport1 Medien AG, Olga Film GmbH and Highlight Communications AG, recognized in equity, resulted in an overall reduction in non-controlling interests by TCHF 4,521 (previous year (restated): reduction in non-controlling interests by increasing the equity interest in Sport1 Medien AG and Highlight Communications AG by a total of TCHF 15,494). The change in the equity interest in Spin50 GmbH increased non-controlling interests by TCHF 1,603. 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 the previous year, liquidation of the consolidated company Constantin Entertainment Israel Ltd. also resulted in a decrease in non-controlling interests of TCHF 20.

Remeasurement reserves and retained earnings

As of the end of the reporting period, other reserves totaled TCHF -9,344 (previous year (restated): TCHF -3,806).

As of December 31, 2021, these essentially relate to the translation of the equity of companies that do not use Swiss francs as their functional currency.

As a result of the capital increase implemented in the first half of 2021, reserves increased by a total of TCHF 12,177.

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

Reconciliation of the reserve for the fair value remeasurement of financial instruments

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

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

Other comprehensive income/loss (OCI)

2021 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	-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 may be reclassified to the income statement in future	**-12,038**	**275**	**-11,763**
Actuarial gains/losses of defined benefit obligation plans	2,839	-280	2,559
Gains/losses from financial assets at fair value through other comprehensive income	-3,254	-	-3,254
Items that will not be reclassified to the income statement in future	**-415**	**-280**	**-695**
Other comprehensive income/loss	**-12,453**	**-5**	**-12,458**

2020 (TCHF) (restated)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation ()restated)	-1,267	-	-1.267
Reclassification of realized gains/losses through profit or loss	-	-	-
Currency translation differences	-1,267	-	-1,267
Gains/losses from cash flow hedges	1,288	-384	904
Items that may be reclassified to the income statement in future	**21**	**-384**	**-363**
Actuarial gains/losses of defined benefit obligation plans	1,584	-32	1,552
Gains/losses from financial assets at fair value through other comprehensive income	-83	142	59
Items that will not be reclassified to the income statement in future	**1,501**	**110**	**1,611**
Other comprehensive income/loss	**1,522**	**-274**	**1,248**

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, Sport and Sports- and Event-Marketing segments 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, Constantin Film AG and Sport1 Medien AG include compliance with certain financial covenants. The financial covenants of the Highlight Group relate to sales, EBITDA, EBT, gearing, the economic equity ratio and reported equity including non-controlling interests, as well as the ratio of net financial liabilities to profit from operations and liquidity (including free credit facilities). If the conditions on borrowed funds are violated, the interest rate may increase, a termination option may arise or an increase in the security may be requested.

Due to the breach of an agreed financial covenant at Highlight Communications AG as of December 31, 2021, the financial liabilities to banks previously classified as non-current were reclassified to current liabilities. However, a written declaration from the banks waiving the early repayment was received in May 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, but they are available to the employer in order to settle future employer contributions (employer contribution reserve).

Even if the pension plan has a statutory excess, the law still demands annual minimum contributions. For active insured parties, both the employer and the employee must pay contributions. The employer contribution must at least equal the employee contributions. The minimum annual contributions are dependent on the age and insured 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 2022 amount to TCHF 1,643.

Maturity profile of defined benefit obligation

(TCHF)	2021	2020
Less than 1 year	4,112	4,067
Weighted average maturity of defined benefit obligation (in years)	14.5	15.2

Change in defined benefit liabilities

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

Pension liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Present value of defined benefit obligation	41,709	47,949
Fair value of plan assets	43,869	43,670
Asset ceiling	5,048	1,217
Carrying amount	**2,888**	**5,496**

The pension liabilities totaling TCHF 2,888 (previous year: TCHF 5,496) consist of pension assets of TCHF 1,520 (previous year: TCHF 1,950, (see note 6.9) and pension liabilities of TCHF 4,408 (previous year: TCHF 7,446).

The figure to be included as assets is limited to the amount of the employer contribution reserve, resulting in an asset ceiling of TCHF 3,831 as of December 31, 2021 (previous year: TCHF 1,217).

Development of defined benefit obligation

(TCHF)	2021	2020
Present value of defined benefit obligation as of January 1	**47,949**	**47,368**
Current service cost (without employee contributions and administrative expenses)	2,159	2,317
Employee contributions	1,006	1,200
Interest cost	73	135
Curtailment, settlement	-796	-262
Benefits paid	-5,433	-2,838
Actuarial losses/(gains) from experience adjustments	-683	-261
Actuarial losses/(gains) from changes in financial assumptions	-592	290
Actuarial losses/(gains) from changes in demographic assumptions	-1,974	-
Present value of defined benefit obligation as of December 31	**41,709**	**47,949**
Thereof actively insured persons	38,641	40,630
Thereof pensioners	3,068	7,319

Development of plan assets

(TCHF)	2021	2020
Fair value of assets as of January 1	43,670	40,759
Interest income	66	112
Employee contributions	1,006	1,200
Employer contributions	1,235	1,504
Administrative expenses of the foundation	-96	-92
Benefits paid	-5,433	-2,838
Actuarial (losses)/gains from experience adjustments	3,421	3,025
Fair value of assets as of December 31	**43,869**	**43,670**

Retirement benefit expenses break down as follows:

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Current service cost (without employee contributions and administrative expenses)	2,159	2,317
Administrative expenses of the foundation	96	92
Effects from curtailments and settlements	-796	-262
Net interest cost (income)	7	23
Total income statement	**1,466**	**2,170**

Plan assets

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

(TCHF)	2021	2020
Cash and cash equivalents	1,426	602
Bonds with quoted market prices on active markets	8,006	10,063
Bonds without quoted market prices	573	201
Shares with quoted market prices on active markets	14,305	12,648
Real estate	13,375	14,345
Insurance surrender values	3,628	3,532
Other	2,556	2,279
Total	**43,869**	**43,670**

The actual return on plan assets in the year under review amounted to TCHF 3,487 (previous year’s period: TCHF 3,137).

Actuarial assumptions

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

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

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

Sensitivity analysis

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

	Discount rate (incl. change in 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

	Discount rate (incl. change in projected interest rate)		Pension trend		Salary trend		Average life expectancy
2020 (TCHF)	+25 BP	-25 BP	+25 BP	-25 BP	+25 BP	-25 BP	+1 year
Impact on defined benefit obligation	-1,313	1,700	1,062	-	308	-298	1,568

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

6.16.2 Defined contribution plans

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

6.17 Deferred tax liabilities

Composition of deferred tax liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020 restated
Intangible assets and film assets (restated)	71,302	77,849
Right-of-use assets	10,180	7,083
Inventories	3	3
Trade accounts receivable and other receivables	5,230	4,418
Contract assets	4,442	4,863
Other financial assets	105	48
Pension assets	204	262
Trade payables and other liabilities	2,709	4,186
Contract liabilities	124	160
Advance payments received	9,944	11,183
Total	**104,243**	**110,055**
Netting with deferred tax assets	-52,738	-49,247
Deferred tax liabilities (net)	**51,505**	**60,808**

Maturities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020 restated
Current deferred tax liabilities	-	-
Non-current deferred tax liabilities (restated)	51,505	60,808

6.18 Financial liabilities

Reconciliation of liabilities arising from financial liabilities

(TCHF)	Jan. 1, 2021	Cash changes	Non-cash changes: Accrual of interest	Non-cash changes: Currency translation	Non-cash changes: Reclassification	Non-cash changes: Other	Dec. 31, 2021
Non-current financial liabilities	**114,712**	26,781	230	-1,449	-108,997	-310	**30,9678**
Current financial liabilities	**163,885**	-12,196	-	-6,015	107,417	-	**253,091**
Total financial liabilities	**278,597**	14,585	230	-7,464	-1,580	-310	**284,058**

(TCHF)	Jan. 1, 2020	Cash changes	Non-cash changes: Accrual of interest	Non-cash changes: Currency translation	Non-cash changes: Reclassification	Non-cash changes: Other	Dec. 31, 2020
Non-current financial liabilities	**130,314**	2,165	546	-236	-18,077	-	**114,712**
Current financial liabilities	**139,086**	6,098	-	76	18,077	548	**163,885**
Total financial liabilities	**269,400**	8,263	546	-160	-	548	**278,597**

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 253,091 (previous year: TCHF 69,416), TCHF 76,766 (previous year: TCHF 51,218) of which relates to financing film projects. The HLEE Group had free short-term credit facilities totaling around TCHF 127,775 (previous year: TCHF 161,753) as of the end of the reporting period. Of this, the Constantin Film Group's credit facilities (production financing and license trading facilities) are secured by the film rights reported as film assets in the amount of TCHF 127,010 (previous year: TCHF 161,905) and the resulting proceeds from exploitation in addition to receivables and contract assets of TCHF 56,221 (previous year: TCH 48,543). The security interests of the banks serve as collateral for all current and future receivables of the banks from Constantin Film AG. The banks are entitled to liquidate this collateral if necessary. They will be transferred back to Constantin Film AG by the banks after all secured claims have been satisfied.

Highlight Communications AG’s credit agreement provides for four facilities. Facility A1 amounts to EUR 37.3 million (nominal value EUR 37.9 million), Facility A2 amounts to EUR 10.9 million (nominal value EUR 11.0 million), and Facility B amounts to CHF 49.4 million (nominal value CHF 50 million). Facilities A1 and B 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 49.3 million (nominal value CHF 50 million) and is not due until 2024. Highlight Communications AG’s credit facilities of TCHF 80,000 and TEUR 33,722 (previous year: TCHF 90,000 and TEUR 30,296) 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 2022, Highlight Communications AG is required to make repayments of TEUR 7,574 for Facility A1 and TCHF 10,000 for Facility B. Repayment of TEUR 1,100 is required for Facility A2 at the end of December 2022. As of the end of the reporting period, until April 30, 2022, the Sport1 Medien-Gruppe has a guaranteed working capital facility of TCHF 7,248 (previous year: TCHF 7,576) and guarantee lines of TCHF 17,603 (previous year: TCHF 7,576). 6,182,518 Highlight Communications AG shares with a carrying amount of TCHF 25,607 (previous year: 4,000,000 Highlight Communications AG shares with a carrying amount of TCHF 17,490) were pledged in total for these credit facilities as of December 31, 2021 and a global assignment of receivables from Sport1 GmbH (TCHF 12,569) and PLAZAMEDIA GmbH (TCHF 4,049) from goods deliveries and services to third-party debtors was deposited.

In the year under review, the loan of CHF 51.3 million from Swiss International Investment Portfolio AG (SWIIP) was extended until June 30, 2023. SWIIP is a related party of the HLEE Group. In the previous year, 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 contingent capital increase were created in 2021 (see note 6.15).

The bond of EUR 21 million taken out in the previous year was repaid in June 2021.

The loan of TCHF 2,071 taken out in the fourth quarter of 2020 is due in November 2022, and was thus reclassified from non-current to current financial liabilities. A total of 560,000 shares in Highlight Communications AG were pledged as security for this loan.

At Highlight Event and Entertainment AG, a total of 24.31 million shares in Highlight Communications AG (previous year: 26.81 million shares in Highlight Communications AG) were pledged as collateral.

In accordance with IAS 32, the equity component (call) for the financial liability of Obotritia Capital KGAA amounts to TCHF 290 as of December 31, 2021.

Currency profile

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
CHF	79,238	26,500
EUR	126,231	109,203
USD	38,011	21,654
CAD	9,611	6,528
Total	**253,091**	**163,885**

6.18.2 Non-current financial liabilities

As of June 14, 2021, Highlight Event and Entertainment AG took up new convertible bonds 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 loan has to be repaid on May 31, 2023. In accordance with IAS 32, the equity component (call) for the two financial liabilities amounts to TCHF 533 as of December 31, 2021.

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. At the extension, the interest rate was increased from 2.5 % to 3 %.

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

6.19 Advance payments received

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

6.20 Trade payables and other liabilities

(CHF thousand)	Dec. 31, 2021	Dec. 31, 2020
Trade accounts payable	45,271	44,433
Other liabilities	105,707	99,741
Total	**150,978**	**144,174**

6.20.1 Trade accounts payable

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Trade payables (financial)		
Current liabilities	24,761	24,697
Liabilities due to related parties	16	-
Outstanding invoices	18,084	18,868
Total	**42,861**	**43,565**
Trade payables (non-financial)		
Payables from barter transactions	2,410	868
Total	**2,410**	**868**
Total trade payables	**45,271**	**44,433**

Apart from the customary retentions of title, the reported trade accounts payable are not secured in any other way. They essentially relate to licensing and services.

Overall, the trade accounts payable are non-interest-bearing and short-term, which means that the carrying amount of the financial trade accounts payable is approximately their fair value.

Currency profile

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
CHF	540	594
EUR	38,173	21,095
USD	3,602	20,645
CAD	2,170	2,092
Other	786	7
Total	**45,271**	**44,433**

6.20.2 Other current liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Other liabilities (financial)		
Liabilities for conditional loan repayment (subsidies)	16,337	18,740
Customers with credit balances	401	297
Commission, licenses and overages	36,293	35,518
Other current loans	7,305	7,310
Negative fair value of derivative financial instruments not in hedges	49	337
Personnel-related liabilities (financial)	16,120	14,710
Other current liabilities (financial)	15,065	4,945
Other liabilities due to related parties	696	106
Total	**92,266**	**81,963**

Other liabilities (non-financial)		
VAT liabilities	3,229	3,245
Other taxes	3,828	3,900
Social security	722	461
Prepaid expenses	4,932	8,255
Negative fair value of hedged items in hedges	-	1,099
Personnel-related liabilities (non-financial)	730	818
Total	**13,441**	**17,778**

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).

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

Currency profile

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
CHF	22,921	21,803
EUR	60,328	75,938
USD	19,373	442
CAD	1,752	1,549
Other	1,333	9
Total	**105,707**	**99,741**

6.21 Contract liabilities

Development of contract liabilities

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

Contract liabilities relate to consideration already received from customers for which the 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

(TCHF)	Jan. 1, 2021	Currency translation	Utilization	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 performance obligations	7	-1	-	-	-	6
Other provisions	223	-5	152	-	-	66
Total	**2,835**	**-96**	**531**	**367**	**248**	**2,089**
thereof current provisions	2,835	-96	531	367	248	2,089

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

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

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.

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

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

6.23 Income tax liabilities

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Income tax in Switzerland	1,538	2,033
Income tax in Germany	12,667	4,644
Income tax in rest of the world	171	2
Total	**14,376**	**6,679**

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

Future sales from contracts with customers

Sales expected to be recognized (TCHF)	Dec. 31, 2021	Dec. 31, 2020
Within one year	345,629	269,717
Within one to five years	197,103	268,901
After five years	5,530	4,309
Total	**548,262**	**542,927**

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

7.2 Capitalized film production costs and other own work capitalized

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

7.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Income from the reversal of provisions and deferred liabilities	4,371	2,837
Income relating to other periods	516	897
Recharges	525	152
Price gains	4,821	3,440
Income from rents and leases	11	12
Derecognition of liabilities	-	131
Income from the disposal of non-current assets	7,617	85
Income from deconsolidation	-	63
Income from settlements of claims for damages and settlement agreements	6,025	3,820
Miscellaneous operating income	10,312	4,549
Total	**34,198**	**15,986**

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

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

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

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

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

7.4 Cost of materials and licenses

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Licenses and commission	43,143	29,232
Other costs of material	13,150	15,370
Total licenses, commission and material	**56,293**	**44,602**
Production costs	182,963	160,839
Services received	1,236	1,045
Overages in the Film segment	19,835	12,002
Total purchased services	**204,034**	**173,886**

7.5 Personnel expenses

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

7.6 Other operating expenses

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Rental costs	2,359	2,250
Repair and maintenance costs	1,016	1,263
Advertising and travel expenses	4,937	5,681
Legal, consulting and auditing costs	15,019	12,608
IT costs	6,369	5,114
Administrative costs	1,680	2,546
Other personnel-related expenses	1,399	1,454
Insurance, dues and fees	2,619	1,869
Expenses relating to other periods	1,012	175
Price losses	4,503	3,294
Vehicle costs	704	571
Bank fees	351	279
Losses from the disposal of non-current assets	105	33
Other taxes	844	52
Release and promotion expenses	10,771	11,958
Expenses from short-term leases	1,294	1,302
Expenses from leases of low-value assets (if not already short-term)	12	13
Expenses from variable lease payments (not included in lease liabilities)	1,043	923
Miscellaneous operating expenses	4,382	2,993
Total	**60,419**	**54,378**

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

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

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

7.7 Impairment/reversals of impairment on financial assets

This item includes impairment losses on financial assets of TCHF 17 (previous year's period: TCHF 341) and reversals of impairment losses on financial assets totaling TCHF 162 (previous year's period: TCHF 795).

7.8 Financial income

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Interest and similar income	1,246	1,122
Gains from changes in the fair value of financial instruments	1,927	678
Currency exchange gains	5,659	3,618
Total	**8,832**	**5,418**

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

Gains from changes in the fair value of financial instruments include those on the embedded derivatives and options in connection with advertising services with a media-for-equity fund.

As in the previous year, several derivative financial instruments were not in a formal hedge in accordance with IFRS 9 in the year under review. However, there were still economic hedges. The measurement of derivative financial instruments without a hedge resulted in higher income in the reporting year than in the previous year.

7.9 Financial expenses

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Interest and similar expenses	11,231	11,401
Losses from changes in the fair value of financial instruments	628	663
Currency exchange losses	6,597	2.062
Interest expenses from lease liabilities	877	780
Total	**19,333**	**14,906**

The measurement of bank balances and financial liabilities in foreign currencies resulted in higher expenses in the reporting year than in the previous year.

7.10 Taxes

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

Tax reconciliation

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020 restated
Profit before taxes	2,681	-6,336
Expected taxes based on a tax rate of 17.93 % (previous year: 17.93 %)	-481	1,136
Differing tax rates	-1,652	-1,846
Write-down on deferred tax assets	106	-172
Tax-exempt income	-11	-10
Permanent differences	-536	-972
Non-deductible expenses	-2,706	-3,505
Aperiodic income taxes	718	-148
Other effects	1,040	998
Unrecognized deferred taxes	-1,211	-1,870
Actual tax expense	**-4,733**	**-6,389**
Effective tax rate in %	**n/a**	**n/a**

8. DISCLOSURES ON FINANCIAL RISK MANAGEMENT

8.1 Financial instruments by class

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

Disclosures IFRS 7: Classes as of December 31, 2021

				Valuation in the balance sheet under IFRS 9			
ASSETS (TCHF)	Measurement category under IFRS 9	Carrying amount Dec. 31, 2021	thereof not relevant under IFRS 7	Amortized cost	Fair value through OCI	Fair value through profit or loss	Fair value on Dec. 31, 2021
Cash and cash equivalents	AC	**48,873**	-	48,873	-	-	**48,873**
Trade receivables	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 measured at amortized cost	AC	**5,602**	-	5,602	-	-	**5,602**
EQUITY AND LIABILITIES (TCHF)							
Financial liabilities (current and non-current)	AC	**283,869**	-	283,869	-	-	**285,728**
Financial liabilities with a hedge (current and non-current)	AC	**189**	-	189	-	-	**189**
Lease liabilities (current and non-current) **	without category	**48,867**	-	-	-	-	**-**
Trade payables (current and non-current)	AC	**45,271**	-2,410	42,861	-	-	**42,861**
Contract liabilities	without category	**13,654**	-13,654	-	-	-	**-**
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	**105,748**	-13,441	92,307	-	-	**92,307**	**91,665**
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	AC	435,077	-15,851	419,226	-	-	421,085
Financial liabilities at fair value	FLTPL	49	-	-	-	49	49

*	Not IFRS 7-relevant: Not 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, 2020

ASSETS (TCHF)	Measurement category under IFRS 9	Carrying amount Dec. 31, 2020	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, 2020
Cash and cash equivalents	AC	**50,282**	-	50,282	-	-	**50,282**
Trade receivables	AC	**46,806**	-5,736	41,070	-	-	**41,070**
Contract assets	Without category	**32,680**	-32,680	-	-	-	**-**
Other receivables (current)							
Financial assets at fair value	FVTPL	**211**	-	-	-	211	**211**
Other receivables	AC	**61,653**	-15,403	46,250	-	-	**46,250**
Derivative financial instruments with hedging relationships		**1,099**	-	-	-	1,099	**1,099**
Other financial assets (current)							
Financial assets at fair value	FVTPL	**12**	-	-	-	12	**12**
Financial assets at fair alue	FVTOCI	**11**	-	-	11	-	**11**
Non-current receivables	AC						
Financial assets at fair value	FVTPL	**11,397**	-	-	-	11,397	**11,397**
Other receivables	AC	**1,719**	-	1,719	-	-	**1,719**
Other financial assets (non-current)							
Financial assets at fair value	FVTPL	**6,677**	-	-	-	6,677	**6,677**
Financial assets at fair value	FVTOCI	**3,297**	-	-	3,297	-	**3,297**
EQUITY AND LIABILITIES (TCHF)							
Financial liabilities (current and non-current)	AC	**279,329**	-	279,329	-	-	**281,146**
Financial liabilities with a hedge (current and non-current)	AC	**-732**	-	-732	-	-	**-732**
Lease liabilities (current and non-current) **	Without category	**39,216**	-	-	-	-	**-**
Trade payables (current and non-current)	AC	**44,433**	-868	43,565	-	-	**43,565**
Contract liabilities	Without category	**9,900**	-9,900	-	-	-	**-**
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	AC	**98,399**	-16,679	81,720	-	-	**81,720**
Financial liabilities at fair value	FLTPL	**337**	-	-	-	337	**337**
Other liabilities (underlying transactions in hedging relationships)	Without category	**1,099**	-1,099	-	-	-	**-**
AGGREGATED BY CATEGORY							
Assets (TCHF)							
Financial assets at amortized cost	AC	160,460	-21,139	139,321	-	-	139,321
Financial assets at fair value through profit or loss	FVTPL	18,297	-	-	-	18,297	18,297
Financial assets at fair value through OCI	FVTOCI	3,308	-	-	3,308	-	3,308
Equity and liabilities (TCHF)							
Financial liabilities at amortized cost	AC	421,429	-17,547	403,882	-	-	405,699
Financial liabilities at fair value	FLTPL	337	-	-	-	337	337

*	Not IFRS 7-relevant: Not 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 only legally enforceable in the event of insolvency and the Group neither has a legal right to offset amounts at the current time nor does it intend to settle on a net basis, the derivative financial instruments are reported in the consolidated balance sheet on a gross basis.

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

Offsetting as of December 31, 2021

Offsetting of financial assets

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	1,023	-	1,023	-11	1,012
Cash and cash equivalents	48,883	-10	48,873	-	48,873

Offsetting of financial liabilities

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

Offsetting as of December 31, 2020

Offsetting of financial assets

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	223	-	223	-16	207
Derivative financial instruments with hedging relationships	1,099	-	1,099	-	1,099

Offsetting of financial liabilities

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	337	-	337	-16	321
Derivative financial instruments with hedging relationships	-	-	-	-	-

8.3 Management of financial risks

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

		Due within one year			Due within one to five years			Due after five years		
2021 (TCHF)	Carrying amount Dec. 31, 2021	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
Primary financial liabilities										
Liabilities due to banks and similar liabilities	284,058	1,118	7,686	157,144	-	4,833	127,436 *	-	-	-
Lease liabilities	48,867	-	-	10,433	-	-	28,397	-	-	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	-	-	-	-	-	-

		Due within one year			Due within one to five years			Due after five years		
2020 (TCHF)	Carrying amount Dec. 31, 2020	Fixed interest	Variable interest	Repayment	Fixed interest	Variable Interest	Repayment	Fixed interest	Variable Interest	Repayment
Primary financial liabilities										
Liabilities due to banks and similar liabilities	278,597	1,128	6,256	163,453	679	5,485	116,499	-	-	-
Lease liabilities	39,216	-	-	10,663	-	-	21,129	-	-	12,173
Other non-interest-bearing financial liabilities	125,285	-	-	125,285	-	-	-	-	-	-
Derivative financial liabilities										
Derivatives without hedge	337	-	-	2,901	-	-	1,894	-	-	-
Derivative financial assets										
Derivatives without hedge	211	-	-	1,356	-	-	1,869	-	-	-
Currency derivatives in connection with fair value/cash flow hedges	1,099	-	-	9,570	-	-	-	-	-	-

** 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 only be available 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 -620 (previous year's period: TCHF 1,702) were recognized in profit or loss in the year under review. In addition, currency differences from the translation of foreign subsidiaries of TCHF -4,851 (previous year's period: TCHF -858) and from cash flow hedges of TCHF -646 (previous year's period: TCHF 904) were recognized in other comprehensive income (OCI).

Hedge accounting is used where permissible; the earnings effects of economic hedges otherwise largely offset each other as a result of natural hedging.

Interest risk

An interest risk arises when market interest rates fluctuate, which could improve or worsen the proceeds from deposits or payments for money borrowed. In addition, due to the mismatching of maturities, there is a risk of changes in interest rates which is actively controlled in the Group, in particular by monitoring changes in the yield curve.

The risk of change in interest rates to which the Group is exposed primarily relates to financial liabilities. The Group currently does not utilize financial instruments to hedge the risk of changes in interest rates.

Fixed interest agreements provide protection against additional expenses in phases of rising interest rates. They have the disadvantage that the company does not profit from corresponding developments in times of falling interest rates. Fixed interest agreements provide sufficient planning security for financial liabilities without flexible regulations on utilization and repayment. By contrast, for credit agreements with high flexibility, variable interest agreements take into account future fluctuations in credit utilization. For further information on financial liabilities please see note 6.18. If necessary, there is also the option to establish a fixed interest base using interest hedges.

Other price risks
Other price risks are defined as the risk that the fair value or future cash flows of a financial instrument could fluctuate as a result of changes in market prices not already arising from interest or currency risks. Other price risks apply to financial assets measured at fair value. These financial assets are not hedged.

Sensitivities
The sensitivity analysis shows the effects of possible changes in market interest rates on earnings before taxes or equity. Changes in market interest rates affect 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

	Interest rate risk		Exchange 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 receivables (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 payables (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 in other comprehensive income(OCI)									-203	167		
thereof in income statement									11,277	-11,968		

	Interest rate risk		Exchange rate risk									
			EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
Dec. 31, 2020 (TCHF)	-1 %	+1 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %
Financial assets												
Cash and cash equivalents	-503	503	-575	575	-194	235	-67	82	-836	892	-	-
Trade receivables (current and non-current)	-	-	-58	60	-2,005	2,449	-	-	-2,063	2,509	-	-
Other receivables (current and non-current)	-	-	-	-	-387	473	-504	617	-891	1,090	-	-
Derivative financial instruments	-	-	-	-	-733	600	-	-	-733	600	-	-
Other financial assets (current and non-current)	-	-	-75	75	-618	618	-	-	-693	693	-349	349
Financial liabilities												
Financial liabilities (current and non-current)	2,786	- 2,786	12,233	-12,233	1,969	-2,406	593	-725	14,795	-15,364	-	-
Lease liabilities (current and non-current)	-	-	-	-	90	-110	-	-	90	-110	-	-
Trade payables (current and non-current)	-	-	761	-763	213	-258	190	-233	1,164	-1,254	-	-
Other liabilities (current and non-current)	-	-	35	-35	1,704	-2,082	141	-172	1,880	-2,289	-	-
Derivative financial instruments	-	-	-	-	109	-89	-	-	109	-89	-	-
Total increase/decrease	**2,283**	**- 2,283**	**12,321**	**-12,321**	**148**	**-570**	**353**	**-431**	**12,822**	**-13,322**	**-349**	**349**
thereof in other comprehensive income (OCI)									-1,277	1,046		
thereof in income statement									14,099	-14,368		

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

8.4.1 Fair value of financial assets and liabilities

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

Fair value hierarchy

2021 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets 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 measured at fair value					
Derivative financial instruments	FLTPL	-	49	-	49

2020 (TCHF)		Level 1	Level2	Level3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVTPL/without category	-	1,136	174	1,310
Financial assets at fair value through profit or loss	FVTPL	-	11,397	6,689	18,086
Financial assets (equity instruments)	FVTOCI	-	-	3,308	3,308
Financial liabilities measured at fair value					
Derivative financial instruments	FLTPL	-	337	-	337

Disclosures on level 3 financial instruments

	Investment in Geenee Inc.	AGF Videoforschung GmbH	Summacum GmbH	Other investments	Convertible loans	Financial liabilities	Options	Prestige Media Group S.A.	Brand Technologies AG
Fair value on December 31, 2019	**-**	**504**	**329**	**63**	**28**	**231**	**-**	**-**	**-**
Gains/(losses) through profit or loss	-	-	-	-	-101	-100	39	-	-
Gains/(losses) through equity	-	-504	-295	-21	-	-1	-	487	-
Gains/(losses) through equity due to contract liabilities	-	-	-	-	-	-	135	-	-
Purchase	-	-	-	-	6,774	-	-	267	2,500
Utilization due to payment	-	-	-	-	-	-130	-	-	-
Sale	-	-	-	-22	-12	-	-	-	-
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**	**-**	**-**

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

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

The shares in Geenee Inc. and in AGF Videoforschung GmbH, both assigned to level 3 of the fair value hierarchy, had already been written down in full in previous years. There were no indications of a reversal of impairment in the year under review. The shares in Summacum GmbH were written down by TCHF 295 to TCHF 34 in the previous year. The fair values of these equity interests were remeasured on the reporting date on the basis of current planning figures using a discounted cash flow calculation. There were no indications of further impairment or a reversal of impairment. The shares in Diggin Ltd. were sold in the reporting year for TCHF 12. For reasons of materiality, other equity instruments totaling TCHF 9 (previous year: TCHF 9) are recognized at historical cost.

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

The embedded derivatives and options in connection with a media-for-equity fund are based on the price of the most recent financing rounds of the relevant equity interests. In addition, when these financing rounds took place more than six months in the past, discounts of up to 20 % are taken. Furthermore, with the exit scenarios additional discounts of between 15 % and 50 % are taken, as well as industry-specific Covid-19 discounts between 0 % and 10 % (previous year: 0 % and 47 %).

The equity interests in Prestige Media Group S.A. and Brand Technologies AG as well as the related convertible loan were written down in full in the reporting year. In addition, the convertible loan to FBNK FINANCE S.A R.L. was swapped against the Garage Italia Finance S.à.r.l. bond. The descriptions 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 reporting period. As a result of an IPO for the underlying asset, one embedded option was reclassified from level 3 to level 1. There were no other reclassifications between the individual levels of the fair value hierarchy. They are reclassified quarterly in each reporting period if circumstances requiring a different classification arise.

8.4.2 Financial assets and liabilities at amortized cost

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

8.4.3 Fair value of non-financial assets and liabilities

As of December 31, 2021 and December 31, 2020, there were no non-financial assets or liabilities measured at fair value.

8.5 Use of hedging instruments

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

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

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

8.5.1 Fair values of hedging instruments in hedges

Cash flow hedges

As of December 31, 2021, the currency risk component of non-derivative financial liabilities with a nominal amount of TCHF 1,797 (previous year: TCHF 12,231) was designated as a hedging instrument in cash flow hedges. The hedged items are forecast transactions that are highly likely to occur.

The unrealized profit before tax from the remeasurement of hedging instruments recognized in other comprehensive income amounts to TCHF -921 (previous year: TCHF 1,288).

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

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

Non-derivative financial instruments in hedges

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

				Dec. 31, 2020	
(TCHF)	< 1 year	1- 5 years	> 5 years	Nominal volume	Annual average rate
Primary financial instrument (financial liability)					
USD	12,231	-	-	12,231	1.15302

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

Information on hedging instruments

Currency risk (TCHF)	2021	2020
Cumulative fair value changes to determine ineffectiveness	-921	1,288
Carrying amount of financial liabilities	-189	732
Nominal value	1,797	12,231

Only the designated foreign currency component of the financial liability is recognized as carrying amount.

The designated hedged items are as follows:

Information on underlying transactions

Currency risk (TCHF)	2020	2019
Cumulative fair value changes to determine ineffectiveness	921	-1,288
Reserve for active cash flow hedges	189	-732

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

Hedging instruments in hedge accounting

Currency risk (TCHF)	Jan. 1 - Dec. 31, 2021	Jan. 1 - Dec. 31, 2020
Unrealized gains and losses from hedging instruments	-921	1,288

Please see note 6.15 for the reconciliation of the reserve for the fair value remeasurement of financial instruments in other comprehensive income.

CCBS ineffectiveness and credit risks were immaterial in fiscal year 2021 and was therefore not recognized in profit or loss.

Fair value hedges

In the previous year, derivative financial instruments with a nominal amount of TCHF 9,570 were designated as hedging instruments in fair value hedges. The hedged items related to pending sales in foreign currency; the relevant conditions are shown below. There were no fair value hedges in the year under review.

Derivative financial instruments in hedges

(TCHF)	< 1 year	1- 5 years	> 5 years	Dec. 31, 2020 Nominal volume	Average rate
Foreign currency forward sale					
USD	9,570	-	-	9,570	1.08860

The carrying amounts and nominal amounts in an existing fair flow hedge are shown in the following table:

Information on hedging instruments

Currency risk (TCHF)	2021	2020
Cumulative fair value changes to determine ineffectiveness	-	1,099
Carrying amount of other receivables	-	1,099
Nominal value	-	9,570

The designated hedged items are as follows:

Information on underlying transactions

Currency risk (TCHF)	2020	2019
Cumulative fair value changes to determine ineffectiveness	-	-1,099
Carrying amount of trade accounts receivable	-	-

The hedged item was a pending trade receivable. The measurement effect from the hedged items was recognized in other receivables.

8.5.2 Derivative financial instruments without a hedge

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

The nominal amounts and fair values of derivatives not designated in hedge accounting as of December 31, 2021 and 2020 are as follows:

Derivative financial instruments without a hedge

	Dec. 31, 2021		Dec. 31, 2020	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
CZK	-	-	724	-32
PLN	2,743	-49	-	-
USD	-	-	1,389	-22
ZAR	-	-	1,357	17
Thereof credit balance	-	-	1,357	17
Thereof debit balance	2,743	-49	2,113	-54
Foreign currency forwards (acquisition)				
HUF	860	12	-	-
PLN	906	8		
USD	-	-	4,550	-263
USD/ZAR swap	5,364	621	-	-
Thereof credit balance	7,130	641	1,868	20
thereof debit balance	-	-	2,682	-283

9. Share-based payment

As part of a stock option program, 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:

	2021	
	Number of options	Weighted average exercise price in CHF
Outstanding January 1	-	-
Issued	220,000	26.60
Exercised	-	-
Expired	-	-
Forfeited	-	-
Outstanding December 31	220,000	

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

The expense for the share-based payment in the reporting year was TCHF 96 (previous year's period TCHF 0).

The table below shows the measurement parameters used:

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

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

10. SEGMENT REPORTING

The segment information below is based on the management approach.

Segments and segment reporting are defined on the basis of the internal reporting of the organizational units to the chief operating decision maker with regard to the allocation of resources and the assessment of earnings power. 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.

The Group consists of the Film segment, the Sports segment and the Sports- and Event-Marketing segment. Group functions of Highlight Event and Entertainment AG are shown under "Other" and 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 non-operational company Escor Automaten AG and 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 have similar business features and are comparable in terms of the type of their products, services, processes, customers and sales methods. Its activities comprise the production of films, the exploitation of the rights to the films it produces and acquires and the distribution of theatrical, DVD/Blu-ray and TV movies.

The Sports- and Event-Marketing segment comprises the activities of TEAM Holding AG, whose principal project is to market the UEFA Champions League via its subsidiaries. Its other marketing projects are the UEFA Europa League and the UEFA Super Cup. The company Highlight Event AG with exclusive rights for marketing the Eurovision Song Contest and the Vienna Philharmonic is also allocated to the Sport- and Event-Marketing segment. The Sports segment includes the activities of World Boxing Super Series AG (WBSS AG) and Sport1 Medien AG. The main project at WBSS AG is the World Boxing Super Series. Other than this, the Sports segment mainly comprises activities in the TV and digital areas with the umbrella brand SPORT1 and in the areas of production, content solutions services, and content marketing with PLAZAMEDIA. Magic Sport Media GmbH comprises the marketing portfolio and comprehensive expertise in the fields of betting, poker and casino games. The Sports segment also includes Match IQ GmbH, an event agency specialized in the sporting preparation of professional teams and athletes as well as the implementation of sports events and brand activation measures.

Sales and service transactions between the segments are performed as arm’s length transactions

Segment information for 2021

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Reconciliation	Group
External sales	331,483	68,354	108,329	761	-	508,927
Intragroup sales	-	-	248	9	-257	-
Total sales	331,483	68,354	108,577	770	-257	508,927
Other segment income	141,502	687	16,780	107	-1,858	157,218
Segment expenses	-457,122	-53,157	-134,908	-9,877	2,115	-652,949
thereof scheduled amortization and depreciation	*-101,256*	*-13,553*	*-14,712*	*-6*	*-*	*-129,527*
thereof impairment	*-5,539*	*-*	*-*	*-*	*-*	*-5,539*
Segment earnings	**15,863**	**15,884**	**-9,551**	**-9,000**	**-**	**13,196**
Time reference of sales						
Overtime	154,673	-	56,029	-	-	210,702
Point in time	176,810	68,354	52,300	761	-	298,225
	331,483	**68,354**	**108,329**	**761**	**-**	**508,927**
Sales by product type						
Film	176,810	-	-	-	-	176,810
Production services	154,673	-	-	-	-	154,673
Sports- and Event-Marketing	-	68,354	-	-	-	68,354
Platform	-	-	84,881	-	-	84,881
Services	-	-	23,448	761	-	24,209
	331,483	**68,354**	**108,329**	**761**	**-**	**508,927**

Segment information for 2020 (restated)

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Reconciliation	Group
External sales	261,346	61,463	91,053	801	-	414,663
Intragroup sales	12	-	487	-	-499	-
Total sales	261,358	61,463	91,540	801	-499	414,663
Other segment income	104,257	587	5,195	118	-930	109,227
Segment expenses	-351,792	-53,452	-107,873	-9,056	1,429	-520,744
thereof scheduled amortization and depreciation (restated)	*-49,906*	*-20,653*	*-13,636*	*-6*	*-*	*-84,201*
thereof impairment (restated)	*-9,211*	*-*	*-*	*-*	*-*	*-9,211*
Segment earnings	**13,823**	**8,598**	**-11,138**	**-8,137**	**-**	**3,146**
Time reference of sales						
Over time	136,318	-	45,550	-	-	181,868
Point in time	125,028	61,463	45,503	801	-	232,795
	261,346	**61,463**	**91,053**	**801**	**-**	**414,663**
Sales by product type						
Film	125,028	-	-	-	-	125,028
Production services	136,318	-	-	-	-	136,318
Sports- and Event-Marketing	-	61,463	-	-	-	61,463
Platform	-	-	72,641	-	-	72,641
Services	-	-	18,412	801	-	19,213
	261,346	**61,463**	**91,053**	**801**	**-**	**414,663**

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

Segment information by region

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*

Jan. 1 to Dec. 31, 2020 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of world*	Total
External sales	76,249	228,119	52,460	57,835	414,663
Non-current assets (restated)	356,072	264,070	-	-	620,142

** of which TCHF 57,611 is attributable to the US*

External sales by customers	2021		2020	
(TCHF)	Nominal	in %	Nominal	in %
Customer A (Sports- and Event-Marketing segment)	65,539	13	59,158	14
Customer B (Film segment)	44,841	9	42,604	10
Customer C (Film segment)	39,348	8	28,635	7
Sales with other customers	359,199	70	284,266	69
Total external sales	**508,927**	**100**	**414,663**	**100**

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

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

11.1 Overview

Financial commitments, contingent liabilities and other unrecognized financial obligations

(TCHF)	Financial commitments	Contingent liabilities	Purchase commitments for licenses	Other unrecognized financial obligations	Lease liabilities	Total
As of December 31, 2021						
Due within one year	13,979	-	46,686	25,130	5,724	91,519
Due between one and five years	-	-	93,255	32,806	6,899	132,960
Due after five years	-	-	-	292	6,088	6,380
Total	**13,979**	**-**	**139,941**	**58,228**	**18,711**	**230,859**

(TCHF)	Financial commitments	Contingent liabilities	Purchase commitments for licenses	Other unrecognized financial obligations	Lease liabilities	Total
As of December 31, 2020						
Due within one year	14,611	-	43,663	26,559	8,548	93,381
Due between one and five years	11,698	-	118,761	28,375	19,759	178,593
Due after five years	-	-	-	954	4,602	5,556
Total	**26,309**	**-**	**162,424**	**55,888**	**32,909**	**277,530**

11.2 Financial commitments

As of December 31, 2021, there were guarantees to various TV stations for the completion of service productions totaling TCHF 13,979 (previous year: TCHF 14,611). As there are no indications that the collateralized service productions will not be completed as contractually agreed, it is not expected that material actual liabilities will result from the contingent liabilities.

11.3 Contingent liabilities

As of the reporting date, there were no contingent liabilities.

11.4 Purchase commitments for licenses

The Group secures its access to future film rights by concluding license agreements. Film purchasing and production preparations result in future financial obligations of TCHF 6,628 (previous year: TCHF 11,429).

Furthermore, the purchase commitments for licenses include TCHF 133,313 (previous year: TCHF 150,995) for broadcasting and transmission rights of Sport1 GmbH – chiefly for the Bundesliga rights purchased in 2020.

11.5 Other unrecognized financial obligations

Other financial obligations not recognized in the balance sheet include TCHF 22,154 (previous year: TCHF 24,162) for obligations under option, work and film contracts for the development of in-house productions in addition to obligations for distribution costs and other services of TCHF 36,074 (previous year: TCHF 31,726).

11.6 Rental and lease obligations

The 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

(TCHF)	Dec. 31, 2021	Dec. 31, 2020
Receivables	-	-
Liabilities	712	106
Non-current financial liabilities Pensionskasse der Victorinox AG (interest rate 3 %, previous year: current financial liability, interest rate 2.5 %)	16,500	16,500
Non-current financial liabilities Victorinox AG (interest rate 3 %)	6,944	-
Non-current financial liabilities Pensionskasse der Victorinox AG (interest rate 3 %)	7,523	-
Current financial liabilities Swiss International Investment Portfolio AG (interest rate 5 %)	51,344	55,757
Current financial liabilities Obotritia Capital KGAA (interest rate 6 %, previous year: non-current financial liability)	9,029	9,228

(TCHF)	Jan. 1 to Dec. 31, 2021	Jan. 1 to Dec. 31, 2020
Sales and other income	-	-
Cost of materials and licenses and other expenses	535	614
Financial expenses for Personalfürsorgestiftung der Victorinox AG loan	454	413
Financial expenses loan Victorinox AG	117	-
Financial expenses loan Pensionskasse der Victorinox AG	127	-
Financial expenses for Swiss International Investment Portfolio AG loan	2,680	2,750
Financial expenses for Obotritia Capital KGAA loan	582	578

Associates and joint ventures

(CHF thousand)	Dec. 31, 2021	Dec. 31, 2020
Receivables	201	-
Liabilities	-	-

As of December 31, 2021, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 54 (previous year: TCHF 106).

Related parties include the members of the Board of Directors, the members of Group management and their relatives. Highlight 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 paid to members of the management team

	2021			
(TCHF)	Remuneration	Pension costs	Remuneration as members of the Board of Directors	**Total remuneration**
Bernhard Burgener, member 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 paid to members of the management team

	2020			
(TCHF)	Remuneration	Pension costs	Remuneration as members of the Board of Directors	**Total remuneration**
Bernhard Burgener, Delegate of the Board of Directors	1,422	231	11	1,664
Peter von Büren, CFO	711	106	11	828
Alexander Studhalter	-	-	-	-
Clive Ng	-	-	-	-
Total	**2,133**	**337**	**22**	**2,492**

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

Constantin Holding Inc., Delaware, was founded on January 4, 2022. Constantin Television, Munich, holds 100 % of the shares in this company. In turn, Constantin Holding Inc. holds preference shares of USD 5 million in Upgrade Productions LLC, Delaware, which was included in Highlight Event and Entertainment AG's consolidated financial statements using the equity method as of February 2, 2022.

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

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

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

REPORT OF THE STATUTORY AUDITOR

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 statement of financial position as at 31 December 2021 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 6 to 77) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

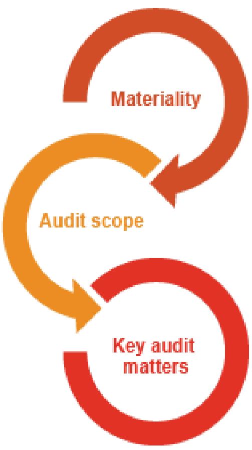
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 1,110,000

We concluded full scope audit work at 23 Group companies in 3 countries. These Group companies represent 98% of the Group's sales. Additionally, Review procedures were concluded at a further 3 Group companies in one country, addressing a further 1% of the Group’s sales.

As key audit matters, the following areas of focus have been identified:

- Sales recognition in the Film and the Sports and Event Marketing segments
- Valuation of film assets
- Impairment testing of goodwill and intangible assets with indefinite useful lives

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1,110,000
Benchmark applied	Adjusted profit before taxes
Rationale for the materiality benchmark applied	To determine materiality, we chose profit before taxes, which is a generally accepted benchmark for materiality considerations and is one of the benchmarks against which the performance of the Group is most commonly measured, taking into account adjustments.

We agreed with the Audit Committee that we would report to them misstatements above CHF 55,500 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

pwc

Sales recognition in the Film and the Sports and Event Marketing segments

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to revenue recognition, please refer to note 4.16 (Revenue from contracts with customers), note 5 (Judgment/estimation uncertainty), especially note 5.2.1 (Estimates used to determine the transaction price for revenue from contracts with customers) and note 7.1 (Notes to individual items of the income statement – Revenue from contracts with customers) in the notes to the consolidated financial statements. a) Film segment revenue Revenue is to a significant extent attributable to the exploitation of film rights in the areas of cinema distribution, global distribution, TV and home entertainment, and service production. Revenue is mainly recognised on a point-in-time basis. Only in the case of service production is revenue recognised over time according to the stage of completion. Revenues in the Film segment of CHF 331.5 million represent a significant amount. Hence, recognising revenue in the correct amount and in the correct period is of critical importance. In the light of this, we consider revenue recognition in the Film segment to be a key audit matter. b) Sports and Event Marketing segment revenue Revenue in this segment of CHF 68.4 million results from the agency agreement with UEFA for the marketing of media, sponsorship and licensing rights for the UEFA Champions League and UEFA Europa League. The agreed remuneration consists of a fixed and a variable component, which is based on the income achieved by UEFA. The amount of the variable component has to be estimated for the uncompleted competitions as at the closing date. We consider revenue recognition in this segment to be a key audit matter.	We performed the following main audit procedures at Group companies that recorded significant revenues in the Film segment and the Sports and Event Marketing segment: • We examined the design of the internal controls relating to the measurement and the recognition of revenue, with regard to the amount of revenue and the timing of its recognition. We assessed the approach to revenue recognition in accordance with the criteria of IFRS 15 'Revenue from contracts with customers'. • We assessed whether the revenue recognition method used had been applied consistently, taking into account the accounting principles set out in note 4.16 to the consolidated financial statements. • In the Film segment, we tested revenue on a sample basis against the revenue recognition requirements of IFRS 15. For this purpose, important new contracts and proof of the transfer and acceptance of risk were examined and checked as to whether revenue was recognised correctly at a point in time or over time. • In the Sports and Event Marketing segment, we checked the expected agency commission for the current 2021/2022 season, taking into account the contractual basis and the expected results for this period. In doing so, we relied on the calculation of the expected marketing revenues from both competitions, which are reconciled periodically with UEFA. We included in our assessment the outcomes of our interviews with Management concerning the actual and the expected financial results of the current season and our experience of the accuracy of the prior year's estimated income and accruals. • In addition, in the light of the ongoing Covid-19 pandemic, we checked the plausibility of Management's assumptions about the course of the season with regard to the potential cancellation or postponement of matches and their potential financial impact on UEFA's income or the expected agency commission. We consider Management's approach with regard to assessing the correct amount of revenue and the recognition of revenue in the correct period in the Film and the Sports and Event Marketing segments to be appropriate.

pwc

Valuation of film assets

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to impairment testing, please refer to note 4.4 (Summary of the key accounting policies – Film assets), note 5 (Judgment/estimation uncertainty) and note 6.1 (Notes to individual items of the balance sheet – Film assets) in the notes to the consolidated financial statements. Film assets, comprising in-house and third-party productions, in the amount of CHF 127.1 million represent a significant share of the assets. The acquisition cost of film assets is amortised using the performance-based method on the basis of the agreed or planned sales and subject to an annual impairment test if there are indicators of impairment. For this purpose, the recoverable amounts are determined from the expected revenues using the discounted cash flow method. There is scope for judgement in determining the assumptions used to forecast the revenues and cash flows in the different stages of exploitation and in determining the discount rates. These estimates and margins can have a significant impact on the determination of the performance-based amortisation and any impairment tests and thus have a significant impact on the assessment of the value of the film assets. Since Management's assessment of the value of the film assets involves significant scope for judgement, we consider this to be a key audit matter.	For the Group companies that reported significant film assets, we performed the following main audit procedures: • We examined the design of the internal controls relating to the valuation of film assets. • We tested on a sample basis the determination of the performance-based amortisation of individual film projects. In doing so, we checked the plausibility of the forecasting assumptions underlying the amortisation calculations by comparing them with the contractual terms and conditions. • We tested the assumptions used, including the applied discount rate and the impairment testing model, for compliance with IAS 36 'Impairment of assets'. We checked the plausibility of the discount rate against the cost of capital of the Group and of comparable enterprises, taking into account the country-specific particularities. • Additionally, we assessed whether and to what extent the results from the initial period of exploitation (cinema) or other indicators led to additional impairment of the book value of specific films. To this end, we also examined the age structure of the portfolio of film assets. We consider the assumptions made by Management in determining the performance-based amortisation and performing any impairment tests to be appropriate and suitable for assessing the value of the film assets.

pwc

Impairment testing of goodwill and intangible assets with indefinite useful lives

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to goodwill and intangible assets with indefinite useful lives, please refer to note 4.5 (Summary of key accounting policies – Other intangible assets), note 4.6 (Summary of key accounting policies – Goodwill), note 5 (Judgment/estimation uncertainty) and note 6.2 (Notes to individual items of the balance sheet – Other intangible assets and goodwill) in the notes to the consolidated financial statements. Please also refer to note 2.3 (Restatement comparative prior-year consolidated financial statements) describing the restatements. An annual impairment test is carried out by the Group to check for impairment the goodwill arising and the intangible assets with an indefinite useful life. The value in use was calculated to determine the recoverable amount as part of the impairment testing. The fair value less costs of disposal was determined only for the cash-generating unit Jackpot50 GmbH. We consider the impairment testing of goodwill in the amount of CHF 108.8 million and of intangible assets with indefinite useful lives in the amount of CHF 55.3 million to be a key audit matter for the following reasons: • The goodwill and the intangible assets with indefinite useful lives represent a significant share of total assets. • Additionally, there is significant scope for judgement and estimates in determining the assumptions relating to future business results and the discount rates applied.	We assessed the impairment tests carried out by the Group by performing the following main audit procedures: • For the forecasted cash flows, we assessed the budget process, especially whether Group Management and the Board of Directors monitored this process and challenged the applied assumptions. • We tested whether the values used for the impairment tests were in line with the budgets approved by the Board of Directors. In addition, we performed a plausibility check on whether these values and assumptions are consistent and lay within an acceptable range of expected future market growth rates. • We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. We analysed the reasons for any variances. • We checked the plausibility of the discount rates against the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities. • In addition, on the basis of sensitivity analyses, we tested whether possible changes in the key assumptions (the discount rate, the EBITDA margin and the long-term growth rate) resulted in an impairment of the goodwill Sport1 Medien AG. • We tested the fair value less costs of disposal of the Jackpot50 GmbH cash-generating unit by comparing it with the selling price of shares in December 2021. Based on the audit procedures performed, we consider Management's approach with regard to the impairment testing of goodwill and intangible assets with indefinite useful lives to be appropriate.

Other information in the annual report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Norbert Kühnis

Audit expert
Auditor in charge

Bastian Stolzenberg

Audit expert

Lucerne, 10 June 2022

Enclosure:

- Consolidated financial statements (consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements)

BALANCE SHEET

in CHF thousand	Note	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents	6.1	424	1,981
Other current receivables	6.2	95	545
Prepaid expenses		49	536
Current assets		**568**	**3,062**
Financial receivables from group companies	6.3	9,625	8,356
Equity investments	6.4	194,518	201,054
Other financial assets		0	500
Financial assets	6.7	5,130	5,884
Non-current assets		**209,273**	**215,794**
ASSETS		**209,841**	**218,856**
Trade payables		54	6
Current interest-bearing liabilities to group companies	6.9	27,043	24,356
Other current liabilities	6.10	649	6
Financial liabilities	6.8	65,904	94,986
Deferred income	6.11	1,335	920
Current liabilities		**94,985**	**120,274**
Financial liabilities	6.8	31,500	12,301
Non-current liabilities		**31,500**	**12,301**
Share capital	1	85,140	79,200
Statutory capital reserves	6.5	66,515	54,452
Statutory retained earnings		3,067	3,067
Accumulated losses	6.6	-50,324	-36,035
Net profit/loss for the year		-20,896	-14,403
Treasury shares	2	-146	0
Equity		**83,356**	**86,281**
EQUITY AND LIABILITIES		**209,841**	**218,856**

INCOME STATEMENT

in CHF thousand	Note	2021	2020
Other operating income	7.1	184	2,191
Administrative expenses and selling costs	7.2	-2,302	-1,897
Write-downs on non-current assets	7.6	-13,927	-10,968
Dividend income	7.5	0	500
Operating result		**-16,045**	**-10,174**
Currency translation differences	7.3	15	3
Interest expenses and other financial expenses	6.8	-5,043	-5,029
Interest income and other financial income	7.7	177	797
Financial result		**-4,851**	**-4,229**
Earnings before taxes		**-20,896**	**-14,403**
Direct taxes	7.4	0	0
Net profit/loss for the year		**-20,896**	**-14,403**

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 June 10, 2022.

Capital structure

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.

On June 16, 2021, a total of 240,000 bearer shares and on June 21, 2021 a total of 300,00 bearer shares were utilized from the authorized capital by way of a private placement. 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 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.

Non-current financial liabilities include the convertible loan of CHF 7.2 million and CHF 7.8 million. The conversion period (conversion right) commenced on June 14, 2021 and ends on May 30, 2023. 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 31, 2023.

Current financial liabilities to investees and investors include the convertible loan of TCHF 10,136. 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, 2022.

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 0.93 % in Highlight Communications AG was acquired. As of December 31, 2021, the equity investment in Highlight Communications AG came to 49.63 %.

Shares outstanding		**Dec. 31, 2021**	**Dec. 31, 2020**
Bearer shares outstanding each with a nominal value of CHF 9	Number	9,459,979	8,799,979
Share price as of December 31	CHF	26.80	28.00
Market capitalization as of December 31	CHF thousand	253,527	246,399

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

	2021	2020
Shares at beginning of year	21	21
Acquisition of treasury shares	5,000	0
Disposal of treasury shares	0	0
Shares at end of year	5,021	21

As of January 20, 2021, 5,000 treasury shares were purchased for TCHF 146. The average price was CHF 29.11 as of December 31, 2021 (previous year: CHF 18.41).

3 Principal shareholders

	Dec. 31, 2021	Dec. 31, 2020
Bernhard Burgener	18.50 %	19.89 %
Miralco Holding AG	4.73 %	5.26 %
Stella Finanz AG	0.00 %	5.35 %
Stella Holding AG	4.87 %	0.00 %
René Camenzind	4.97 %	5.47 %
Victorinox AG	11.31 %	12.44 %
AM Portfolio AG	7.06 %	4.70 %
Obotritita Capital KGAA	8.76 %	9.41 %
Swiss International Investment Portfolio AG	26.38 %	28.35 %

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, 2021	Dec. 31, 2020
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	2,495,119
Clive Ng, member of the Board of Directors	none	260.000
Rolf Elgeti, member of the Board of Directors	828,409	828,409
Sven Heller, member of the Board of Directors	7,993	6,597
Number of shares (total)	5,081,521	5,340,125
Shares as a percentage of total share capital	53.72 %	60.67 %

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 exchange rate as of the transaction date. 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, 2021	Dec. 31, 2020
Cash and cash equivalents in CHF	8	1,641
Cash and cash equivalents in EUR at the closing exchange rate of 1.03545 (1.08233)	416	340
Total	**424**	**1,981**

6.2 Other current receivables

in CHF thousand	Dec. 31, 2021	Dec. 31, 2020
Receivables from Group companies	71	113
Receivables from third parties	24	432
Total	**95**	**545**

6.3 Financial receivables from Group companies

in CHF thousand	Dec. 31, 2021	Dec. 31, 2020
Financial receivable from Escor Automaten AG in liquidation*	16,500	16,500
Impairment	-14,500	-14,500
Financial receivable from WBSS AG **	25,568	23,302
Impairment	-20,057	-17,845
Financial receivable from Chameleo AG***	1,481	869
Impairment	-1,481	0
Financial receivable from Chameleo GmbH	30	30
Impairment	0	0
Financial receivable from Sport1 Medien AG	2,084	0
Impairment	0	0
Total	**9,625**	**8,356**
* of which subordinated	16,500	16,500
** of which subordinated	22,195	19,695
*** of which subordinated	1,481	899

6.4 Equity investments

in CHF thousand	Share capital Dec. 31, 2021	Shareholding Dec. 31, 2021	Share of voting rights Dec. 31, 2021	Share capital Dec. 31, 2020	Share-holding Dec. 31, 2020	Share of voting rights Dec. 31, 2020
Escor Automaten AG in liq., Pratteln, Switzerland	3,000	100%	100%	3,000	100%	100%
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	50%	50%	63,000	49%	49%
Brand Technologies AG, Reinach, Switzerland	164	27%	27%	147	30%	30%

6.5 Statutory capital reserves

in CHF thousand	Dec. 31, 2021	Dec. 31, 2020
Statutory reserves from capital contributions confirmed by the Swiss Federal Tax Administration	55,360	50,851
Statutory reserves from capital contributions not yet confirmed by the Swiss Federal Tax Administration	11,155	3,601
Total	**66,515**	**54,452**

6.6 Accumulated losses

in CHF thousand	Dec. 31, 2021	Dec. 31, 2020
Losses carried forward	-50,324	-36,035
Net profit/loss for the year	-20,896	-14,403
Total	**-71,220**	**-50,438**

6.7 Financial assets

in CHF thousand	Dec. 31, 2021	Dec. 31, 2020
Prestige Media Group S.A.	0	754
FBNK FINANCE S.A R.L. convertible loan	0	5,130
Obligation Garage Italia Finance S.à.r.l.	5,130	0
Total	**5,130**	**5,884**

In the fourth quarter of 2021, the bond from Garage Italia Finance S.à.r.l. was acquired in an exchange of TCHF 5,130 with the bond from FBNK FINANCE S.A R.L.

6.8 Financial liabilities

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

2020 in CHF thousand	**Interest rate**	**Maturity**	**Maturity**
		< 1 year	**1-5 years**
Related parties			
SWIIP	5%	55,757	
Obotritia Capital KGAA	6%		10,136
Personalfürsorgestiftung der Victorinox AG	2.50%	16,500	
AM Portfolio AG	5.00%		2,165
Third parties			
Third parties	5.00%	22,729	
Total current		94,986	
Total non-current			12,301

6.9 Current interest-bearing liabilities to Group companies

in CHF thousand	**Dec. 31, 2021**	**Dec. 31, 2020**
Highlight Communications AG	12,704	9,960
Other Group companies	14,339	14,396
Total	**27,043**	**24,356**

6.10 Other current liabilities

in CHF thousand	**Dec. 31, 2021**	**Dec. 31, 2020**
Liabilities to related parties	642	0
Liabilities to third parties	7	6
Total	**649**	**6**

6.11 Deferred income

in CHF thousand	**Dec. 31, 2021**	**Dec. 31, 2020**
Financial statement and audit costs	422	110
Deferred loan interest	378	351
Other deferred income	535	459
Total	**1,335**	**920**

7 Disclosures on items of the statement of comprehensive income

7.1 Other operating income

in CHF thousand	2021	2020
Gain on disposal of equity interests in Highlight Event AG	0	2.000
Other operating income from Group companies	184	191
Total	**184**	**2.191**

7.2 Administrative expenses and selling costs

in CHF thousand	2021	2020
Administrative and consulting expenses for the holding company, stock exchange listing, internal audit	1,947	1,491
Goods and services of Group companies	355	406
Total	**2,302**	**1,897**

7.3 Exchange rate differences

in CHF thousand	2021	2020
Exchange rate differences on cash and cash equivalents	-15	-3
Total	**-15**	**-3**

7.4 Tax loss carryforwards

in CHF thousand	2021	2020
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	0
Total	**75,590**	**54,694**

7.5 Dividend income

in CHF thousand	2021	2020
Dividends from subsidiaries	0	500
Total	**0**	**500**

7.6 Write-downs of non-current assets

In line with the prudence principle, the Board of Directors decided to recognize additional provisional write-downs on the WBSS equity interest of CHF 7 million (previous year: CHF 11 million) and CHF 2.2 million on the financial receivables. In the opinion of HLEE's Board of Directors, the WBSS project still has potential. In addition, a write-down of CHF 1.5 million (previous year: TCHF 0) was recognized on the financial receivables of Chameleo AG. Furthermore, provisional write-downs of TCHF 754 (previous year: TCHF 0) were recognized on the equity interest of the Prestige Media Group. For Brand Technologies AG write-downs of CHF 0.5 million were taken on financial receivables and CHF 2 million (previous year: TCHF 0 million) on the equity interest.

7.7 Other financial income

Other financial income relates to exchange rate gains of TCHF 65 and interest income of TCHF 112

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

8.1 Average number of FTEs for the year

	Dec. 31, 2021	Dec. 31, 2020
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 terminable within twelve months of the end of the reporting period

	Dec. 31, 2021	Dec. 31, 2020
	none	none

8.3 Liabilities to pension schemes

	Dec. 31, 2021	Dec. 31, 2020
	none	none

8.4 Security pledged for third-party liabilities

	Dec. 31, 2021	Dec. 31, 2020
	none	none

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

24.31 million shares in Highlight Communications AG (previous year 26.81 million shares) were pledged as security for own liabilities.

8.6 Contingent liabilities

	Dec. 31, 2021	Dec. 31, 2020
No other contingent liabilities	yes	yes

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

	Dec. 31, 2021	Dec. 31, 2020
	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 HLEE 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, which comprise the balance sheet as at 31 December 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages to 85 to 93) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

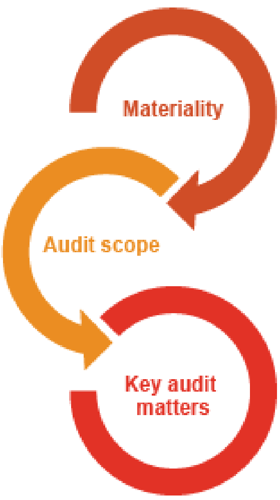
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 625,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

Impairment testing of equity investments

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 625,000
Benchmark applied	Net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because it is a generally accepted benchmark for materiality considerations for a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 31,250 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Impairment testing of equity investments

Key audit matter	How our audit addressed the key audit matter
Equity investments in the amount of CHF 194.5 million are a significant item on the company's balance sheet, representing more than 93% of total assets. Equity investments are valued individually, and impairment is assessed by comparing the carrying amount with the recoverable amount. Impairment testing of equity investments is highly dependent on the valuation model used and, depending on the model chosen, on estimates about future results or cash flows and the discount rate. In this case, there is a degree of estimation uncertainty in determining the underlying assumptions and Management has scope to apply its judgement. The calculations of the recoverable amounts of the investments in Highlight Communications AG and World Boxing Super Series AG were updated in the year under review by the Management of Highlight Event and Entertainment AG. We consider the impairment testing of the equity investments a key audit matter because of the significance of this balance sheet item for the financial statements as a whole and the potential scope for judgement and estimation uncertainty in determining the relevant inputs and assumptions for valuation models that depend on estimates of future results or cash flows and the discount rate. Please refer to note 6.4 (Disclosures on items of the statement of financial position – Equity investments) in the notes to the 2021 financial statements.	We examined the impairment testing of the equity investments by means of the following main audit procedures: • We tested the valuation models used for their technical correctness. • For the investment in Highlight Communications AG, we tested the assumptions made by Management in forecasting future results or cash flows and in determining the discount rates for the main operational subsidiaries of Highlight Communications AG. For the investment in World Boxing Super Series AG, we tested the assumptions made by Management in forecasting future results or cash flows and in determining the discount rate. • For the forecasted cash flows, we assessed the budget process, especially whether Group Management and the Board of Directors monitored this process and challenged the applied assumptions. • We tested whether the values used for the impairment test were in line with the budgets approved by the Board of Directors. In addition, we performed a plausibility check on whether these values lay within an acceptable range of expected future market growth rates. • We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. We analysed the reasons for any variances. • We checked the plausibility of the discount rates against the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities. Based on the audit procedures performed, we consider Management's approach with regard to the impairment testing of equity investments to be appropriate.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Norbert Kühnis

Audit expert
Auditor in charge

Bastian Stolzenberg

Audit expert

Lucerne, 10 June 2022

Enclosure:

- Financial statements (balance sheet, income statement and notes)

REMUNERATION REPORT

This Remuneration Report for fiscal 2021 illustrates 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 these disclosures comply with the provisions of the *Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften* (**VegüV** – Swiss Ordinance against Excessive Compensation in Listed Stock Corporations), enacted by the Swiss Bundesrat and effective from January 1, 2014, and the Corporate Governance Directive (**RCGL**) of 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.

In particular, the Board of Directors as a whole performs the following tasks:

- Determining the principles of the remuneration strategy
- Determining the amount and composition of total remuneration for the President and other members of the Board of Directors
- Determining the amount and composition of total and individual remuneration for committee members
- Determining the amount and composition of total remuneration and individual remuneration for individual members of the management team

As part of the implementation of the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, the Compensation Committee has proposed the total amount of remuneration for members of the Board of Directors, the President of the Board of Directors and individual members of the Board of Directors in addition to the total amount of remuneration for the management team, individual members of management and committee members since fiscal 2015. The Compensation Committee submits the corresponding proposals to the Board of Directors as a whole for approval.

Remuneration to members of the Board of Directors

Principles

The amount of remuneration paid to members of the Board of Directors is determined in accordance with Article 31 of the Articles of Association and item 2.6 of the company's organizational and operational rules (www.hlee.ch in the "Corporate Governance" section).

Total remuneration paid to the Board of Directors comprises the following elements:

- Fixed fees paid to members of the Board of Directors (settled in cash)
- Pension benefits

At the request of the Compensation Committee, the Board of Directors as a whole generally decides at its discretion on the amount of fixed fees to be paid to board and committee members every year. There are no stock, option or similar investment programs.

Fixed fees paid to members of the Board of Directors

Members of the Board of Directors receive fixed remuneration. At the request of the Compensation Committee, the Board of Directors as a whole determines the amount of fixed remuneration, taking into account the role, level of responsibility and the actual amount of time involved, while comparing this amount with compensation at other companies. Companies that operate abroad, adjust for burdens and assess and implement acquisitions, have multiple subsidiaries, and operate in the event and entertainment industry were taken into account in this context. Individual factors are weighted at the Board of Directors' discretion. Remuneration was paid in cash only, i.e. not in shares or options. Attendance fees were not paid to members of the Board of Directors.

The members of the Board of Directors of the Group company Highlight Communications AG were paid membership remuneration for fiscal 2021 (as members of the Board of Directors or its committees).

	2021 In TCHF	2020 In TCHF
President of the Board of Directors, Bernhard Burgener	10.8	10.6
Member of the Board of Directors, Peter von Büren	10.0	10.4
Member of the Board of Directors, Alexander Studhalter	54.0	26.6
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	**74.8**	**47.6**

Mr. Alexander Studhalter and Mr. Clive Ng were elected as executive members of the Board of Directors of Highlight Event and Entertainment AG as of the date of the 2020 Annual General Meeting.

As in the previous year, no fees were paid to the Board of Directors at the level of HLEE. Rolf Elgeti, Clive Ng and Sven Heller are not members of 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
Post-employment pension benefits include all pension and risk insurance contributions made by the employer in addition to contributions to AHV/IV/EO and ALV.

Remuneration to the individual members of the Board of Directors

Fiscal year 2021
The members of the Board of Directors received the following remuneration in the 2020 reporting year:

checked	Compensation Committee	Period	Fixed fees paid to members of the Board of Directors	Variable remunera-tion	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. 01, 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**

Forms part of the statutory auditor's report on the Remuneration Report in accordance with articles 14 to 16 VegüV
As in the previous year, no fees were paid to the Board of Directors at the level of HLEE. Rolf Elgeti, Sven Heller and Clive Ng are not members of the Board of Directors of Highlight Communications AG.

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

Fiscal 2020
Each member of the Board of Directors received the following remuneration in fiscal 2019:

checked	Compensation Committee	Period	Fixed fees paid to members of the Board of Directors	Variable remuneration	Pension benefits	Total in TCHF
Bernhard Burgener, Chairman	--	Jan. 1, 2020 – Dec. 31, 2020	0	0	0	0
Peter von Büren, member	--	Jan. 1, 2020 – Dec. 31, 2020	0	0	0	0
Alexander Studhalter, member	--	June 26,, 2020 – Dec. 31, 2020	0	0	0	0
Rolf Elgeti, member	X	Jan. 1, 2020 – Dec. 31, 2020	0	0	0	0
Sven Heller, member	--	Jan. 1, 2020 – Dec. 31, 2020	0	0	0	0
Clive Ng, member	--	June 26, 2020 – Dec. 31, 2020	0	0	0	0
Total			**0**	**0**	**0**	**0**

Remuneration paid to members of the management team
Principles
The remuneration of management team members is based on the range of tasks and role of the individual member and comprises the following elements:

- Fixed remuneration (paid in cash)
- Variable remuneration (paid in cash)
- Pension benefits
- Use of a company car for personal and professional use

Basic remuneration
At the request of the Compensation Committee, the Board of Directors as a whole determines the amount of fixed basic remuneration for members of the management team while taking into account the role, level of responsibility and amount of time involved in addition to a comparison with remuneration at other companies. The fixed remuneration of the Board of Directors/Compensation Committee is evaluated every year. When determining fixed remuneration, the Board of Directors as a whole considered, in particular, the actual amount of time involved in addition to the business volume while comparing with remuneration at other companies (similar to the determination of remuneration paid to the Board of Directors). Individual factors are weighted at the Board of Directors' discretion. Remuneration was paid in cash only, i.e. not in shares or options.

Variable remuneration
Members of the management team are paid bonuses at the discretion of the Board of Directors as a whole. Bonuses that are arranged must be determined in line with personal or company-specific targets. The weighting of targets is determined by the Board of Directors as a whole at the Compensation Committee's request. In addition, there are no established bonus or investment programs for active or former members of management. No variable remuneration was paid in the current fiscal year (previous year: none).

The members of the management team indirectly receive variable remuneration for their work as executive members at the subsidiary Highlight Communications AG. 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.

Forms part of the statutory auditor's report on the Remuneration Report in accordance with articles 14 to 16 VegüV

Pension benefits

Post-employment pension benefits include all pension and risk insurance contributions made by the employer in addition to contributions to AHV/IV/EO and ALV.

Remuneration paid to individual members of the management team

Fiscal year 2021

The following remuneration was paid to the members of management at the Group company Highlight Communications AG in the 2021 reporting year. No remuneration was paid at the level of HLEE.

checked	Period	Fixed remuneration (gross)	Variable remuneration	Pension benefits	Indirect remuneration for activities at subsidiaries	**Total in TCHF**
Bernhard Burgener, member 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 details of remuneration can be found in the annual report of Highlight Communications AG on page 18.

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

Fiscal year 2020

Members of the management team received the following remuneration for fiscal 2020:

checked	Period	Fixed remuneration (gross)	Variable remuneration	Pension benefits	Indirect remuneration for activities at subsidiaries	Total in CHF
Bernhard Burgener, member of the Board of Directors	Jan. 1, 2020 – Dec. 31, 2020	0	0	0	1,664	1,664
Peter von Büren, CFO	Jan. 1, 2020 – Dec. 31, 2020	0	0	0	828	828
Total		0	0	0	2,492	2,492

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 had no Advisory Board in the year under review or in the previous year. As a result, no remuneration was paid to Advisory Board members.

Contract terms and benefits payable to departing employees at 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 which grants them severance pay if they leave Highlight Event and Entertainment AG.

Statutory notice periods apply to members of the management team. Non-compete clauses were not agreed with any members of the Board of Directors or the management team.

Forms part of the statutory auditor's report on the Remuneration Report in accordance with articles 14 to 16 VegüV

Statutory provisions regarding loans, lending and retirement benefits to members of the Board of Directors and the management team

Loans granted by the company to a member of the Board of Directors or the management team or guarantees or other securities provided by the company for the obligations of a member of the Board of Directors or the management team may not exceed CHF 50,000.

Retirement benefits to members of the Board of Directors and the management team are paid only within the context of domestic or foreign pension plans and comparable plans of the company or its Group companies. Benefits paid to insurance policyholders and employer contributions are based on the plans described above or the corresponding regulations.

Statutory provisions regarding votes on remuneration at the Annual General Meeting

Each year, the Annual General Meeting generally approves total remuneration for members of the Board of Directors and the management team as a separate agenda item for the fiscal year following the Annual General Meeting at the ordinary Annual General Meeting. The Annual General Meeting's vote is binding.

Related-party transactions

As of December 31, 2021 and December 31, 2020 respectively, the company was not involved in any related-party transactions that were not at arm's length.

Loans and credits to related parties

All loans and borrowings are concluded on an arm's length basis. As in the previous year, there were no loans or credits to related parties in the reporting period.

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

As of December 31, 2021 and December 31, 2020 respectively, the company was not involved in any other related-party transactions that were not at arm's length.

Remuneration to former members of executive bodies

In fiscal 2021 and in the previous year, no compensation was paid to former members of corporate bodies.

Management contracts

There are no management contracts.

Equity investments in Highlight Event and Entertainment AG

As of December 31, 2021, the members of the Board of Directors and the management team (including related parties) held a total of 53.72 % of outstanding bearer shares in Highlight Event and Entertainment AG (previous year: 60.67 %).

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

a. Bernhard Burgener: 1,750,000 or 18.5 %
b. Peter von Büren: None
c. Related parties: Obotritita Capital KGAA 828,409 or 8.76 %
d. Related parties: Swiss International Investment Portfolio AG 2,495,119 or 26.38 %
e. Sven Heller: 7,993 or 0.08 %

Forms part of the statutory auditor's report on the Remuneration Report in accordance with articles 14 to 16 VegüV

REPORT OF THE STATUTORY AUDITOR

to the General Meeting of Highlight Event and Entertainment AG

Pratteln

We have audited the accompanying remuneration report of Highlight Event and Entertainment AG for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 99 to 101 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers AG

Norbert Kühnis

Audit expert
Auditor in charge

Bastian Stolzenberg

Audit expert

Lucerne, 10 June 2022

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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, 2021.

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 49.63 % 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 and Sport and Sports- and Event-Marketing segments.

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 segment.

It holds 100 % of the share capital of Escor Automaten AG in liquidation, Pratteln, with share capital of CHF 3,000,000, divided into 3,000 bearer shares each with a nominal value of CHF 1,000. Escor Automaten AG has no operating activities and is in the process of liquidation. 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 38 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 key 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, 2021, the market capitalization of Highlight Event and Entertainment AG was CHF 253.4 million.

Non-listed companies

In addition, the non-listed companies Chameleo AG, Escor Automaten AG in liquidation, 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, 2021 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)	26.38 %
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)	8.76 %
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 2021:

- Rene Camenzind, reduction in shareholding to 4.97% (previous year: 5.47%)
- Miralco Holding AG, reduction in shareholding to 4.88% (previous year: 5.26%)
- Obotritia Capital KGAA, reduction in shareholding to 8.76% (previous year: 9.41%)
- Victorinox AG, reduction in shareholding to 11.31% (previous year: 12.44 %)
- AM Portfolio AG, increase in shareholding to 7.06 % (previous year: 4.70 %)
- Stella Finanz AG, reduction in shareholding to 0% (previous year: 5.35 %)
- Stella Holding AG, acquisition of shareholding of 4.87% (previous year: 0 %)

In April 2022, Digital Domain Holdings Limited, Hong Kong, announced that due to the 2021 capital increases its shareholding in HLEE had declined to below 3 %.

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 87 of the notes to the financial statements of Highlight Event and Entertainment AG.

Ordinary capital as of December 31, 2021
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	2019	2020	2021
Share capital	77,400,000	79,200,000	85,140,000
General reserves	3,066,685	3,066,685	3,066,685
Reserve from capital contributions	50,851,064	54,451,513	66,515,270
Treasury shares	-277	-277	146,160
Net accumulated losses	-36,034,115	-50,437,115	-71,129,115
Equity	95,283,357	86,280,806	83,356,680

Information in CHF as of Dec. 31	2019	2020	2021
Authorized capital	36,000,000	34,200,000	34,200,000
Contingent capital	8,100,000	8,100,000	11,520,000

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. **Changes in equity in 2019**

There were no changes in ordinary share capital in 2019.

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. Am 14. Juni 2021 hat die Highlight Event and Entertainment AG neue Wandeldarlehen in Höhe von 7.200 TCHF bzw. 7.800 TCHF aufgenommen. As of June 14, 2021, Highlight Event and Entertainment AG took up new convertible bonds 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 loan has to 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 38 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.

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.

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. 9.63 % 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.

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	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
Club de Bâle SA, Basel	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
Plazamedia Swiss AG in liquidation	Member
Plazamedia Swiss AG, Zürich, in liquidation	Member
Escor Automaten AG, Pratteln, in liquidation	President

Board member Peter von Büren 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

Board member Alexander Studhalter 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.

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, 2021. 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 2021/AGM 2022
Peter von Büren	2012	AGM 2021/AGM 2022
Alexander Studhalter	2020	AGM 2021/AGM 2022
Clive Ng	2020	AGM 2021/AGM 2022
Rolf Elgeti	2018	AGM 2021/AGM 2022
Sven Heller	2018	AGM 2021/AGM 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, 2021, 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 98).

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. Six board meetings took place in fiscal 2021. The individual items on the agenda can be found in the table below:

Board meetings in 2021

May 11, 2021
June 16, 2021
June 21, 2021
June 29, 2021
August 17, 2021
November 17, 2021

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 held only one meeting on November 17, 2021.

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 108 "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 108 "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 108 of this Annual Report. A description of his other activities and interests can be found on page 109 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 110.

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 98).

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, 2021 elected Ms. Silvia Margraf, lawyer and notary, as the independent proxy until the end of the 2022 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
PricewaterhouseCoopers AG, Lucerne, has been the statutory auditor of Highlight Event and Entertainment AG since fiscal 2020.

Appointment of the head auditor
As head auditor, Mr. Norbert Kühnis at PricewaterhouseCoopers AG is in charge of the audit mandate. Mr. Norbert Kühnis 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 2021.

Auditor's fees
The total audit fees invoiced by the audit firm (PricewaterhouseCoopers AG) 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, in the year under review amount to CHF 172,000. This figure has been deferred by HLEE. A sum of CHF 350,000 was also included for the 2021 reporting period for additional expenses in connection with its involvement in the subarea audits of Sport1 Medien AG and Constantin Film AG.

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 2021. 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.