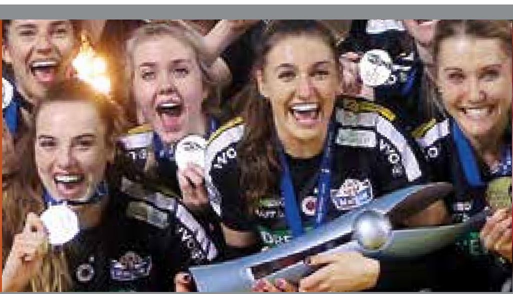
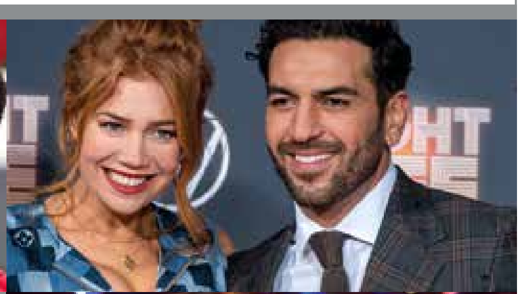
Highlight

Highlight Communications AG





ANNUAL REPORT 2020

KEY FIGURES

	in TCHF	2020	2019
CONSOLIDATED BALANCE SHEET	Balance sheet total	**661,291**	673,948
	Film assets	**161,975**	174,673
	Cash and cash equivalents	**48,178**	52,970
	Financial liabilities*	**172,735**	187,731
	Equity	**207,025**	197,688
	Equity ratio	**31.31 %**	29.33 %
CONSOLIDATED INCOME STATEMENT	Sales	**414,567**	486,813
	■ Film	**261,358**	303,578
	■ Sports- and Event-Marketing	**61,463**	64,689
	■ Sports	**92,245**	119,013
	Profit from operations (EBIT)	**25,573**	29,545
	■ Film	**13,262**	16,389
	■ Sports- and Event-Marketing	**27,241**	29,162
	■ Sports	**–9,036**	–8,237
	Net profit (Highlight shareholders)	**12,179**	25,173
	Earnings per share (CHF)	**0.21**	0.44
	Earnings per share (EUR)	**0.2**	0.4
CONSOLIDATED STATEMENT OF CASH FLOWS	Cash flow from operating activities	**71,211**	125,589
	Cash flow for investing activities	**–48,501**	–111,693
	thereof payments for film assets	**–41,036**	–93,730
	Cash flow for/from financing activities	**–26,961**	–11,822
	thereof dividend payments	**–1,176**	–12,595
	Cash flow for/from the reporting period	**–4,251**	2,074
PERSONNEL	Average number of employees	**1,440**	1,428

CONTENTS

EVENTS IN 2020

Q1

JANUARY

Having already been crowned the most successful German film in 2019, the Constantin Film in-house production “Das perfekte Geheimnis” remains a magnet for moviegoers in the early part of the year, with the total audience topping five million on the third weekend of January 2020. The comedy of manners also receives the “Golden Screen” award at the German Film Ball in Munich. The remake of the Italian theatrical movie “Perfetti Sconoscuiti” focuses on a group of friends and the question: How well do you really know each other?

On January 19, producer Lena Schömann receives the Bavarian Film Award in the “Production” category. The Audience Award goes to director Ed Herzog for his Eberhofer adaptation “Leberkäsjunkie”. The Constantin adaptation of Rita Falk’s bestselling novel was seen by more than a million moviegoers in 2019.

FEBRUARY

The 70th edition of the Berlinale is held in Berlin from February 20 to March 1, 2020. Alongside movie premieres and the exciting competition, the Bulgari X Constantin Film Party is one of the highlights of the multi-day film festival.

Constantin Film announces the production of the series “Der Palast”, to be directed by the successful German TV and movie director Uli Edel. The six-part series is set in the GDR in 1987, with the Friedrichstadt-Palast in Berlin serving as the backdrop for an emotional, musical and suspenseful family tale spanning the German-German border. The Covid-19 pandemic means the start of filming is delayed from March until November.

Bavarian Film Award: “Das perfekte Geheimnis”

MARCH

Readers and website users of Cinema and TV Spielfilm vote “Das perfekte Geheimnis” from director Bora Dagtekin as the winner in the “Best German Movie” category at the 2020 Jupiter Awards, Germany’s biggest audience award for cinema and TV.

Covid-19 spreads throughout Europe from early March onward, with public life in large parts of the continent coming to a halt by the end of the month. Filming on various productions has to be suspended and scheduled theatrical releases are postponed indefinitely.

UEFA is also hit by the Covid-19 pandemic. The 2019/2020 edition of the Champions League is suspended in mid-March.

German Film Award (Lola): “Das perfekte Geheimnis”

Golden Screen: “Das perfekte Geheimnis”

Bavarian Film Award: “Leberkäsjunkie”

Movie and series on Netflix: “Berlin, Berlin”

Q2

APRIL

70 years of Constantin Film: Successful movies made in Germany. The production company has its creativity to thank for its incredible success over such a prolonged period, says CEO Martin Moszkowicz. Enjoying continuous success with good ideas is also the legacy of Bernd Eichinger – and has been for 70 years.

The movie and the series of the same name, “Berlin Berlin”, are launched simultaneously on Netflix. With cinemas in Germany having been closed since late March, there is no theatrical release. All four seasons and the movie are available on Netflix from May 8.

With its total audience having topped the five million mark in January, “Das perfekte Geheimnis” receives the “Lola” for the highest-grossing movie of the year at the German Film Awards on April 24.

The Hager Moss Film production “Ein Dorf wehrt sich” is recognized at the New York Festivals TV & Film Awards 2020, winning the Gold Award in the “Entertainment Program: Drama” category.

MAY

At the allocation of funding by the German Federal Film Board (FFA), Constantin Film again receives the “Golden FFA Industry Tiger” for 2019 in the categories of “Production” and “Distribution”. This means Constantin Film is the most successful producer and distributor of German movies for the 13th year in succession.

JUNE

The Annual General Meeting of Highlight Communications AG for fiscal 2019 is held. All of the motions brought by the Board of Directors are approved by the shareholders. This includes the re-election of the President of the Board of Directors, Bernhard Burgener, for a further term of office.

Alexander Studhalter has been elected as a new member of the Board of Directors. All other members of the Board of Directors have also been re-elected.

Gold Award at the New York Festivals TV & Film Awards: “Ein Dorf wehrt sich”

Q3

JULY

Back to movie theaters at last: “Das Beste kommt noch” debuts on July 9. A film about two friends, each of whom believes the other only has months left to live. They decide to make the most of their remaining time – and learn a lot about life in the process. Constantin Film ensures continuity in its Management Board by extending the contracts of Martin Moszkowicz and Oliver Berben.

AUGUST

The Constantin production “Nicht tot zu kriegen”, starring Iris Berben, is broadcast to mark the 70th birthday of the “grand dame” of German television. The TV movie is about a former actress who hires a bodyguard to protect her from a stalker while attempting to make a comeback.

Constantin Film extends its contract with director Bora Dagtekin until 2025.

SPORT1 achieves new record ratings with the live broadcast of the final of the UEFA Women’s Champions League between VfL Wolfsburg and Olympique Lyon. 1.28 million viewers watch the match.

SEPTEMBER

The contract of SPORT1 CEO Olaf Schröder is extended.

Constantin Film produces “Resident Evil” as a live-action series for Netflix. Inspired by Capcom’s legendary Resident Evil video game series, the first season consists of eight episodes.

At the Zurich Film Festival, Iris Berben is honored with the “Golden Eye” award for her career. The Constantin production “Contra”, directed by Sönke Wortmann, also celebrates its world premiere. The tragicomedy, based on the French original “Le Brio” and starring Nilam Farooq and Christoph Maria Herbst, depicts an explosive clash of cultures.

“After We Collided” enjoys a successful theatrical release. With 120,000 viewers on the first weekend, it takes first place in the box office charts in the German-speaking countries. “After Truth” is based on the series of novels by author Anna Todd.

Back to movie theaters at last: “Das Beste kommt noch”

Q4

OCTOBER

Casting begins for the adaptation of Felix Lohbrecht’s best-seller, “Sonne und Beton”. Constantin Film is bringing the novel to the big screen with David Wendt in the director’s chair.

The mini-series “Ehrenpflegas” starts on YouTube on October 12 – developed by the German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth in cooperation with Constantin Television and the Hirschen Group. The mini-series offers pithy snapshots from the everyday lives of nursing trainees, with well-known faces like Lena Klenke, Danilo Kamperidis and Lisa Vicari in the starring roles. Constantin Television is the executive production company.

The measures to contain the coronavirus pandemic forces movie theaters in Germany to close their doors again. The theatrical releases postponed as a result include “Kaiserschmarrndrama”, which had been set to debut on November 12.

Zurich Film Festival: “Golden Eye” for Iris Berben

NOVEMBER

SPORT1 reaches a new milestone with the launch of eSportsONE, a new pan-European channel aimed at driving ahead the brand’s internationalization. The pay TV channel eSportsONE is distributed via the M7 platforms TV Vlaanderen, CanalDigitaal and Skylink at launch.

The Constantin TV production “Gott” by Ferdinand von Schirach achieves viewing figures of 3.88 million (11.3 %) when broadcast on ARD. The TV event movie addresses the ethical debate around assisted dying.

Following its great success in 2019, the movie “Mein Freund, das Ekel” continues as a six-part series. Like the movie, the series will be broadcast on ZDF. Following on from the events in the movie, the plot will revolve around the unusual household made up of grumpy pensioner Hintz, single mother Trixie and her three children.

Successful TV event: “Gott” broadcast on ARD

DECEMBER

With movie theaters remaining closed until the end of the year as part of the measures to contain the Covid-19 pandemic, the planned theatrical releases for December are postponed. The adaptation of the video game “Monster Hunter” starring Milla Jovovich, the tragicomedy “Contra” and “Ostwind – Der große Orkan” are now all scheduled for theatrical release in 2021.

Constantin Film and Doron Wisotzky extend their exclusive cooperation for a further three years from January 1, 2021. The successful screenwriter says: “I have found a wonderful home at Constantin and look forward to working with this strong production team for many years to come”.

Successful movie to become a series: “Mein Freund, das Ekel” on ZDF

Foreword by the Chairman

Dear shareholders and other interested parties,

2020 was an unprecedented year for everyone. The Highlight Group is also looking back on a very challenging year that was mainly dominated by the Covid-19 pandemic and its effects. Despite these global changes, we rose to the new challenges and ultimately achieved a good result for the year together with our management and employees. The pandemic did not impede our strategic development, but rather encouraged us to systematically continue on the path we had taken.

This included further optimization of our Group structure, such as the acquisition of Highlight Event AG by Highlight Event and Entertainment AG. Since January 1, 2020, this company has been a wholly owned subsidiary that forms part of the Sports- and Event-Marketing segment. The Highlight Group's business areas have thus been expanded to include the marketing of international music, cultural and entertainment projects.

After a successful start to 2020, the development over the remainder of the year was largely dominated by the Covid-19 pandemic. This led to new challenges for us, particularly in the Film segment, which was heavily impacted by movie theater closures. At the same time, the pandemic also had a significant impact on the Sports- and Event-Marketing and Sports segments.

The consolidated net profit for the period attributable to shareholders fell by 51.6 % to CHF 12.2 million in the year under review. As a result of Covid-19, consolidated sales were CHF 72.2 million lower than in the previous year at CHF 414.6 million, as all segments (Film, Sports- and Event-Marketing and Sports) generated lower external sales. However, EBIT declined only slightly in relation to sales, falling by 13.4 % to CHF 25.6 million, due to reduced consolidated expenses and lower amortization and depreciation as a result of the flexibility in connection with Covid-19. This at least partly compensated for the decline in sales and the lower capitalized film production costs. With the consolidated net profit for the period attributable to shareholders of CHF 12.2 million, earnings per share of CHF 0.21 (previous year: CHF 0.44) were generated for our shareholders.

The Constantin Film Group celebrated its 70th anniversary in 2020. On this occasion, we look back proudly on a successful company history and look forward to continuing it in the future. In July, the contracts with CEO Martin Moszkowicz and Management Board member Oliver Berben (Deputy CEO since January 1, 2021) were extended early on a long-term basis. Despite the long closure of all movie theaters, and the fact that they could unfortunately only briefly reopen under strict conditions, the Constantin Film Group managed to release four productions. "Das geheime Leben der Bäume" with Peter Wohlleben was released in German movie theaters back in January. After theaters reopened in the summer, the second part of the popular After series, "After We Collided", attracted an audience of almost a million. However, the exploitation of "After We Collided" and two other productions was then interrupted again by the renewed closure of movie theaters.

We also continued to record positive growth in digital exploitation formats.

TEAM supported UEFA to successfully create a revised plan involving new formats, new schedules and new locations for the remaining part of the knockout rounds.

The Vienna Philharmonic Orchestra's main events were able to take place, allowing Highlight Event AG to fulfill all associated sponsorship agreements. After the Eurovision Song Contest was canceled due to Covid-19, we are now focusing on marketing the ESC 2021. All possibilities are being considered, from a show with few restrictions to a show in lockdown. It has been established that the ESC 2021 will take place at the Ahoy Arena in Rotterdam. The semifinal shows will be broadcast on May 18 and 20 and the final on May 22, 2021.

In the Sports segment, our online sports portal SPORT1 acquired further rights for its free and pay TV, online, mobile, audio and social media channels, thus further advancing its development as a multimedia content provider. We also expanded our longstanding relationship with DFL in the allocation of Bundesliga media rights, acquiring three extensive packages. In addition, further important steps were taken in the eSports market thanks to internationalization.

With eSportsONE, a new e-sports broadcaster launched in a number of European countries, including in Belgium, the Netherlands, Czechia and Slovakia. Furthermore, last year SPORT1 came third in the 2020 German Television Award's "Best Sports Show" category for broadcasting the FIFA eWorld Cup Grand Final 2019 – the first time that an e-sports broadcast was nominated in this category.

At Constantin Film, we focused on maintaining the high quality and continuous optimization of our productions even during the pandemic. Particularly in theatrical production, planning for 2021 is subject to major uncertainty, as it is not clear when and under what conditions movie theater operations will be able to resume. Constantin Film is planning the theatrical release of 14 productions in the current fiscal year, subject to conditions, including the movies that could not be broadcast in 2020. These include the productions "Ostwind – Der große Orkan", "Dragon Rider", "Kaiserschmarrndrama", "Contra", and "Monster Hunter".

The TEAM Group's activities are focused on the marketing of the UEFA club competitions for the 2021/22 to 2023/24 seasons together with UEFA. In addition, the TEAM Group is supporting UEFA with the implementation of more club competition games.

At SPORT1, the focus in 2021 is once again on the exploitation and distribution of multimedia content. Alongside the exploitation of the core sports, the company is also continuing to work intensively on the expansion of its cross-platform media content in order to step up the diversification of the SPORT1 brand.

Finally, and on behalf of my colleagues on the Board of Directors as well, I would like to thank our colleagues in the Highlight Group for their successful work despite all the challenges that 2020 brought. Their commitment and expertise make a key contribution to our company's successful development. I would especially like to thank all those who have faithfully accompanied our company over the past year, in particular our shareholders, customers and business partners. Moving forward, we will keep doing our utmost to justify this trust and to continue the success of the Highlight Group.

Yours,

B. Burgener

Bernhard Burgener
Chairman and Delegate of the Board of Directors

Members of the Board of Directors

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

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

René Camenzind (born 1951) Non-executive member of the Board of Directors
Businessman. Mr. Camenzind began his professional career in 1974 at Mythen Center, Schwyz, becoming its manager in 1990. In 2003 he was elected President of the Board of Directors of Mythencenter Holding AG. Since 2004, Mr. Camenzind has been a member of Highlight Communications AG's Board of Directors.

Martin Hellstern (born 1934) Non-executive member of the Board of Directors
Businessman. Mr. Hellstern's work in the media industry began in 1963 at Rialto Film AG, Zurich, which he gradually built into the largest independent film company in Switzerland. He was a member of the Board of Directors and a shareholder of the largest Swiss cinema operator KITAG, of Teleclub AG as well as still of CineStar SA, Lugano. Mr. Hellstern has been a shareholder of Highlight Communications AG since 2003 and a member of the company's Board of Directors since 2004.

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

Alexander Studhalter (born 1968) Non-executive member of the Board of Directors
Business economist. Mr. Studhalter started his career in 1993 as a financial expert. As an innovative entrepreneur, he established what is now Studhalter International Group AG – a successful national and international group in the field of private equity, equity investments, real estate and property development, and multi-client family office. He has also held management positions as an active board member for several private, semi-public, and public companies. In 2017 he invested in Highlight Event and Entertainment AG via the private equity holding company, Swiss International Investment Portfolio AG, and at the 2020 Annual General Meeting he was elected as a non-executive member of the Board of Directors of Highlight Communications AG and an executive member of the Board of Directors of Highlight Event and Entertainment AG.

Corporate governance

INTRODUCTION

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

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

1. GROUP STRUCTURE

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

1.1 Operative Group structure

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

1.2 Listed companies

Highlight Communications AG

Highlight Communications AG has its registered offices in Pratteln/BL, Switzerland, and has been listed on the Frankfurt stock exchange since 1999. It is a member of the Prime Standard (ISIN: CH 000 653 9198, German WKN number: 920 299, ticker: HLG). As of December 31, 2020, the market capitalization of the company was around EUR 229.07 million at a closing stock price for the year of EUR 4.04.

1.3 Non-listed companies

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

1.4 Principal shareholders

As of December 31, 2020, Highlight Communications AG was aware of the following shareholders with a share of more than 5 % of its subscribed capital:

Highlight Event and Entertainment AG	48.70 %
Stella Finanz AG	12.26 %
Axxion S.A.	9.89 %

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

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

In the year under review no treasury shares were bought back. As of December 31, 2020, treasury stock comprised 6,299,501 shares, equivalent to 9.99 % of the company's subscribed capital.

1.5 Cross-holdings

Sport1 Medien AG holds 9.81 % of the share capital of Highlight Communications AG as of December 31, 2020. Sport1 Medien AG has been included in consolidation by the Highlight Group since the 2018 reporting period.

2. CAPITAL STRUCTURE

2.1 Capital

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

2.2 Authorized capital

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

2.3 Changes in capital – changes in nominal value

There were no changes in capital in the reporting period.

2.4 Shares, participating and profit-sharing rights

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

2.5 Restrictions on the transferability of shares and registration of nominees

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

3. BOARD OF DIRECTORS

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

3.1 Members of the Board of Directors

The Board of Directors currently comprises four members. The list below provides an overview of the composition of the Board of Directors on December 31, 2020, the functions of the individual members within the Highlight Group, their nationality and their significant activities and interests outside the Highlight Group:

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

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

President of the Board of Directors of Lechner Marmor AG, Laas, Italy
President of the Board of Directors of Club de Bâle SA, Basel, Switzerland
President of the Board of Directors of Comosa AG, Zurich, Switzerland
Member of the Board of Trustees of EurAsia Heart – A Swiss Medical Foundation, Zurich, Switzerland
President of the Board of Directors of FC Basel 1893 AG, Basel, Switzerland
President of the Board of Directors of FC Basel Holding AG, Basel, Switzerland
President of the Board of Directors of Stadiondienst AG, Basel, Switzerland

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

Other (corporate) activities and interests:
President of the Board of Directors of Mythen Center AG, Schwyz, Switzerland
President of the Board of Directors of Mythencenter Holding AG, Schwyz, Switzerland
President of the Board of Directors of Alpicana AG, Ingenbohl, Switzerland
President of the Board of Directors of RC Holding AG, Ingenbohl, Switzerland
Member of the Board of Directors of Lechner Marmor AG, Laas, Italy
Member of the Board of Directors of CBE Marmor & Handels AG, Ibach, Switzerland

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

Other (corporate) activities and interests:
Member of the Board of Directors of CineStar SA, Lugano, Switzerland
President and Delegate of the Board of Directors of Praesens-Film AG, Zurich, Switzerland
President of the Board of Directors of Atlantis Investment AG, Wil, Switzerland
Delegate of the Board of Directors of Atlantic-Immobilien und Investment AG, Zurich, Switzerland
Member of the Board of Directors of Stella Movie SA, Comano, Switzerland
Chairman of the Management Board of MPLC Switzerland GmbH, Zurich, Switzerland
President of the Board of Directors of Kart-Bahn-Wohlen AG, Waltenschwil, Switzerland

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

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

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

Member of the Board of Directors of Highlight Event and Entertainment AG, Pratteln, Switzerland
Member of the Board of Directors of World Boxing Super Series AG, Pratteln, Switzerland
President of Studhalter International Group AG, Lucerne, Switzerland
President of Swiss International Investment Portfolio AG, Lucerne, Switzerland
President of Swiss International Advisory Group AG, Lucerne, Switzerland
President of the Pension fund of Swiss International Advisory Group AG, Lucerne, Switzerland (former Studhalter Treuhand AG), and associated companies
President of Swiss International Asset Consulting AG, Lucerne, Switzerland
President of the Board of Directors of AUVISIO Audio Visual Solutions AG, Emmen, Switzerland
Member of the Board of Directors of avony AG, Emmen, Switzerland
President of the Board of Directors of Parkleitsystem AG, Lucerne, Switzerland
Advisory Board of Papa Oscar Ventures, Frankfurt, Germany

3.2 Election and tenure

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

3.3 Internal organization

3.3.1 Constituent meeting and allocation of duties

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

3.3.2 Meetings of the Board of Directors

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

3.3.3 Committees

By way of resolution dated June 2, 2005, the Board of Directors established an audit committee comprising Bernhard Burgener (Chairman), René Camenzind and Martin Hellstern. The composition of this committee was unchanged in the year under review.

At the Annual General Meeting on June 25, 2020, the members of the Board of Directors René Camenzind and Martin Hellstern were elected to the compensation committee to decide on matters concerning compensation for the Board of Directors and Group management.

3.4 Allocation of duties

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

3.5 Internal management and supervision instruments

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

4. MANAGEMENT

The following disclosures reflect the companies position as of December 31, 2020.

4.1 Members of management

4.1.1 Group management

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

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

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

Management of the respective segments

4.1.2 TEAM (Sports- and Event-Marketing segment)

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

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

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

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

Ian Warbrick, Executive Director Sponsorship Sales
British national, postgraduate diploma from Cambridge University, Strategy Consultant at Accenture from 2001 to 2003, Sponsorship Director at Ogilvy Action from 2004 to 2007, then Head of Sponsorship Sales and since 2016 Executive Director Sponsorship Sales at TEAM.

Thomas Höher, Executive Director Media Rights Sales
German national, Sales Executive, worked for various companies in the telecommunications and banking sectors from 1999 to 2002, including VIAG Interkom (now O_2) and Consors AG, at Deutsche Telekom AG from 2002 to 2007, including as project manager for FIFA World Cup 2006 sponsorship for T-Mobile International AG, at TEAM in various positions since 2007 and as Executive Director Media Rights Sales since October 2017.

Oliver Holland, Executive Director of Commercial Affairs
British national, lawyer, legal consultant at Bird & Bird from 2001 to 2005, European Counsel at EA Sports from 2005 to 2007, Senior Legal Counsel at Sky Sports (UK) from 2007 to 2012, then at TEAM as Head of Legal and, from 2015 on, as Executive Director of Commercial Affairs.

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

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

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

4.1.4 Rainbow Home Entertainment (Film segment)

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

4.1.5 Constantin Film (Film segment)

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

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

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

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

4.1.6 Sport1 Medien AG (Sports segment)

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

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

4.2 Further corporate activities and interests

None.

5. COMPENSATION, SHARES AND LOANS

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

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

6. SHAREHOLDERS' RIGHTS

6.1 Restrictions on voting rights, voting by proxy

6.1.1 All restrictions on voting rights

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

6.1.2 Statutory rules on participation in the Annual General Meeting

The provisions of the Swiss law of obligations apply.

6.2 Statutory quorum

The statutory provisions apply.

6.3 Procedure for convening the Annual General Meeting

The provisions of the Swiss law of obligations apply.

6.4 Agenda

The provisions of the Swiss law of obligations apply.

6.5 Registration in the share book

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

7. CHANGE OF CONTROL AND DEFENSE MEASURES

7.1 Duty to bid

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

7.2 Change-of-control clause

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

8. AUDITORS

8.1 Duration of auditor mandate

The statutory auditor for Highlight Communications AG is elected for a period of one year subject to a resolution passed by the Annual General Meeting. PricewaterhouseCoopers AG in Lucerne audited our annual financial statements for the year ending December 31, 2001 for the first time. Mr. Bruno Häfliger has been the auditor in charge again since fiscal year 2018.

8.2 Auditing fees

A sum of TCHF 210 was paid for auditing services of PricewaterhouseCoopers AG in fiscal year 2020. Additional fees of TCHF 22 were invoiced by PricewaterhouseCoopers AG for tax consulting relating to Highlight Communications AG and the Group.

9. INFORMATION POLICY

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

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

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

Remuneration report

This remuneration report for fiscal year 2020 sets out the remuneration system and remuneration to members of the Board of Directors and the management team of Highlight Communications AG. The content and scope of the details comply with the regulations of the Ordinance Against Excessive Compensation in Stock-Exchange Companies (VegüV), passed by the Swiss Federal Council, which came into force on January 1, 2014, and the Corporate Governance Directive (RCGL) of the SIX Swiss Exchange. Remuneration is posted in accordance with the "accrual principle".

The remuneration report of April 30, 2021 of Highlight Communications AG for the fiscal year ending December 31, 2020 has been audited by the statutory auditor. The audit was limited to the disclosures in accordance with Art. 14 – 16 VegüV.

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

1. RESPONSIBILITIES AND AUTHORIZATIONS FOR REMUNERATION

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

The main tasks of the full Board of Directors are:

a. Determining the principles of the remuneration strategy

b. Determining the level and composition of overall remuneration for the Chairman of the Board of Directors

c. Determining the level and composition of individual overall remuneration for the Vice Chairman and the other members of the Board of Directors

d. Remuneration of committee members

e. Determining the level and composition of overall remuneration and individual remuneration for the Delegate as well as the individual members of the management team (see sections 2.1 and 2.1.1)

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

2. REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

2.1 Principles

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

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

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

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

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

2.1.1 Directors' fee

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

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

2.1.2 Pension benefits

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

2.2 Remuneration to the individual members of the Board of Directors

Fiscal year 2020

In 2020, the executive and non-executive members of the Board of Directors received overall remuneration of TCHF 151.0 (2019: TCHF 124.8). Compensation for the various activities at the subsidiaries is set out in section 3 "Remuneration to members of the management team".

Total remuneration for the members of the Board of Directors for their work on the Board of Directors increased due to the new member of the Board of Directors, Alexander Studhalter, compared to the previous year. The individual members of the Board of Directors received the following remuneration (in TCHF):

audited

(TCHF) Name/role	Directors' fee, gross	Pension benefits	Total remuneration as member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10.0	0.6	10.6
Peter von Büren, executive member	10.0	0.4	10.4
Alexander Studhalter[1], non-executive member	25.0	1.6	26.6
René Camenzind, non-executive member	50.0	1.7	51.7
Martin Hellstern, non-executive member	50.0	1.7	51.7
Total	**145.0**	**6.0**	**151.0**

audited

Fiscal year 2019

(TCHF) Name/role	Directors' fee, gross	Pension benefits	Total remuneration as member of the Board of Directors
Bernhard Burgener, Chairman and Delegate, executive member	10.0	0.6	10.6
Peter von Büren, executive member	10.0	0.6	10.6
René Camenzind, non-executive member	50.0	1.8	51.8
Martin Hellstern, non-executive member	50.0	1.8	51.8
Total	**120.0**	**4.8**	**124.8**

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

No remuneration not in line with the market was granted to current or former members of the Board of Directors or related parties either in the year under review or in fiscal year 2019, and no such remuneration is outstanding.

3. REMUNERATION TO MEMBERS OF THE MANAGEMENT TEAM

3.1 Principles

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

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

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

3.1.1 Basic remuneration

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

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

3.1.2 Variable remuneration

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

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

3.1.3 Indirect remuneration for activities at subsidiaries

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

3.1.4 Pension benefits

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

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

Fiscal year 2020

In 2020, the members of the management team (including executive members of the Board of Directors, BoD) received total remuneration of TCHF 3,276 (2019: TCHF 3,193). The total remuneration of the members of the management team thus increased slightly compared to the previous year.

audited

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

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

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

audited

Fiscal year 2019

(TCHF) Name/role	Basic remu-neration, gross[1]	Variable remu-neration, gross	Indirect remuneration for activities at subsidiaries	Pension benefits	Total remuneration as a member of the manage-ment team	Total remu-neration as a member of the Board of Directors[2]	Total remu-neration
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	833	438	139	230	1,640	11	1,651
Peter von Büren, executive member of the BoD	375	273	25	113	786	11	797
Other member of the management team	318	225	100	101	745	–	745
Total	**1,526**	**936**	**264**	**444**	**3,171**	**22**	**3,193**

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

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

No remuneration not in line with the market was granted to current or former members of the management team or related parties either in the year under review or in fiscal year 2019, and no such remuneration was outstanding.

4. ADVISORY BOARD

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

5. BENEFITS AND CONTRACTUAL AGREEMENTS ON LEAVING HIGHLIGHT COMMUNICATIONS AG

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

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

6. LOANS AND CREDITS TO EXECUTIVE BODIES

As of December 31, 2020 and December 31, 2019, there were no outstanding loans or credits granted by Highlight Communications AG to current or former members of the Board of Directors, the management team or related parties.

7. REMUNERATION TO RELATED PARTIES

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

As of December 31, 2020 and December 31, 2019, there were no outstanding loans or credits granted by Highlight Communications AG to related parties.

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

As of December 31, 2020 and December 31, 2019, the company had not paid any non-market-compliant remuneration to related parties.

8. REMUNERATION TO FORMER MEMBERS OF EXECUTIVE BODIES

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

9. MANAGEMENT CONTRACTS

There are no management contracts with third parties.

10. SHAREHOLDINGS IN HIGHLIGHT COMMUNICATIONS AG

As of December 31, 2020, the members of the Board of Directors and the management team (including related parties) held a total of 1.40 % of the outstanding bearer shares in Highlight Communications AG (previous year: 1.40 %).

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

	2020		2019	
	Number of shares	Share in capital	Number of shares	Share in capital
Bernhard Burgener	-	-	-	-
René Camenzind	628,715	1.00 %	628,715	1.00 %
Martin Hellstern	200,000	0.32 %	200,000	0.32 %
Alexander Studhalter	-	-	-	-
Peter von Büren	-	-	-	-
Dr. Paul Graf	50,000	0.08 %	50,000	0.08 %

Report of the statutory auditor

to the General Meeting of Highlight Communications AG

Pratteln

We have audited the accompanying remuneration report of Highlight Communications AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 17 to 20 of the 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 accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

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

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

Opinion

In our opinion, the remuneration report of Highlight Communications AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Häfliger	Bastian Stolzenberg
Audit expert Auditor in charge	Audit expert

Lucerne, 30 April 2021

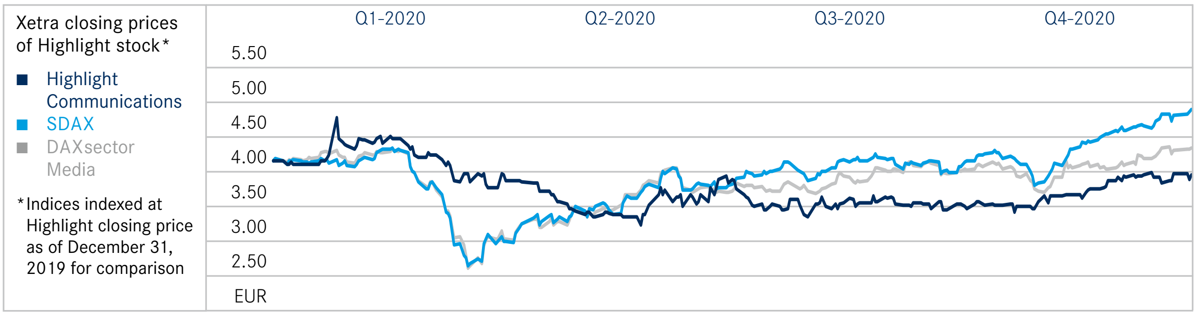
PricewaterhouseCoopers AG, Robert-Zünd-Strasse 2, Postfach, CH-6002 Luzern, Switzerland
Telefon: +41 58 792 62 00, Telefax: +41 58 792 62 10, www.pwc.ch

A glowing presence: Iris Berben at the 70th Berlinale in February 2020.

HIGHLIGHT STOCK 2020

Performance of the Highlight Group stock in the year 2020

- **Year-end quotation:** At EUR 4.04, below the closing price of the previous year (EUR 4.18).
- **Market capitalization:** EUR 229.07 million based on shares outstanding.
- **Turnover per trading day:** Decrease from around 5,400 to 4,300 shares.



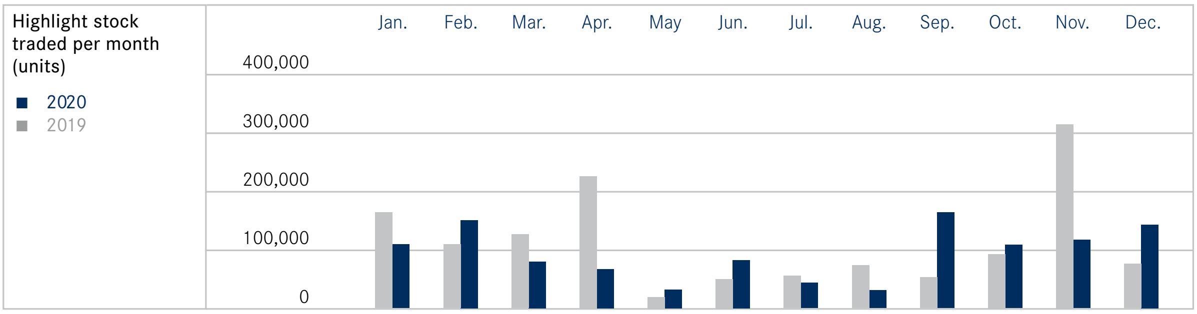
Stock markets end year at all-time high despite pandemic

Following a successful year on the global stock markets in 2019, expectations were likewise high for 2020. After a rising trend in the first two months, the rest of the year was dominated worldwide by the COVID-19 pandemic, which caused the capital markets to slump in March. All over the world, national governments imposed measures to curb the pandemic, causing far-reaching restrictions on public life and commercial operations. In the second half of the year, hopes for a vaccine and thus an economic recovery caused share prices to rise. Although government measures were tightened in many countries in the final quarter, developments on the capital markets remained positive, with many leading indexes reaching new highs by the end of 2020.

Despite tumbling to 18,592 points in March 2020 and the tough trading environment due to the pandemic, the US exchanges rebounded energetically, driving the Dow Jones Industrial Average Index to an all-time high at the end of the year. The index closed at 30,607 points on December 31, 2020, an increase of 6 %. Following a highly positive performance by the Japanese Nikkei 225 index in 2019, it again rose by 18.3 % in the past year to close at 27,444 points. However, having closed at 3,553 points, only the EURO STOXX 50 was unable to entirely make up for its losses incurred during the year, ending 2020 down by 6.3 %.

The Swiss Market Index (SMI) closed at 10,704 points on the last trading day. While the SMI had likewise crashed in May, the index recovered and ended the year level with the previous year.

The DAX ended 2020 at 13,719 points, an increase of 2.5 %. The German benchmark index thereby finished the year with minor growth despite slumping to 8,442 points in March. In the same period, the SDAX small cap index even outperformed the DAX. On December 30, 2020, the SDAX ended trading at 14,765 points and thus closed the year up by 16.8 %. The index for German media stocks (DAXsector Media) climbed to 434 points in the period from January to December 2020, thereby gaining 4.0 %.



Slight price loss for Highlight stock

After a strong start to the year, Highlight's stock was in decline from the end of February until the middle of the year, but largely recovered as the year continued. The Xetra closing price at the end of the year was EUR 4.04, a decrease of 3.3 % compared to the previous year. As such, Highlight's stock did not share in the positive performance of its SDAX and DAXsector Media benchmarks.

Highlight's stock had begun 2020 at a closing price of EUR 4.18 as of December 31, 2019. After a good start, it reached its high for the year of EUR 4.50 by the middle of February. The months that followed were defined by the COVID-19 pandemic, starting with the abrupt crash on the capital markets in March. Highlight's stock later bottomed out at EUR 3.32 on May 25, but then rallied to end the first half of 2020 down 6.2 % at EUR 3.92. In the second half of the year, the price remained between EUR 3.38 and its year-end closing price of EUR 4.04, having gathered momentum from the end of October in particular. Nonetheless, it fell short of the previous year's level and ended trading for the year down 3.3 %.

Trading volume down slightly

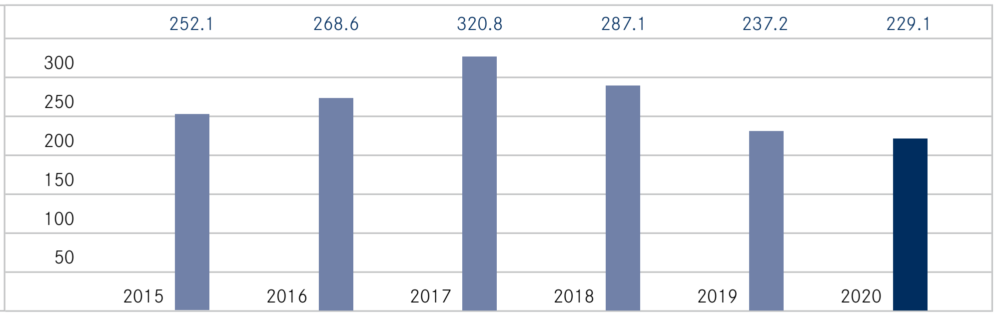
In the period from January to December 2020, around 1.10 million Highlight shares were traded on Deutsche Börse AG's Xetra trading system, a decline of 18.5 % as against the previous year (around 1.35 million). The average number of shares traded per day thus fell from around 5,400 to around 4,300.

No changes in shareholder structure

As of December 31, 2020, the issued capital of Highlight Communications AG was unchanged at CHF 63.0 million, divided into 63.0 million bearer shares with a nominal value of CHF 1.00 per share. The number of treasury shares was unchanged in the 2020 reporting year and account for around 9.9 % of issued capital. Not including these shares, there were 56.70 million shares outstanding as of December 31, 2020.

Our company's principal shareholders are still Highlight Event and Entertainment AG (48.7 %), Stella Finanz AG (12.26 %), and Axxion S.A. (9.89 %). Further significant share packages are held by members of the Board of Directors and by private investors. As of December 31, 2020, the free float amounted to 19.25 % as per Deutsche Börse AG's index weighting.

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



Investor relations activities focusing on direct communications

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

However, the core element of our investor relations work is and will remain personal communication through active and open dialog. Owing to the COVID-19 pandemic and the resulting cancellation of all events held in person, the task at hand this year was to find new ways of achieving far-reaching communication without physical contact. In 2020 we were therefore available to field questions, for the first time virtually, from market players at the German Equity Forum – Europe's leading investor fair for small and medium-sized stock corporations. Our stated aim is to use this type of PR work to achieve a fair valuation of Highlight's stock and to convince potential shareholders of the intrinsic value of an investment in our company.

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

Information on Highlight stock as of December 31, 2020	
Subscribed capital	CHF 63.0 million
Number of shares	63,000,000
Stock class	Ordinary bearer shares
Shares outstanding	56.74 million
Market capitalization (based on shares outstanding)	EUR 229.07 million
Year-end price	EUR 4.04
52-week high (January 24 and 27, February 20)	EUR 4.80
52-week low (May 25)	EUR 3.12
Earnings per share	EUR 0.20

Key data for Highlight stock	
WKN	920 299
ISIN	CH 000 653 9198
Ticker	HLG
Reuters identification code	HLGZ.DE
Index	DAXsector Media
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A coveted award: “Das perfekte Geheimnis” continues its success story in 2020 having been the most successful German movie of 2019. The cast of the comedy of manners receives the Golden Screen at the German Film Ball.

REPORT ON THE HIGHLIGHT GROUP’S SITUATION 2020

Development of results of operations, net assets and financial position in 2020

- **Group sales:** Down 14.8 % year-on-year to CHF 414.6 million.
- **Net profit for the period:** CHF 12.0 million.
- **Equity ratio:** At 31.3 % at year-end (December 31, 2019: 29.3 %).

Total audience tops five million in January 2020: "Das perfekte Geheimnis"

BASIC INFORMATION ON THE GROUP

GROUP STRUCTURE AND OPERATING ACTIVITIES

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

Film segment

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

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

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

The sixth installment in the Rita Falk series continues its success story in 2020: "Leberkäsjunkie"

Sports- and Event-Marketing segment

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

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

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

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

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

Sports segment

The Sports segment comprises the activities of Sport1 Medien AG (until December 31, 2019: Constantin Medien AG), Ismaning, which is 94.91 % owned by Highlight Communications AG.

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

CONTROL SYSTEM AND PERFORMANCE INDICATORS

Group management

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

Building on the success of the first part, the sequel enjoys a strong theatrical showing: "After Truth"

Financial performance indicators

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

Non-financial performance indicators

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

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



An animated film that is a hit with viewers: "Dragon Rider"

LEGAL INFLUENCING FACTORS

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

Film segment

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

The scheduled revision of the German Film Subsidies Act (FFG), which regulates the main criteria for awarding film subsidies, is currently pending.

Sports segment

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

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

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

Successful adaptation of the French original: "Das Beste kommt noch – Le meilleur reste à venir"

MARKET RESEARCH AND DEVELOPMENT

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

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

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

ECONOMIC REPORT

GENERAL ECONOMIC ENVIRONMENT

According to the calculations published by the International Monetary Fund (IMF) in January 2021, global economic performance fell well short of the previous year's level in 2020 at –3.5 %.

It cites the outbreak of the global Covid-19 pandemic as the core reason for this. Far-reaching measures to curb the pandemic halted or massively curtailed economic activity across all sectors in a large number of countries. Despite far-reaching government aid packages and the adjustment of the legal framework, the economy was unable to rally before the end of 2020. Issues of macroeconomic relevance in 2020 also included the US elections in November and Brexit at the end of the year.

For emerging and developing countries, these factors resulted in a decline of –2.4 % after growth of 3.6 % in the previous year. With an increase of 2.3 %, China was one of the few nations to achieve economic growth, albeit at a much lower level than in the previous year (6.0 %).

By contrast, the economies of the industrialized nations reported a sharper reduction to –4.9 % after 1.6 % increase in the previous year. The Spanish economy contracted the most at –11.1 % (2019: 2.0 %). The IMF calculated a decrease of 7.2 % for the euro area. The US economy was affected by the global downturn slightly less at –4.9 %.

Fascinating insights into the hidden life of trees: "Das geheime Leben der Bäume"

Switzerland was also unable to escape the global economic slump in 2020. According to projections published by the State Secretariat for Economic Affairs (SECO) published in mid-December 2020, growth in gross domestic product (GDP) fell to –3.3 % in the past year after a slight increase of 1.1 % in 2019. This was mainly on account of the effects of government measures in Europe, including border closures lasting several months, and a decline in the otherwise strong foreign trade sector, which was slowed by weaker demand.

According to calculations published by the German Federal Statistical Office (Destatis), the growth of the German economy was in decline at –5.3 % in 2020 (2019: 0.6 %). In Germany as well, the economy was primarily stymied by the effects of the Covid-19 pandemic and the measures taken to contain it, which also greatly impacted exports and the automotive industry that is so vital to Germany. Growth stimulus was mainly generated by the surge in state consumer spending.

In Austria, the decline in industrial activity in particular stifled overall economic momentum. Domestic demand also waned, hence GDP growth was unable to stabilize. Private consumer spending fell sharply as against the previous year to –8.3 % (0.8 %), while gross fixed capital formation was also well below the previous year's level at –5.0 % (2019: 4.0 %). According to provisional calculations released in December 2020, the Austrian Institute of Economic Research (WIFO) is forecasting a GDP contraction of 7.3 % in 2020.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

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

In its November 2020 estimates, the audit company PricewaterhouseCoopers (PwC) forecast a decline in sales of 11.9 % to around EUR 54.3 billion for the media and entertainment industry as a whole in Germany for 2020. On the basis of final figures, there was a moderate increase of 3.0 % to EUR 61.7 billion in the previous year.

The measures taken to curb the pandemic caused an unprecedented acceleration in the trend towards digital media content that was already underway. One example of this development is the year-on-year growth in video-on-demand of 16.8 %. Moreover, advertising spending has declined by 20 % as against 2019, while consumer spending on entertainment and media consumption has decreased by just 6.7 %.

Between now and 2024, PwC is assuming average growth in the media and entertainment industry of 1.1 %, with developments in individual areas varying greatly. The clear winners are those that make their content available online.

A red carpet reception: Director Sönke Wortmann and Nilam Farooq celebrate with colleagues and fans at the world premiere of the Constantin in-house production "Contra" at the 16th Zurich Film Festival.

MANAGEMENT REPORT: FILM SEGMENT

2020

Report on business performance and the situation

A socio-critical comedy with a star-studded cast: "Contra"

INDUSTRY CONDITIONS

Preliminary remarks

The German government ordered the first lockdown effective March 22, 2020, as a result of which movie theaters were initially closed until the start of June 2020. As infection figures did not start to fall, the government ordered a further lockdown from November 2, 2020, which extended beyond the end of the period under review into 2021.

Between the two lockdowns, movie theaters had to maintain strict hygiene concepts, which meant that they could not be filled to capacity and ticket sales were therefore limited.

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

From September 11, 2020, the government has set up a default fund of EUR 50 million for theatrical movie and TV productions. This is intended to mitigate the effects of production disruptions due to Covid-19, and allow production to resume on theatrical movies and high-end series in Germany. The default fund is part of the RESTART CULTURE program, which is planned to provide EUR 165 million in total to support the film industry.

As part of the German government's RESTART CULTURE program, the Commissioner for Culture and the Media is providing the German Federal Film Board with funding of EUR 30 million. EUR 19 million of this will go directly to the German Federal Film Board's budget, while EUR 10 million will go towards promoting theatrical distribution and EUR 1 million to promoting movie distribution. The EUR 11 million for distribution are part of a comprehensive, time-limited package of measures by the Minister of Culture to boost film sales. In order to provide assistance in conjunction with the coronavirus crisis quickly and efficiently, the government's distribution funding is based on the established structures of the German Film Subsidies Act. These funds from the Commissioner for Culture and the Media are being provided as non-refundable subsidies to distribution companies to mitigate their high economic risk as a result of the pandemic, and therefore represent vital support for film distribution in the current situation.

Theatrical distribution

At around EUR 318 million, sales on the German theatrical movie market were down 69 % year-on-year in 2020 (2019: around EUR 1.02 billion). Audience figures fell by approximately 68 % to around 38.1 million (2019: around 118.6 million). The market share of German in-house and co-productions was slightly higher than the previous year at 35.1 % (2019: 21.5 %). The postponement of potential US blockbusters has left more room for German productions.

The most successful releases in 2020 were "Bad Boys for Life" with an audience of around 1.82 million, followed by "Tenet" (around 1.65 million), "Star Wars: The Rise of Skywalker" (around 1.46 million, cinema release already at the end of 2019) and "Nightlife" (around 1.37 million).

Home entertainment

On the German home entertainment market as a whole, the rising trend in SVoD (subscription video-on-demand) business continued in the past year with sales of EUR 1.570 billion, an increase of 32.0 % as against the previous year (EUR 1.187 billion). Digital exploitation formats (electronic sell-through and transactional video-on-demand) also continued their growth. Sales here rose by 21.5 % from EUR 0.390 billion to EUR 0.474 billion.

Pure action with Milla Jovovich in the lead role: "Monster Hunter"

By contrast, the decline in physical media is continuing, partly on account of the pandemic obviously, with sales down 21.0 % last year at EUR 0.548 billion (previous year EUR 0.702 billion). Including digital proceeds, sales came to EUR 1.022 billion in 2020, down 7 % on the previous year's figure (EUR 1.092 billion). This decrease primarily resulted from falling sales volumes for purchases and rentals of physical media (DVD and Blu-ray).

The growth in sales from SVoD compensated for the decline in physical media in the reporting year, resulting in an increase of 14.0 % for the market as a whole (2019: EUR 2.279 billion; 2020: EUR 2.592 billion).

OPERATIONAL DEVELOPMENT

Six theatrical movies in production

Six in-house and co-productions in total got underway in the period January to December 2020. Filming began on the in-house production "Caveman", starring Moritz Bleibtreu and Wotan Wilke Möhring, in the first half of 2020. Shooting on this production has already wrapped.

Principal photography on "Hui Buh 2" started in the first half of 2020, was halted because of Covid and was then continued and completed in the second half of 2020. Filming was completed on "Eiffel" and "Fly" in the year 2020 as well.

Shooting also began on the "Resident Evil" reboot and "Zwischen uns". Filming on both productions was completed in the period under review.

Pandemic-related theatre closures in the area theatrical distribution

The Constantin Film Group released "Das Geheimnis der Bäume" in theaters in the first half of 2020 (before the first lockdown), followed between July and September 2020 by "After We Collided" – the next installment of the hit "After" series – and "Le meilleur reste à venir". "Dragon Rider" was released in theaters in October. The exploitation of these last three movies was interrupted by the second lockdown.

The releases planned for fall and the end of the year, "Kaiserschmarrndrama", "Monster Hunter", "Ostwind – Der große Orkan" and "Contra", did not go ahead because movie theaters were closed again. These titles will be rescheduled and exploited after theaters reopen.

"Das perfekte Geheimnis" performs well in digital and physical sectors

As anticipated, the market share in home entertainment was retained thanks to a balanced portfolio that included theatrical hits such as "Das perfekte Geheimnis", "Die 3!!!" and "Das geheime Leben der Bäume", confirming German movies' strong grip on the home entertainment market. Consistently strong catalog business also contributed to this success.

The seventh installment in the Rita Falk series: "Kaiserschmarrndrama"

Major license launches in TV exploitation/license trading

Various license sales of in-house and third-party productions again took place in 2020.

A particular highlight in the year under review was the major sale of "Black Beauty" to Disney+, a production originally intended for global theatrical exploitation. Despite various redemption obligations (e. g. world distribution arrangements already agreed on the basis of the originally intended theatrical exploitation), this sale had a positive effect on earnings.

As usual, the conventional exploitation stages of free TV and pay TV/pay-per-view (PPV) accounted for the transactions relevant to sales in this business area. License trading with streaming services (SVoD) experienced the strongest growth in 2020.

In free TV, sales were generated in particular by the initial licenses for "Fack Ju Göhte 3" (Sat.1), "Leberkäsjunkie" (ARD) and "Dieses bescheuerte Herz" (ProSieben). In the pay TV sector, there were also the initial licenses for "Das perfekte Geheimnis" (Sky), "Der Vorname" (Sky) and "Der Fall Collini" (Sky).

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

The establishment and expansion of the business area for productions not intended for primary theatrical exploitation continued successfully in 2020. National highlights include the third season of "Die Heiland – Wir sind Anwalt" (ARD) and the TV series "Mein Freund, das Ekel" (ZDF), "Der Palast" (ZDF) and "Kanzlei Berger" (ZDF).

Moreover, TV movies such as "Wannseekonferenz" (ZDF), "Gott – nach Ferdinand von Schirach" (Degeto) and "Nicht tot zu kriegen" (ZDF) plus further episodes of the TV series "Kroatien-Krimi" (ARD), "Kommissarin Lucas" (ZDF), "Daheim in den Bergen" (Degeto) and the soap opera "Dahoam is Dahoam" (BR) were also produced.

In non-fiction, there were episodes of the weeklies "Darf er das? Die Chris Tall Show" (RTL) and "König der Kindsköpfe" (RTL), more episodes of "Shopping Queen" (VOX), the reporting on the Ferdinand von Schirach project "Feinde" (ARD) and the documentary format "Bild.Macht.Deutschland" (Amazon).

Successful new installment in the youth adventure series: “Ostwind – Der große Orkan”

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Focus on long-term collaboration

Especially in times of the pandemic, it is important – as in previous years – to focus on long-term cooperations/agreements. In conjunction with this, the Constantin Film Group signed numerous producers with creative control, a large number of executive producers and many filmmakers, writers, directors, and actors, some of whom have agreed to work with Constantin for some time to come. For example, the exclusive contract with the highly successful producer Bora Dagtekin was extended by another five years (until the end of 2025) and the contract with the author Doron Wisotzki was extended by another three years (until the end of 2023) in the year under review.

Audience figures in theatrical distribution

Constantin ranked tenth in German movie theaters in 2020 with “After We Collided”, which was seen by around 940,000 moviegoers. Since its release in 2019, Constantin’s movie “Das perfekte Geheimnis” has been seen by around 5.3 million moviegoers, around 692,000 of whom in 2020 despite the pandemic and lockdown.

The Constantin Film Group ranked sixth among distributors in Germany by sales and audience numbers.

Three new releases report good sales figures in home entertainment

Of the past year’s new releases, in particular the two Constantin Film in-house productions “Das perfekte Geheimnis” and “Die 3!!!”, and also the third season of the TV series “Shadowhunters”, lived up to sales expectations. “Das perfekte Geheimnis” did very well with 1,000,000 video-on-demand and electronic sell-through transactions and 141,000 discs sold. Shortly before the end of the year, “After We Collided” was in the lead for licensed productions with 100,000 electronic sell-through transactions.

Continued success in TV exploitation

In TV exploitation/license trading, premiere broadcasts of Constantin Film theatrical productions in particular again achieved good ratings on free TV in 2020. The biggest hit with audiences was the Rita Falk crime comedy “Leberkäsjunkie” (ARD; 18 % share of the overall market).

High ratings for TV service productions

Particularly successful in broadcasting were the episodes of the second season of “Die Heiland – Wir sind Anwalt” (ARD) with an average market share of 15 %, the TV movie “Nicht tot zu kriegen” (ZDF) marking Iris Berben’s 70th birthday with an 18.6 % market share, two further episodes of the TV series “Kommissarin Lucas” (ZDF), which scored market shares of 21.3 % and 17.1 %, the ARD thriller “Die Donau ist tief. Ein Krimi aus Passau” with a 19.4 % market share, the ZDF TV movie “Das Unwort” with a 15.3 % market share and the TV event “Gott – von Ferdinand von Schirach” (ARD) with an 11.3 % market share.


20 LISBON

A happy winner: Bayern Munich beats Paris Saint-Germain in the final of the UEFA Champions League in Lisbon in August.

2020

MANAGEMENT REPORT: SPORTS- AND EVENT-MARKETING SEGMENT

Report on business performance and the situation

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

INDUSTRY CONDITIONS

TEAM-Group

In December 2020, the media planning and purchasing company ZenithOptimedia estimated that global advertising expenditure had shrunk by 7.5 %, to around USD 587 billion, in 2020. This decline results from the Covid-19 pandemic that severely affected the global economy and several major sports events, including the Summer Olympics and UEFA Euro 2020, which have been delayed until 2021. Relative economic and advertising market forecasts for 2021 are positive, compared to the 2020 decline, due to an anticipation that markets will capitalize on the rescheduling of many sporting events. However, forecasts remain unclear and subject to the ongoing volatility caused by the pandemic.

Highlight Event AG

Promoters and orchestras have been hit particularly hard by the Covid-19 crisis on account of the special, extensive restrictions and safety requirements for concert halls and venues. This is highly apparent in event marketing operations, where top events include the Eurovision Song Contest, the New Year's Day Concert and the Summer Night Concert. Further developments are difficult to predict. However, in fiscal 2020 and as of the current time, Highlight Event's performance throughout the crisis has been stable despite the cancellation of the Eurovision Song Contest.

Key areas

TEAM-Group

In 2020, owing to the Covid-19 pandemic, the key area of development in the Sports- and Event-Marketing industry was digital fan engagement. In the absence of live sport, many sports properties focused on non-live content, including archive matches or documentaries to keep fans engaged. UEFA created a "Throwbacks" series, re-running as-live notable UEFA Champions League and Europa League games from recent history on its UEFA.tv OTT platform. Other properties focused on engaging with the fans through e-sports. LaLiga organized several FIFA game tournaments, involving actual football players and Formula 1 organized virtual F1 races that replaced cancelled events.

Highlight Event AG

After developing the marketing concept for the Vienna Philharmonic Orchestra for the period from 2023 to 2027, Highlight Event focused on selling the orchestra's media and marketing rights for this period. Negotiations are being conducted with both existing partners and potential new partners. As the venue changes each year, marketing activities in conjunction with the Eurovision Song Contest are primarily concentrated on the respective country and region. With the exception of the main sponsor agreement, the partnerships are mainly agreed on an annual basis.

OPERATIONAL DEVELOPMENT

TEAM-Group

Successful continuation of sales and compensation negotiations

Following a successful start to the sales process for the commercial rights to the UEFA Champions League, the UEFA Europa League and the newly-established UEFA Europa Conference League for the 2021/22 to 2023/24 seasons, the TEAM Group's usual sales activity was disrupted by the Covid-19 pandemic. The sales process resumed in the second half of the year and the results to date show that the TEAM Group is on track to meet sales projections, despite the difficulties caused by the Covid-19 pandemic.

In parallel, the TEAM Group's Legal, Partnerships Management and Commercial Affairs teams were managing the compensation process for the UEFA Club Competitions Partners. To date, the results of the process have been very positive, with the majority of settlements finalized and UEFA compensation targets met.

Implementation of the emergency format for the 2019/20 competitions and undisrupted delivery of the 2020/21 season group stage matches

In the first half of the year, as a result of the suspension of football, the TEAM Group's work focused on supporting UEFA's preparations for a summer resumption plan for the UEFA Club Competitions (UCC) that minimized the impact of the postponement on the UCC's commercial partners. In cooperation with UEFA, a new plan involving new formats, new schedules and new locations for the remaining part of the knockout rounds was successfully created.

In the second half of the year, the TEAM Group provided support to both media and sponsor partners in delivering and activating their respective rights in relation to the aforementioned new Final 8 tournaments. As a result, despite the impact of the Covid-19 pandemic, both competitions were able to reach a successful conclusion at the end of August. In the final of the UEFA Europa League, held behind closed doors in Cologne on August 21, 2020, Sevilla FC won against FC Internationale Milano. The UCL final in Lisbon on August 23, 2020 was also played behind closed doors. In this game between Paris St. Germain and Bayern Munich, the team from Munich emerged victorious. The two winning teams then met for the UEFA Super Cup in Budapest on September 24, 2020. This game was won by FC Bayern Munich. Afterwards, work shifted to delivering the 2020/21 UCC (UEFA Club Competition) group stage, which was completed successfully prior to the end of the calendar year.

Highlight Event AG

Event marketing: Vienna Philharmonic Orchestra & Eurovision Song Contest

In Highlight Event AG's event marketing operations, the main events of the Vienna Philharmonic Orchestra in 2020, the New Year's Day Concert (Wiener Musikverein) and the Summer Night Concert (Open Air in Schönbrunn), were successfully staged in the first and third quarters, thereby completely fulfilling all major media and sponsorship agreements despite Covid-19. The planned sponsor events in conjunction with concerts in Barcelona (Sagrada Familia) and Beijing, China (NCPA Concert Hall) had to be postponed until 2021 and 2022. Following the cancellation of the 2020 Eurovision Song Contest, the core focus was swiftly shifted to selling media and sponsorship packages for the 2021 Eurovision Song Contest and the compensation negotiations with the main sponsor for 2020. It seems unlikely that the event will be cancelled again as various scenarios have already been devised and confirmed for 2021 (including producing the show for TV only, limited audience in attendance).

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

TEAM-Group

UEFA Champions League dominates social media and significantly improves Final audiences

The official social media accounts of the UEFA Champions League experienced a strong 44% increase in interactions across the last season. The UEFA Champions League Instagram account is still the most followed sports rights holder account on the platform with almost 70 million followers, more than double the 32 million followers at the same time the previous year.

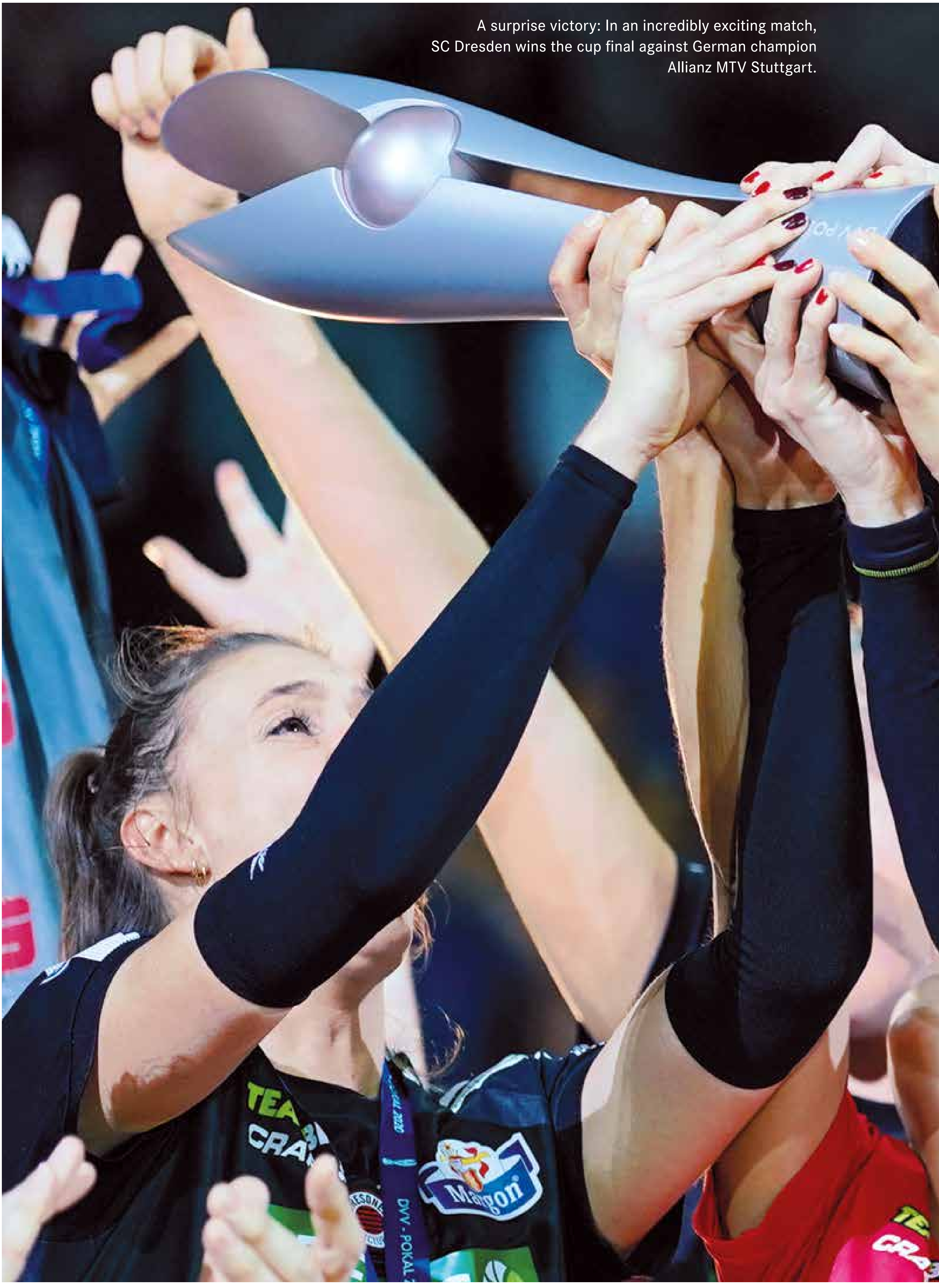
Despite the postponement of the knockout stage of the 2019/20 season, due to Covid-19 pandemic, viewer figures for the second Final of the 2018/19 to 2020/21 rights cycle increased significantly. The 2020 Final of the UEFA Champions League was broadcast in more than 200 countries and seen by over 120 million TV viewers on average – up by 32% on the previous year's Final.

Average viewer figures for the UEFA Europa League Final, which was broadcast in over 100 countries worldwide, was over 42 million, a 16% decline on last year's figure. The UEFA Super Cup was broadcast in more than 50 markets and was seen by an audience of around 22 million.

Highlight Event AG

New Year's Day Concert again draws large audiences

The Vienna Philharmonic Orchestra's 2020 New Year's Day Concert was broadcast by ORF to more than 90 countries and, as in previous years, attracted a large audience, especially in Europe, and was seen by approximately 20 million viewers in total. Outstanding ratings were achieved in Germany (ZDF), Japan (NHK) and France (FT) at approximately 3 million, followed by Italy (RAI) and Spain (TVE) at around 2 million and the event's native Austria (ORF) at more than 1 million viewers. The usual record ratings for the Eurovision Song Contests of consistently more than 100 million viewers were unfortunately not possible this year as the event was cancelled.



A surprise victory: In an incredibly exciting match, SC Dresden wins the cup final against German champion Allianz MTV Stuttgart.

2020

MANAGEMENT REPORT: SPORTS SEGMENT

Report on business performance and the situation

Berlin, March 1, 2020: EasyCredit-BBL (German Basketball League), 2019/2020 season: Alba Berlin

INDUSTRY CONDITIONS

According to Nielsen, EUR 34.3 billion in gross advertising expenditure was invested on the German advertising market in 2020 as a whole, 4.4 % less than in 2019 (EUR 35.9 billion). Except for online advertising, which scored a year-on-year increase of 4.9 % to EUR 4.0 billion, all other classes lost ground compared to 2019. Online sales do not include advertising forms that are not offered via publishers and their marketers, such as sales from Google, YouTube or Facebook. Movie theater advertising suffered the highest loss in the past year with a decline of 74.7 %. It was also the medium with the lowest sales, with advertising revenue of around EUR 40.5 million. It was followed by general interest magazines at –11.0 % (sales of EUR 2.9 billion), direct mail at –10.0 % (EUR 2.7 billion) and newspapers at –9.0 % (EUR 4.5 billion). Out-of-home was down –6.7 % with sales of EUR 2.3 billion and radio ended the Covid year of 2020 with sales of EUR 1.9 billion, down 4.3 %. Television, the medium with the highest sales, was able to somewhat reduce its losses as against the previous year thanks to a rise in sales in December 2020. It ended the year as a whole at EUR 16.0 billion, equivalent to a decline in gross advertising revenue of 1.8 %.

General technological trends in media production – such as virtual reality, IP technologies, the use of cloud resources and AI-based systems – continued. One particular highlight is the development of virtual live formats and platforms not just in the sports and entertainment sector, but also for B2B events, trade fairs and product promotions, after virtually all public events were banned on account of the pandemic.

Across all outlets, approximately a third of the enormous gains during curfews and contact restrictions have proven to have a lasting effect. However, the picture painted by the numbers varies greatly: Digital, high-quality content is being consumed even more, while the decline in the use of analog content accelerated – the pandemic acted as a catalyst for this development.

OPERATIONAL DEVELOPMENT

In 2020, SPORT1 continued to focus on optimizing its portfolio of rights, improving and creating new digital content and marketing environments in addition to cross-platform content exploitation, networking, and capitalization.

Success in Bundesliga rights and acquisition of other new rights

In 2020, Sport1 GmbH acquired further rights for its free and pay TV, online, mobile, audio and social media channels: SPORT1 significantly expanded its successful long-term partnership with DFL in the allocation of the Bundesliga media rights for the seasons from 2021/22 up to and including 2024/25: The three extensive license packages comprise rights to digital highlight clips of the Bundesliga and Bundesliga 2 (Package N), the new top Bundesliga 2 game on Saturday evenings, live and exclusive on free-TV and in a live stream (Package G), and the currently held exclusive highlight rights package for the Bundesliga and Bundesliga 2 on Sundays (Package K), which is analyzed in “Doppelpass” and highlight magazine shows. SPORT1 thus has its core football rights in the portfolio on a long-term basis, together with the DFB Cup rights, and will significantly expand its 360° reporting from 2021 onwards thanks to these investments in its TV and digital content.

Excitement guaranteed: Dresdner SC against MTV Stuttgart in the DVV-Pokal final at the SAP Arena

Furthermore, in 2020 SPORT1 acquired additional rights in various sports including soccer, motorsports, ice hockey, basketball, darts, tennis, American football, horse racing and e-sports. Owing to the cancellation or postponement of sports events as a result of the Covid-19 pandemic, SPORT1 acquired a number of sports documentary and docutainment formats from FIFA, and organized a FIFA 20 tournament: the “SPORT1 Super League”. In the year under review, SPORT1 also launched new formats of its own, such as “AvD Motorsport Magazin”, “Mixed Zone – Die Volkswagen Tailgate Tour Live” and “MEINE 11 – Die Playlist der Stars”.

Milestone thanks to internationalization of the e-sports market

In November 2020, eSportsONE launched a new e-sports broadcaster in a number of European countries, including in Belgium, the Netherlands, Czechia and Slovakia in the first of several expansion stages planned. By successfully launching eSPORTS1, the first linear TV station for e-sports in German-speaking countries, in January 2019 Sport1 GmbH became the first operator to create pan-European broadcaster project. Furthermore, last year SPORT1 came third in the 2020 German Television Award’s “Best Sports Show” category for broadcasting the FIFA eWorld Cup Grand Final 2019 – the first time that an e-sports broadcast was nominated in this category.

New platform partners for free and pay TV channels

In 2020, Sport1 GmbH extended its distribution cooperations with Vodafone for the two channels SPORT1+ and eSPORTS1 in addition to SES ASTRA and its subsidiary HD PLUS to broadcast the free TV station SPORT1 in the long term.

Big print partnership

Sport1 GmbH and rtv media group embarked on a new cooperation to launch the sports supplement “Fussball & Familie” with a planned circulation of around 500,000 copies to go in newspapers from March 2021.

Anniversary year for “Doppelpass”, tour to follow in 2021

“Doppelpass” celebrated its 25th anniversary in 2020. In 2021, Germany’s best-known soccer talk show will go on a major German tour: From August, “Doppelpass on Tour” will see SPORT1 launch a new series of events in a number of cities in cooperation with S-Promotion Event.

Launch of new e-learning platform

SPORT1 launched an e-learning program – “SPORT1 Akademie – Darts” – with multiple world champion Raymond van Barneveld to accompany the darts world championship in December.

New advertising and sponsorship partnerships

SPORT1 Business and MAGIC SPORTS MEDIA secured advertising and sponsorship customers in marketing, including for reporting on Bundesliga soccer and the DFB Cup, for the motorsports and darts scenes and for eSPORTS1 and other e-sports scenes.

Keeping fans on the edge of their seats: the Deutsche Eishockey Liga (German Ice Hockey League)

Establishment of new and expansion of existing customer relationships in production

In the year under review, PLAZAMEDIA GmbH continued the optimization of its broadcast center that began in 2018. The biggest driver was the expansion of the partnership with Deutsche Telekom for the 2020/21 season, which involved the extension of studio production and playout services for MagentaSport. In sports, for Amazon Prime on behalf of Discovery, studio production was also taken over for Bundesliga broadcasts and for MMO archive services for basketball, soccer and ice hockey. A number of studio productions and projects were successfully handled in the year under review, such as “An die Töpfe, fertig, lecker!” for MingaMedia, “Cathérine – meine Familie und ich” for Caligari Film, the world premiere of the Audi Q4 e-tron in the augmented reality studio, the 2020 Bavarian Digital Summit and the Sport1 Medien AG virtual Annual General Meeting. In view of the pandemic situation, events were designed without public attendance and with a high virtual production component from March onwards.

Bavaria Media signed on as a new content management customer for film archive management as well as the preparation of content and distribution to its customers. PLAZAMEDIA performed graphics and production services for the virtual trade show appearance of Schweizer Bühler AG on behalf of cueconcept GmbH. Coronavirus talk show formats were produced in the Ismaning studios for SAT.1, ProSieben, DMAX and Servus TV. With the help of mobile production technology that went live in 2019, and was successfully established on the market in the year under review, PLAZAMEDIA produced the 14-day series “Stromlos” for SWR, among other things.

In addition to the planned expansion of business with Magenta TV, the contract with Superfilm Filmproduktion GmbH for the “Ringlstetter” format was extended by another two years. Superfilm also produced the ARD format “Club1” at PLAZAMEDIA. PLAZAMEDIA was again awarded the contract to produce the home matches of German basketball clubs in the FIBA Champions League. The “Notaufnahme live” format was produced for the TV production company Janus on behalf of the broadcaster Kabel Eins. The production of various live sports formats was also taken on for the TV station Motorvision in 2020, including NASCAR racing.

The main priorities at the other subsidiaries of Sport1 Medien AG were also maintaining and expanding existing customer relationships and developing new ones in the year under review.

ANALYSIS OF NON-FINANCIAL PERFORMANCE INDICATORS

Free TV market share slightly below previous year’s high level

The free TV broadcaster SPORT1 was available in 32.78 million (2019: 32.18 million) of all reachable households in Germany in 2020 (84.9 %; 2019: 83.0 %) – and therefore almost nationwide.

It achieved a market share of 0.5 % among viewers aged three and over (2019: 0.7 %) and 0.8 % in the core target group of men aged 14 to 59 (2019: 1.1 %).

In particular, ratings highlights included the live soccer broadcasts of the DFB Cup and the UEFA Women’s Champions League, the familiar SPORT1 formats such as “Der CHECK24 Doppelpass”, “Fantalk”, “Bundesliga Pur” or highlight round-ups of national and international soccer and the darts world championship.

Pay TV distribution still at high level

The pay TV broadcaster SPORT1+ had around 2.34 million subscribers in total as of December 31, 2020 (December 31, 2019: 2.43 million). eSPORTS1 had around 2.19 million subscribers as of December 31, 2020 (December 31, 2019: 1.11 million). The new pan-European eSportsONE launched in November 2020 took its first on air steps in Belgium, the Netherlands, Czechia and Slovakia. Platforms will be added on other European markets in the next stages of the roll-out.

Digital sector impacted by Covid-19 pandemic, unique user record in December

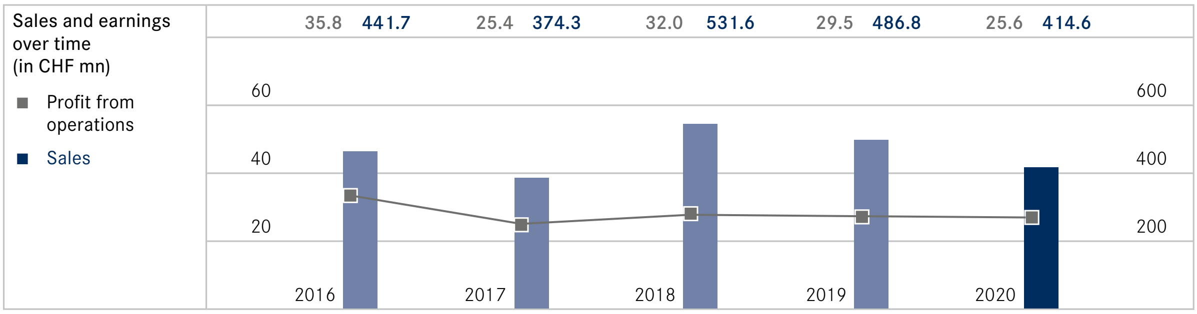
Coverage in the digital sector was also affected by the postponement or cancellation of virtually all relevant sporting events due to the pandemic, especially in the second quarter. At the same time, the shift in content consumption from desktop to mobile, which has been taking place for years, continued in the year under review. Above all, visits and unique users of the mobile website benefited from the increase in traffic from search engines in the second half of the year. Despite the coronavirus crisis, visits in December were down only 5 % as against the same month of the previous year, mainly thanks to the Darts world championship, Bundesliga and the DFB Cup. In addition to the effects of Covid-19, the drop-off in page impressions (PI) was also due to the strategic business decision to focus even more on strong marketing tactics such as videos and articles, rather than methods that generate high numbers of page impressions, such as galleries. Unique user figures were likewise down in the second quarter on account of the coronavirus, though this decline was less than for visits and PIs, even when looking at the entire first half of the year, as the intensity of user usage dwindled especially. SPORT1 ended the year with the highest number of unique users in its history: 9.45 million in December – an increase of 19 % compared to December 2019.

Continuing strong performance in video views; more podcasts and strong social media positioning

The SPORT1 platforms put up great figures for video views at the start of the year, before the positive trend was thwarted by the pandemic from March 2020. The livestream campaign garnered the SPORT1 YouTube channel good results in the first and fourth quarter especially. The coronavirus crisis had less impact on YouTube, where more timeless content was placed that was independent of the news and current events.

SPORT1 launched its own podcast family in September 2019. The range was extended to 17 podcasts in total by the end of December 2020. The podcasts are available on the usual streaming platforms, Spotify, Apple Podcasts, Google Podcasts, Amazon Music, Deezer and Podigee, and on SPORT1.de and the SPORT1 apps.

On its social media channels – Facebook, Instagram, Twitter, YouTube and TikTok – SPORT1 had 6.3 million fans and followers in total by the end of December 2020 (December 2019: 5.67 million). Growth was particularly strong on TikTok – where SPORT1 is the leading sports medium in Germany with over 580,000 followers.



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

OVERALL ASSESSMENT OF THE REPORTING PERIOD

In the opinion of the company and given the coronavirus pandemic, the business performance of the Highlight Group was satisfactory overall in 2020. At CHF 414.6 million, consolidated sales were down 14.8 % on the prior-year figure of CHF 486.8 million.

EBIT declined by 13.4 % to CHF 25.6 million, while consolidated net profit was also down year-on-year at CHF 12.0 million (previous year: CHF 25.4 million).

With a consolidated net profit attributable to shareholders of CHF 12.2 million after CHF 25.2 million in the previous year, earnings per share declined by half year-on-year CHF 0.21.

RESULTS OF GROUP OPERATIONS

Reduction in consolidated sales

The Highlight Group generated consolidated sales of CHF 414.6 million in the past fiscal year, a decrease of CHF 72.2 million as against the previous year (CHF 486.8 million). All segments (Film, Sports- and Event-Marketing and Sports) generated lower external sales than in the previous year.

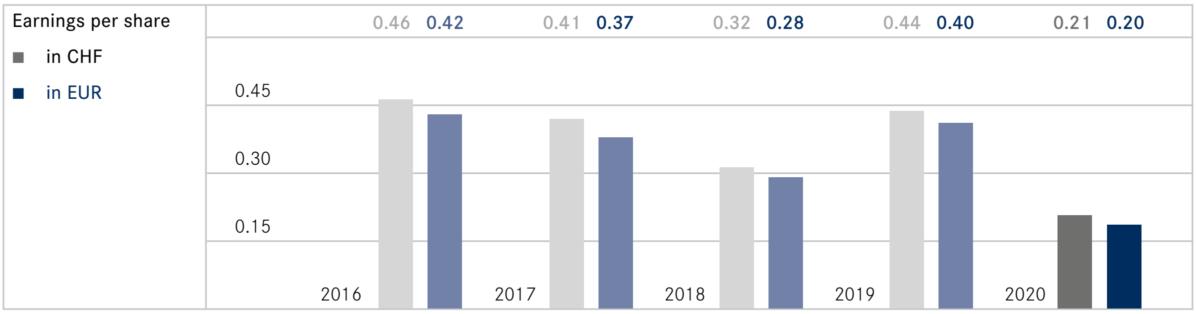
At CHF 93.2 million, capitalized film production costs and other own work capitalized were also down CHF 2.6 million on the figure for 2019 (CHF 95.9 million).

Other operating income fell by CHF 25.8 million to CHF 16.0 million (previous year: CHF 41.8 million).

EBIT down slightly on previous year

At CHF 498.3 million in total, consolidated operating expenses were down CHF 96.7 million or 16.2 % on the figure for 2019 (CHF 594.9 million). The cost of materials and licenses fell by CHF 6.2 million to CHF 218.3 million (previous year: CHF 224.5 million), while staff costs also declined by CHF 17.6 million to CHF 153.0 million (previous year: CHF 170.6 million). At CHF 74.7 million, amortization, depreciation and impairment were down CHF 41.6 million on the previous year's figure (CHF 116.3 million). Amortization on film assets is performance-based, reflecting the loss in value of the film rights used based on the recoverable sales. The decrease in amortization is therefore essentially a result of the lower sales in the Film segment in the reporting year.

As a result of the decrease in sales and the lower level of capitalized film production costs, which was not fully offset by the reduction in consolidated operating expenses, EBIT fell by CHF 4.0 million or 13.4 % to CHF 25.6 million (previous year: CHF 29.5 million).



Tax expenses reduce consolidated net profit

The financial result climbed by CHF 1.7 million to CHF –5.4 million (previous year: CHF –7.1 million). Financial income rose by CHF 1.9 million to CHF 4.2 million (previous year: CHF 2.3 million), while financial expenses increased by CHF 0.1 million to CHF 9.5 million (previous year: CHF 9.4 million). Taking into account tax expenses (current and deferred taxes) in the amount of CHF 8.2 million compared to tax income of CHF 2.9 million in the previous year, the Highlight Group reported a consolidated net profit for fiscal 2020 of CHF 12.0 million (previous year: CHF 25.4 million). CHF –0.2 million (previous year: CHF 0.2 million) of this profit is attributable to non-controlling interests. The share of earnings attributable to Highlight's shareholders is therefore CHF 12.2 million after CHF 25.2 million in the previous year. Based on an average of 56.7 million shares outstanding in the reporting year (previous year: 56.8 million), this resulted in earnings per share of CHF 0.21 (previous year: CHF 0.44).

RESULTS OF SEGMENT OPERATIONS

Film: Earnings down

The Constantin Film Group had to revise its targets in fiscal 2020 owing to the closure of movie theaters and the temporary suspension of shooting in conjunction with the national lockdowns in March and November. There were a total of six in-house and co-productions in theatrical production, including the in-house production “Caveman” starring Moritz Bleibtreu and Wotan Wilke Möhring and the productions “Hui Buh 2”, the “Resident Evil” reboot and “Zwischen Uns”.

Four movies were released in German movie theaters in theatrical distribution in the fiscal year, including “After We Collided”, the next installment in the successful “After” series. This movie ranked tenth on the German theatrical market in terms of audience in 2020. The exploitation of three of the four movies was interrupted by the second lockdown and the associated movie theater closures. Another four releases originally planned for the end of the year have not yet gone ahead owing to closures on account of the pandemic. These titles will be rescheduled and exploited after theaters reopen.

Home entertainment exploitation retained a strong market position thanks to a balanced portfolio, including theatrical successes such as “Das perfekte Geheimnis” and “Die 3!!!”.

In TV exploitation/license trading, various license sales of in-house and third-party productions again took place in 2020. “Black Beauty”, a production originally intended for global theatrical exploitation, was sold to the streaming service Disney+. In free TV, sales were generated in particular by the start of initial licenses such as “Fack Ju Göhte 3” (Sat. 1). In the pay TV sector, there were also the initial licenses for “Das perfekte Geheimnis” (Sky) and “Der Vorname” (Sky).

Sales in the Film segment amounted to CHF 261.3 million in the year under review (previous year: CHF 303.5 million). Other segment income, which is largely influenced by capitalized film production costs, fell by 18.6 % to CHF 104.3 million (previous year: CHF 128.0 million). Segment expenses fell – in particular on account of a significant reduction in amortization – by 15.1 % in total to CHF 352.4 million (previous year: CHF 415.2 million), resulting in segment earnings falling by 19.1 % to CHF 13.3 million (previous year: CHF 16.4 million).

"Die Heiland – Wir sind Anwalt" – viewer draw since 2018 (TV premiere)

Sports- and Event-Marketing: Slight decline in sales

The TEAM group successfully completed the development of commercial concepts and rights packages for the 2021/22 to 2023/24 cycle of the UEFA Champions League, the UEFA Europa League and the new UEFA European Conference League in the reporting year.

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

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

At CHF 61.5 million, external sales in the Sports- and Event-Marketing segment were down by 5.0% on the previous year's level (CHF 64.7 million) on account of currency effects. Segment expenses declined by CHF 36.2 million to CHF 34.8 million, while other income fell by CHF 0.7 million to CHF 0.6 million.

As a result, segment earnings were down 6.6% year-on-year at CHF 27.2 million (previous year: CHF 29.2 million).

Sports: Negative earnings contribution

In the reporting year, the Sports segment continued to focus on optimizing its portfolio of rights, improving and creating new digital content and marketing environments in addition to cross-platform content exploitation, networking and capitalization.

The segment generated sales of CHF 91.8 million in fiscal 2020, down 22.6% on the figure for the previous year (CHF 118.6 million). Other income declined by 47.1% from CHF 9.2 million to CHF 4.9 million. Expenses amounted to CHF 106.2 million, down 22.2% year-on-year (CHF 136.5 million), as a result of which segment earnings were also below the previous year's level at CHF -9.0 million (previous year: CHF -8.2 million).

Holding costs below prior-year level

The costs of holding activities decreased by CHF 1.9 million in fiscal 2020 to CHF 5.9 million (previous year: CHF 7.8 million).

NET ASSETS SITUATION

Total assets stable year-on-year

As of December 31, 2020, the total assets of the Highlight Group amounted to CHF 661.3 million, a slight reduction of CHF 12.7 million as against the end of 2019 (CHF 673.9 million).

On the assets side of the statement of financial position, the decrease was exclusively due to non-current assets, which declined by CHF 20.4 million to CHF 437.5 million (December 31, 2019: CHF 457.8 million). This development was largely influenced by "Film assets" of CHF 162.0 million (December 31, 2019: CHF 174.7 million), which decreased by a total of CHF 12.7 million. The share of non-current assets in total assets therefore fell to 66.2% (previous year: 67.9%).

TV premiere to mark Iris Berben's 70th birthday: "Nicht tot zu kriegen"

By contrast, current assets rose by CHF 7.7 million to CHF 223.8 million (December 31, 2019: CHF 216.1 million). In particular, this was thanks to a significant increase in inventories of CHF 16.9 million to CHF 24.1 million while – as the strongest offsetting effect – trade and other receivables declined by CHF 18.4 million to CHF 118.1 million. At CHF 48.2 million, cash and cash equivalents were down slightly on the prior-year figure of CHF 53.0 million.

Slight decrease in film assets

The value of film assets as of the end of the reporting period was CHF 162.0 million, a drop of CHF 12.7 million as against the end of 2019 (CHF 174.7 million). CHF 146.2 million of this total related to in-house productions (December 31, 2019: CHF 159.6 million) and CHF 15.7 million to third-party productions (December 31, 2019: CHF 15.1 million).

Additions to film assets amounted to CHF 41.9 million in fiscal 2020 – a reduction of CHF 50.5 million as against the previous year (CHF 92.5 million). This was offset by amortization of CHF 45.3 million (previous year: CHF 91.0 million) and impairment losses of CHF 8.8 million (previous year: CHF 5.6 million).

Decrease in non-current liabilities and current liabilities

On the equity and liabilities side of the statement of financial position, non-current liabilities decreased by CHF 18.4 million to CHF 173.4 million (December 31, 2019: CHF 191.8 million), largely as a result of a reduction in financial liabilities of CHF 17.7 million.

Current liabilities fell by CHF 3.6 million to CHF 280.8 million (December 31, 2019: CHF 284.4 million). This development results in particular from the decrease in advance payments received of CHF 5.3 million to CHF 52.1 million. There were other notable declines in trade payables and other liabilities (down CHF 4.5 million to CHF 130.0 million) and provisions (down CHF 1.7 million to CHF 2.8 million). Offsetting this, there were increases in particular in financial liabilities (up CHF 2.7 million at CHF 69.4 million) and contract liabilities (up CHF 2.5 million at CHF 9.9 million).

Equity ratio up year-on-year

Consolidated equity (including non-controlling interests) climbed by CHF 9.3 million from CHF 197.7 million as of the end of the previous year to CHF 207.0 million. Equity was increased by the consolidated net profit for the period of CHF 12.0 million but reduced by the changes in non-controlling interests (down CHF -1.7 million) and dividend payments of CHF 1.2 million.

Relative to total assets, this equity corresponds to a notional equity ratio of 31.3 % – an increase of 2.0 percentage points as against December 31, 2019 (29.3 %). The adjusted equity ratio (after netting cash and cash equivalents against financial liabilities and film assets against advance payments received) was 36.9 % as of the end of 2020 (December 31, 2019: 35.1 %).

For detailed information on the development of consolidated equity, please see the consolidated financial statements (pages 90 and 91).

TV event achieves high market share: "Gott"

FINANCIAL SITUATION

Current net debt of CHF 31.1 million

Cash and cash equivalents amounted to CHF 48.2 million as of December 31, 2020, down CHF 4.8 million as against the end of fiscal 2019 (CHF 53.0 million). At the same time, financial liabilities increased by CHF 2.7 million to CHF 69.4 million (December 31, 2019: CHF 66.7 million), resulting in current net debt of CHF 31.1 million as of the end of the reporting period (December 31, 2019: CHF 21.7 million), equivalent to gearing of 15.0 % (previous year: 11.0 %). Including non-current financial and lease liabilities, net debt amounted to CHF 163.8 million (previous year: CHF 174.7 million).

Operating activities generated a net cash outflow of CHF 71.2 million in the year under review – a drop of CHF 54.4 million as against fiscal 2019 (CHF 125.6 million), due in part to changes in net working capital.

Net cash used in investing activities fell significantly by CHF 63.2 million as against the previous year (CHF 111.7 million) to CHF 48.5 million. This change is essentially due to significant declines in film assets of CHF 52.7 million to CHF 41.0 million (previous year: CHF 93.7 million) and payments for property, plant and equipment of CHF 2.9 million to CHF 3.7 million (previous year: CHF 6.6 million).

The cash used by the Highlight Group's financing activities amounted to CHF 27.0 million in fiscal 2020 (previous year: cash used of CHF 11.8 million). There were repayments of current financial liabilities of CHF 25.7 million (previous year: CHF 93.1 million), while dividend distributions were down by CHF 11.4 million year-on-year at CHF 1.2 million (CHF 12.6 million). This was offset by proceeds from the receipt of current financial liabilities, which were CHF 123.1 million lower at CHF 10.5 million (previous year: CHF 133.5 million).

External and internal financing sources ensure liquidity

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

TV event adaptation of Ferdinand von Schirach's best-seller: "Feinde

PERSONNEL REPORT

In fiscal 2020, the Highlight Group employed an average of 1,440 people (previous year: 1,428), including freelance staff. 142 of these (previous year: 131) worked in Switzerland, 1,298 (previous year: 1,297) in Germany and 0 (previous year: 0) worked in Austria.

REPORT ON RISKS AND OPPORTUNITIES

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

RISK MANAGEMENT SYSTEM

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

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

The Highlight Group's risk management system comprises risks and opportunities in equal measure. In line with the decentralized Group structure, operational responsibility for dealing with risks lies with the respective risk officers. These are mainly the directors and committee members, or the management members and department managers of the individual subsidiaries. The factors underlying the risks and opportunities are identified and assessed on a quarterly basis and approved by the risk officers. At Group level, the reported factors are standardized and consolidated where appropriate. Potential risks to the company as a going concern are required to be reported immediately. Please also refer to the reports on risks and opportunities of Sport1 Medien AG and the Constantin Film AG.

High TV market share: “Das Unwort”

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

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

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

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

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

The movie and the successful series of the same name, “Berlin, Berlin”, launch on Netflix in 2020

INFORMATION ON INDIVIDUAL RISKS

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

Regulatory risks

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

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

- The Federal and State Default Fund was created for theatrical productions and high-end series at the initiative of the Commissioner for Culture and the Media to provide compensation for losses resulting from halted or canceled productions due to Covid-19. This is part of the RESTART CULTURE stimulus package. The Commissioner for Culture and the Media is providing up to EUR 50 million for the fund for 2020 and 2021.
- The German government is providing the German Federal Film Board with EUR 11 million from the RESTART CULTURE program. This is intended to counteract the substantial market disruption due to Covid-19 and help to restart theatrical distribution in Germany in the coming months.
- Even in the pandemic, the financial success of theatrical production and distribution is still largely dependent on the German film subsidy framework, hence there is a risk of such subsidies being reduced. The Constantin Film Group is constantly monitoring developments in the area of film subsidies in order to satisfy the relevant criteria for its productions and to participate in subsidies.
- At EU level, the plans for the digital single market are continuing to take on shape. In this context, EU Directive 2019/789/EU was adopted in the middle of 2019. This is intended to selectively limit the scope of the country of origin principle and it is assumed that the territorial principle will continue to apply to licensed and service productions and to broadcast-based online services. Nonetheless, it must be ensured that these regulations are endorsed in German law. On June 24, 2020, the Federal Ministry of Justice and Consumer Protection published a discussion draft for implementing the Directive that contains all the restrictions found in the Directive. The Directives are to be endorsed in German law by June 7, 2021.
- In addition to the above proceedings, a number of other legislative proceedings are underway at national and EU level that could affect the Constantin Film Group, such as regulations to modify copyright contract law at national level of the amendment of the geoblocking regulation at EU level.

- The sale of advertising time to providers of products such as sports betting, online casinos, lotteries or poker schools is heavily regulated. Regulatory measures such as concessions, prohibitions, or other restrictions could change the economic conditions for providers of these products, which could have an indirect effect on the planned sales.
- In this context, possible administrative proceedings or antitrust proceedings against companies of the Group in terms of the advertising of these products could also have a direct negative effect on the recognition of sales and possibly lead to increased costs.
- From 2023, the amendment of the German Telecommunications Act by parliament could strip the ancillary cost privilege that allows landlords to bill tenants for cable connections at a flat rate. Between 8 and 11 million households in Germany are supplied with television in this way. The loss of this privilege could lead to customers abandoning traditional cable network providers and possibly instead switching to distribution channels not monitored by AGF or consuming less linear television. While it is difficult to make a clear forecast, there is the risk that up to 10 % of technical range could be lost. This could lead to lower market share and thus a decline in sales.
- Further regulatory risks result from the entry into force of the German Interstate Media Treaty, which is to be ratified in the federal states in 2020. The planned easy findability of public-sector and private-sector content that meets certain diversity criteria could give rise to a disadvantage for SPORT1 if it does not meet the criteria for an easily findable channel. Furthermore, platform access is not to be expanded to platforms that are not linked to infrastructure, meaning that major OTT players could make access difficult for SPORT1.
- Other regulatory risks could arise from the current discussion of a possible future “New Media Ordinance” or “Convergent TV Regulation”, e. g. as a result of an amended German Interstate Broadcasting Treaty, and thereby a new model of regulation for linear and non-linear media services. This might not sufficiently take into account the interests of Sport1 GmbH, particularly in the context of the distribution of SPORT1 TV programming and its findability in the digital media world.
- The e-Privacy Regulation, which is intended to regulate the use of cookies and similar technologies, the admissibility of creating user profiles (tracking, profiling, retargeting) or measures on the use of personal data, is currently working its way through the EU legislative procedure. It is expected to become binding after a transition period for 2020/2021. Under this regulation, there will have to be an active declaration of consent from every Internet user for every website and every device before that user’s data can be collected and thereby advertising based on these data can be deployed. If users refuse their consent, it will not be permitted to display any data-driven advertising. Even a frequency cap on the number of times an ad is shown will no longer be possible as the use of cookies will no longer be permitted. This has an enormous impact on the way that advertising campaigns will be devised in the future, and could have a negative impact on sales and earnings. In addition, a violation of the regulation could lead to substantial fines.

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

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

Business and market risks

The Highlight Group requires access to licenses and source material

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

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

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

Overall, this risk continues to be classified as significant.

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

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

- Market changes in the movie-theater or the home entertainment sector, such as falling audience and sales figures or growing competition, could be linked with a drop in prices for productions and licensed products. The expiry of framework agreements or a deterioration in the economic situation of licensees can lead to falling sale prices for licenses and thus threaten the intrinsic value of the film assets.
- A strong competitive environment could result in decreasing margins in theatrical distribution business.
- There is not inconsiderable competition for advertisers' limited budgets, coupled with a rising number of TV broadcasters and other potential advertising platforms. Declining advertising investment and falling prices in the marketing of airtime and ad space could have a material impact on the Group's sales and earnings performance.
- The changes or adjustments to AGF Videoforschung GmbH's television panel weighting model can lead to an unplanned loss of market share for the free-TV broadcaster SPORT1, and as a consequence of this possibly to declining prices in the marketing of airtime and ad space.

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

Accordingly, this risk continues to be classified as significant.

The Highlight Group is dependent on customers and business partners

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

- In the Sports- and Event-Marketing segment, the TEAM Group is dependent on the major client UEFA.
- With regard to the exploitation of theatrical productions, the Group is dependent on Sky Deutschland Fernsehen GmbH & Co. KG at the pay TV exploitation stage, as a considerable portion of its pay TV license sales is generated with this partner. If framework agreements are not extended, or are extended only at considerably worse terms, this could result in declining sales for the Highlight Group.

- There is a dependence on the major German TV stations and on the number/size of the stations overall. In the Film segment, a considerable part of production costs is covered by sublicensing TV transmission rights to theatrical movies. The attainable margins could be lower than planned due to a strong position held by the TV stations.
- The market for TV ad time is defined by concentrated structures on both the supply and the demand sides. On the demand side, there are essentially seven large associations of media agencies that, in turn, typically consist of a number of smaller agencies. Their counterparts on the supply side are mainly the two private broadcast groups RTL and ProSiebenSat.1 and the public broadcasters, along with independent marketing companies, which include Sport1 Media GmbH and Magic Sports Media GmbH, which market SPORT1's platforms and content. If advertising budgets diminish, the price level for airspace marketing falls or customers cease to operate, this could have significant consequences for the company's sales and earnings performance. A further increase in competitive intensity on the German advertising market can currently be observed.

Sport1 GmbH has significant cross-media cooperations with various automotive manufacturers. As a result of the introduction of new emissions standards and the associated sales difficulties, advertising investments by the automotive industry and related sectors could decline in the future or lead to falling prices in the marketing of airtime and ad space. This could have a material impact on the sales and earnings performance. Cultivating relationships with customers and business partners represents a key management task. Compliance with contractual agreements and the quality of goods supplied and services performed are reviewed on a regular basis.

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

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

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

- Due to technical possibilities for producing illegal copies of movies and the lack of legal protection against breaches of copyright, there is a risk of lost sales.
- The changing market environment for in-home viewing is likely to result in significant changes in consumer behavior and the provider structure in the medium term. Analyzing the opportunities and risks for content producers as a result of this development, which is driven chiefly by IP-based offers such as SVoD, is a central topic of the Constantin Film Group's strategic discussions.
- There are contracts in place with the key cable network, satellite and platform operators in Germany to secure the digital distribution of the channels operated by Sport1 GmbH in the medium term. However, contractual termination rights or changing legal requirements and competitor conduct on other channels could have a negative impact on the cable distribution of SPORT1 and the distribution of pay TV programming in general.

- Analog cable distribution is gradually being discontinued in Germany. Since the middle of 2019, the relevant cable network operators will halt analog TV broadcasts, relying instead on digital channels. Media institutions do not currently assign capacity on digital cable for private broadcasters.
- As only digital broadcasts will be available in the future, the free-TV channel SPORT1 will no longer be just one of 30 analog programs, but rather one of several hundred digital programs. The ability to find channels will therefore be essential to them.

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

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

Legal risks

The Highlight Group is subject to risks from legal disputes

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

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

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

Operational risks

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

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

- In TV service productions, the cost risk can be high due to development costs. In the event of non-commissioning, these costs are often only partially borne by the respective broadcaster. Even in the case of an order, there is no requirement for these costs to be added as initial costs to the budget of the respective TV provider.
- For TV broadcasters, in terms of tying up big-spending advertising partners, successful coverage and market share performance are important when buying and producing program content. This is why program providers are increasingly reserving the option to back out of a format commissioned in their contracts with producers if it fails to meet ratings expectations. Therefore, producers increasingly face the risk of having productions canceled at short notice.

- In the unlikely event of a delay or cancellation of a theatrical or TV service production due to unforeseeable market or project developments, it is possible that already delivered or commissioned services may no longer be usable and additional costs may arise from renewed commissioning of the services.
- The lack of budget discipline in terms of release expenses can cause an overspend on film-related marketing costs and reduce a film's contribution margin.
- Unlike theatrical movies, international TV series cannot be financed largely by way of advance sales based on the script. Sales cannot generally be made until at least one completed pilot episode has been presented. As a result, production costs have already reached an advanced stage by the time any sales take place.

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

Constantin Film AG is applying for formats at various broadcasters and program providers/distribution platforms in Germany and abroad and has entered into development contracts for series and non-series formats. Thanks to its long-term experience in producing movies, Constantin Film AG has usually managed to fully cover production costs with the exploitation sales in the past. Furthermore, Constantin Film AG kept film productions on schedule and on budget and largely avoided unplanned costs or insured against them.

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

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

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

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

The risks with regard to unauthorized access to company data are largely eliminated by using virus scanners and firewall systems. In addition, the Group has taken measures to keep the existing IT service landscape in line with the current technological standard and to counteract the obsolescence process in device and program technology. Broadcasting-related technology is often available in duplicate form and its functionality is monitored in a timely manner.

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

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

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

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

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

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

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

The Highlight Group could have insufficient insurance against damages and claims

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

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

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

Compliance risks

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

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

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

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

Financial risks

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

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

The Highlight Group is subject to the credit risk

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

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

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

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

The Highlight Group is subject to liquidity risks

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

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

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

The Highlight Group is exposed to currency risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OPPORTUNITY MANAGEMENT SYSTEM

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

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

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

INFORMATION ON INDIVIDUAL OPPORTUNITIES

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

Business and market opportunities

The Highlight Group sees opportunities in implementing the digital transformation strategy

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

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

This opportunity continues to be classified as medium.

Operational opportunities

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

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

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

This opportunity continues to be classified as medium.

The Highlight Group sees opportunities in the cooperation with UEFA

Based on the TEAM Group's long-term collaboration with UEFA for marketing the commercial rights to the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup until the 2023/24 season, the prospects for continuation of the close cooperation with the Union of European Football Associations for further seasons until 2026/2027 are – subject to TEAM's ongoing performance – very strong.

This opportunity continues to be classified as medium.

SUMMARY OF THE OPPORTUNITY AND RISK SITUATION

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

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

In summary, three risk clusters can be identified: The first category comprises risks originating externally, which arise in particular from regulatory interventions and legal requirements and are difficult to influence. These topics are monitored closely in order to identify unfavorable developments at an early stage. In general, the effect of these topics is inherently not short-term, meaning that it is possible to respond to them with adjustments in the planning process. The second category covers topics that the Group management knowingly accepts for reasons relating to the implementation of the business strategy. These include in particular risks arising from film and TV production, access to license rights and source material, sales-, taste- and consumer-related risks. The Group management believes that the effects of these risks are manageable in relation to the income opportunities arising from the business areas concerned. By monitoring key indicators, it is possible to identify whether this relationship between risk and opportunity is worsening on a long-term basis in individual areas. If so, this can be addressed by adapting the strategy.

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

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

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

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

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

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

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

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

RISKS AND OPPORTUNITIES OF HIGHLIGHT COMMUNICATIONS AG

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

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

FORECAST

GENERAL ECONOMIC ENVIRONMENT

In its latest World Economic Outlook, the International Monetary Fund (IMF) is forecasting a stabilization of global growth for 2021. The approval and availability of multiple Covid-19 vaccines provide hope that the economy will bounce back quickly. The IMF is anticipating a return to the, at times, high growth rates of previous years, though the pandemic and new variants of the virus especially remain a source of major uncertainty in forecasts. According to IMF experts, the growth rate for global economic output is 5.5 % for the current year, a marginal increase of 0.3 % compared to its previous forecast in October 2020. On the one hand, this is thanks to the recent positive news regarding the approval, production and delivery of vaccines. On the other, it stems from the hope for more relaxed international relations following the election of the Democrat Joe Biden as the President of the United States in November.

According to IMF estimates, the economy in the euro area will expand by 4.3 % in 2021, a strong increase as against the previous year. Compared to its projections in October 2020, the IMF has slightly scaled back its growth forecast for Germany once again to 3.5 % for the current year.

The Swiss State Secretariat for Economic Affairs (SECO) is forecasting a solid rising trend for the Swiss economy, which will likely be reflected in GDP growth of 3.2 % in the current year (2020: -3.3 %). Its experts mainly attribute the anticipated economic acceleration to the stemming of the pandemic by vaccines and consistently expansive monetary and fiscal policy. As a result of these measures, Switzerland's economic growth is expected to return to pre-crisis levels towards the end of this year. Following a slump in 2020, the SECO is forecasting a slow recovery in construction and equipment investment and a surge in exports for 2021. Moreover, thanks to the good situation on the Swiss labor market, its experts are predicting something of a recovery in consumer spending in 2021.

MEDIA AND ENTERTAINMENT MARKET ENVIRONMENT IN GERMANY

Following the crisis year of 2020, the audit company PricewaterhouseCoopers (PwC) is forecasting that the media industry will grow by 7.6 % to EUR 58.4 billion in 2021. An average annual growth rate of 1.1 % is assumed from 2020 to 2024, which would see the market volume climb to around EUR 61 billion within the space of five years. This development is being driven mainly by digital content: between now and 2024, average annual growth of 20.8 % is expected for virtual reality, 4.8 % for e-sports and 9.0 % for Internet video.

FOCUS IN FISCAL YEAR 2021

Film segment

Industry conditions

During the Covid-19 pandemic, it is not possible to make a forecast for the movie theater market in 2021 (or the years beyond) – at least as long as movie theaters remain closed. Meaningful forecasts for the development of the movie theater market after the lockdown ends are also not possible. The reasons for this are that a large number of movies will then be released and will have to vie for audiences' favor. Movie theaters will also have to compete against other consumer and leisure options for attention and sales.

PricewaterhouseCoopers is forecasting that after the sharp decline due to the pandemic in 2020 the movie theatre market will grow by an average of 2.9 % per year until 2024.

For the cable TV market a decline in revenues of 0.2 % is forecast by 2024 due to the decline in TV householders in Germany.

While the negative trend on the physical home entertainment market will presumably continue, the growth prospects for digital home entertainment are still very positive. Thus, a volume of around EUR 2.3 billion is projected for the VoD market as a whole by 2022, corresponding to an average annual growth rate of 15 %. The SVoD segment is set to grow at an annual rate of 16 %, outperforming the anticipated growth rate in the TVoD segment (5 %).

Key areas

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

In the area of theatrical distribution, in the foreseeably difficult year of 2021, the Constantin Film Group is continuing to implement its proven strategy of combining national and international in-house and co-productions with high-quality third-party productions and releasing these titles in theaters with a suitable press and marketing strategy at the most favorable time – though this may be more difficult to find than in previous years given the large volume of releases anticipated after the end of lockdown.

As things currently stand, and subject to the planning uncertainty due to the pandemic, at least fourteen new theatrical releases are intended for 2021. They consist of five licensed titles and nine in-house and co-productions. These include "Ostwind – Der große Orkan", "Kaiserschmarrndrama", "Dragon Rider", "Monster Hunter" and "Contra".

The Constantin Film Group is again excellently positioned for home entertainment exploitation in 2021 with the hit movies "After We Collided" and "Dragon Rider" from 2020 and the movies "Monster Hunter" and "Ostwind – Der große Orkan". Consequently, the market position in the home entertainment sector in the current fiscal year is expected to be unchanged from the previous year. The good prospects for 2021 are also built on the Constantin Film Group's own digital distribution operations and the consistently good sales figures for catalog products.

In free TV exploitation, sales in 2021 will be generated by movies including “Der Vorname” (ProSieben), “Der Fall Collini” (ProSieben) and “After Passion” (ProSieben). Titles expected to generate sales on pay TV (PPC) include “After We Collided” (Sky) and “Le meilleur reste à venir” (Sky).

For TV service and co-productions commissioned by broadcasters and streaming providers not covered by the first default fund, the second default fund became effective on January 1, 2021; a sum of EUR 43.5 million is available in Germany for losses/additional costs caused by the pandemic.

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

Despite the Covid-19 pandemic, Constantin Film AG expects a stable order situation for TV service and co-productions, which will be positively influenced by the continuing demand for content. Constantin Film’s subsidiaries are therefore preparing a number of projects for 2021, including further episodes of the soap opera “Dahoam is Dahoam” (BR), the TV series “Kroatien-Krimi” (ARD) and ”Kommissarin Lucas” (ZDF) and more Ferdinand von Schirach projects.

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

Sports- and Event-Marketing segment

Industry conditions

In December 2020, the media planning and purchasing company ZenithOptimedia predicted that global advertising expenditure will grow by 5.6 % to US$ 620 billion in 2021, boosted by the favorable comparison with 2020, and the delayed Summer Olympics and UEFA European Football Championships. In 2022, advertising expenditure will grow by 5.2 % to reach US$ 652 billion. These forecasts assume that the global economy will start a sustained recovery after the Covid-19 pandemic and are subject to wide uncertainty.

Key areas

TEAM-Group

In the first half of 2021, the TEAM Group’s activities will focus on finalizing the sales processes of the media, sponsorship and licensing rights of the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League (for the 2021/22 to 2023/24 seasons in each case). The TEAM Group will also continue to maintain strong relationships with incumbent broadcasters, sponsors and licensees globally throughout this sales phase. In parallel, the TEAM Group will focus on supporting UEFA to deliver a successful knockout stage and two club competitions finals in Istanbul, Turkey, and Gdansk, Poland, for the last season of the 2018/19–2020/21 three-year rights cycle.

Highlight Event AG

Highlight Event’s projects have a clear and present focus on producing and staging the 2021 Eurovision Song Contest in Rotterdam under highly challenging conditions. Strict local audience restrictions are anticipated (no public gatherings of fans, limited ticket contingents and hospitality activities), which will lead to renegotiations with the sponsors in turn. Nonetheless, there is confidence that the event will definitely take place – with or without an audience. Following the 2021 Eurovision Song Contest, primary attention will move on to selling media and marketing rights for 2022. For the Vienna Philharmonic Orchestra, the main focus is on staging the New Year’s Day Concert, the Summer Night Concert and various sponsorship events in conjunction with six concerts (Milan, Florence, Cologne, Copenhagen, Amsterdam and Barcelona; if they even happen). The sale of media and marketing rights for the 2023 to 2027 cycle is also still a top priority.

Sports segment

Industry conditions

PricewaterhouseCoopers is forecasting that, after the Covid decline in 2020, the German media and entertainment market will grow by an average of 1.1 % per year to EUR 65.2 billion over the five years ending in 2024. The main catalyst for this is the rapid growth of digital products, which was accelerated by the coronavirus pandemic.

Even though the use of linear television has been declining slightly overall for years, the extremely high demand for information during the coronavirus pandemic showed that, by some margin, people still consider traditional television to be the most credible source of news. PwC assumes that, in the long term, television will therefore be able to retain more viewers who would otherwise long since have moved on to other forms of media, until the pandemic one day goes away and the need for information generally declines again.

By 2024, PwC anticipates a decline to 38.1 million TV householders in Germany – mainly on account of the shrinking cable TV market. By contrast, video-on-demand is expected to grow by an average of 9.0 % per year to EUR 1.8 billion. Among other things, the experts at PwC attribute this forecast to the growing willingness to pay for VoD content.

In terms of advertising, for the TV advertising sector an annual average decline of 0.8 % to EUR 4.5 billion by 2024 is expected, while experts anticipate average annual growth of 4.5 % to EUR 10.6 billion in online advertising.

All experts believe that there will be a particularly sharp increase in data consumption in the coming years: They also forecast a positive development in the virtual reality (VR) segment in conjunction with large data volumes. Average annual growth of 20.8 % is predicted, bringing the market volume of the segment to EUR 169 million by 2024.

A key growth area of enormous future significance for SPORT1 is e-sports: PwC is forecasting that this market will grow by an average of 4.8 % per year to EUR 5.7 billion in Germany by 2024.

Key areas

The focus will be on the systematic use, distribution and capitalization of multimedia content in fiscal 2021 as well. In addition to augmenting the SPORT1 portfolio by acquiring new rights, extending existing partnerships and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central. In particular, these include the core sports of football, motorsports, ice hockey, basketball, volleyball, darts, tennis, US sports and e-sports. Given the continued massive growth in the digital and cross-platform use of media content, the Sports segment will also continue to promote the digital diversification of the SPORT1 brand, while at the same time creating new content and marketing environments for example with the exploitation on digital platforms of highlight and archive clips of the Bundesliga 1 and 2, that were acquired at the DFL rights assignment.

In addition to complex live and non-live productions, PLAZAMEDIA will continue to focus on developing innovative production technologies, content management solutions and technical content distribution in 2021.

The main priorities for sports at the other subsidiaries of Sport1 Medien AG will also be maintaining and expanding existing customer relationships and developing new ones. There will be a particular focus on making the best possible use of synergies in the sports sector, where the subsidiaries cover the entire value chain and accordingly provide integrated services for partners and customers.

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

Financial targets of the Highlight Group

In the Film segment, provided that economically viable exploitation of our movies is possible again later in 2021 and in the second half of the year at the latest, the Constantin Film Group expects to release successful movies in German theaters again in fiscal 2021. Overall, sales from German theatrical exploitation are expected to be well above the previous year's level. Candidates with particular commercial potential at the box office are "Ostwind – Der große Orkan", "After We Fell", "Kaiserschmarrndrama", "Monster Hunter", and the new Sönke Wortmann movie "Contra".

Home entertainment sales in Germany are expected to be slightly lower than in the previous year. Top titles for exploitation in 2021 include "After We Collided" and "Dragon Rider". Another mainstay of the sales performance in this business area is the high-end series "Wir Kinder vom Bahnhof Zoo", which will be delivered to Amazon in 2021 and is generating high financing revenues that are attributable to the home entertainment segment. Movies that are released in theaters in the first half of the year usually generate significant sales from initial exploitation in the home entertainment segment in the second half of the year already, after the end of the corresponding holdback period usually lasting six months (in accordance with the German Film Subsidies Act). If theatrical releases are postponed from the first half of the year to the second in 2021 again due to the pandemic, then some of the allocated home entertainment revenue will likely be delayed until the following year.

In license trading/TV exploitation, sales generated in Germany from fictional productions are expected to be slightly lower than in the previous year. Key movies with high sales in 2021 will include "Der Vorname", "After Passion", and "Der Fall Collini", which were all successful in their theatrical exploitation. The licensed titles "Papillon" and "A Dog's Purpose" will also generate significant revenues from TV exploitation.

Sales from the international exploitation of in-house and co-productions are expected to be considerably higher than the previous year's level in 2021. The main sales drivers in this area will be the international productions "Resident Evil Reboot", "Monster Hunter", and "Dragon Rider".

In TV service production, the commissioning situation can be considered positive overall. Although many market developments will initially have to be monitored closely, a significant increase in sales is expected in 2021 overall as compared to the previous year. This is chiefly due to the substantial increase in production activity. The main new projects in this area include “Der Friedrichstadtpalast”, “KaDeWe”, and the English-language series production “Resident Evil TV – Venus Flytrap”. In the non-fiction segment, the Constantin Entertainment Group also expects to generate higher sales than in the previous year.

Overall, the Management Board’s sales expectations for the Constantin Film Group in fiscal 2021 are on a scale of EUR 290–340 million, well above the previous year’s level. The main pillars of the sales forecasts are firstly the increased revenues from international exploitation of Constantin Film movies, and in particular the considerably higher revenues in the area of TV service production and productions for streaming services. In addition, higher revenues are expected from theatrical exploitation and slightly lower revenues from the home entertainment business area (nationally and internationally) in 2021.

The Constantin Film Group is currently forecasting net profit before taxes of EUR 8–12 million and net profit attributable to shareholders of EUR 6–8 million on the back of a higher level of sales as compared to the previous year. License exploitation, particularly internationally, could result in positive potential if additional profit participation is realized; however, this potential cannot currently be quantified.

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

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

Pratteln, April 2021

The Board of Directors

Notes and forward-looking statements

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

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS 2020

as of December 31, 2020 of Highlight Communications AG, Pratteln

A successful year: Robert Lewandowski becomes the first Bundesliga player to be named FIFA World Footballer of the Year.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Note	Dec. 31, 2020	Dec. 31, 2019
Non-current assets			
In-house productions		146,242	159,617
Third-party productions		15,733	15,056
Film assets	6.1	161,975	174,673
Other intangible assets	6.2	62,259	58,216
Goodwill	6.2	133,077	133,554
Property, plant and equipment	6.3	13,674	14,686
Right-of-use assets	6.4	38,276	38,236
Advance payments for shares in affiliated companies		-	8,000
Investments in associated companies	6.6	54	54
Non-current receivables	6.7	13,116	16,021
Other assets	6.9	1,993	910
Deferred tax assets	6.8	13,034	13,499
		437,458	457,849
Current assets			
Inventories	6.10	24,114	7,187
Trade accounts receivable and other receivables	6.11	118,080	136,488
Contract assets	6.12	32,680	18,626
Other financial assets	6.9	23	14
Income tax receivables	6.13	758	814
Cash and cash equivalents	6.14	48,178	52,970
		223,833	216,099
Total assets		661,291	673,948

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

EQUITY AND LIABILITIES (TCHF)	Note	Dec. 31, 2020	Dec. 31, 2019
Equity	6.15		
Subscribed capital		63,000	63,000
Treasury stock		–6,300	–6,300
Capital reserve		–99,973	–98,968
Other reserves		–38,573	–38,753
Profit carryforward		280,714	268,374
Equity attributable to shareholders		198,868	187,353
Non-controlling interests		8,157	10,335
		207,025	197,688
Non-current liabilities			
Financial liabilities	6.18	103,319	121,059
Lease liabilities	6.4	29,328	31,904
Other liabilities	6.20	94	311
Pension liabilities	6.16	6,570	5,042
Deferred tax liabilities	6.17	34,124	33,527
		173,435	191,843
Current liabilities			
Financial liabilities	6.18	69,416	66,672
Lease liabilities	6.4	9,888	8,046
Advance payments received	6.19	52,147	57,487
Trade accounts payable and other liabilities	6.21	129,967	134,421
Contract liabilities	6.22	9,900	7,401
Provisions	6.23	2,835	4,572
Income tax liabilities	6.24	6,678	5,818
		280,831	284,417
Total equity and liabilities		661,291	673,948

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

CONSOLIDATED INCOME STATEMENT 2020

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Sales	7.1	414,567	486,813
Capitalized film production costs and other own work capitalized	7.2	93,241	95,857
Other operating income	7.3	16,038	41,799
Costs for licenses, commissions and materials		–44,602	–50,590
Costs for purchased services		–173,686	–173,915
Cost of materials and licenses	7.4	**–218,288**	**–224,505**
Salaries		–134,197	–149,743
Social security, pension costs		–18,818	–20,858
Personnel expenses	7.5	**–153,015**	**–170,601**
Amortization and impairment on film assets	6.1	–54,017	–96,636
Amortization, depreciation and impairment on intangible assets and property, plant and equipment	6.2/6.3	–11,501	–11,405
Amortization, depreciation and impairment on right-of-use assets	6.4	–8,706	–8,272
Amortization and impairment on goodwill	6.2	–454	–
Amortization, depreciation and impairment		**–74,678**	**–116,313**
Other operating expenses	7.6	**–52,165**	**–82,858**
Impairment/reversals of impairment on financial assets	7.7	**–107**	**–645**
Gains/losses from the derecognition of financial assets measured at amortized cost		**–20**	**–2**
Profit from operations		**25,573**	**29,545**
Earnings from investments in associated companies	6.6	**6**	**7**
Financial income	7.8	4,163	2,268
Financial expenses	7.9	–9,536	–9,389
Net financial result		**–5,373**	**–7,121**
Profit before taxes		**20,206**	**22,431**
Income taxes		–8,192	–5,269
Deferred taxes		–53	8,200
Taxes	7.10	**–8,245**	**2,931**
Net profit for the period		**11,961**	**25,362**
thereof shareholders' interests		12,179	25,173
thereof non-controlling interests		–218	189

Earnings per share (CHF)		
Earnings per share attributable to shareholders (basic)	0.21	0.44
Earnings per share attributable to shareholders (diluted)	0.21	0.44
Average number of shares in circulation (basic)	56,700,499	56,762,061
Average number of shares in circulation (diluted)	56,700,499	56,762,061

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS 2020

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Net profit for the period		**11,961**	**25,362**
Unrealized gains/losses from currency translation		–817	–4,939
Reclassification of realized gains/losses through profit or loss		–	630
Currency translation differences	6.15	–817	–4,309
Gains/losses from cash flow hedges	6.15	904	–251
Items that may be reclassified to the income statement in future		**87**	**–4,560**
Actuarial gains/losses of defined benefit pension plans	6.15	1,328	–911
Gains/losses from financial assets at fair value through other comprehensive income	6.15	–667	–18
Items that will not be reclassified to the income statement in future		**661**	**–929**
Total other comprehensive income/loss, net of tax		**748**	**–5,489**
Total comprehensive income/loss		**12,709**	**19,873**
thereof shareholders' interests		13,020	19,847
thereof non-controlling interests		–311	26

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2020

Highlight Communications AG, Pratteln

(TCHF)	Note	Equity Subscribed capital	 Treasury stock
Balance as of January 1, 2020		63,000	–6,300
Currency translation differences		–	–
Gains/losses from cash flow hedges		–	–
Items that may be reclassified to the income statement in future		–	–
Actuarial gains/losses of defined benefit pension plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income		–	–
Items that will not be reclassified to the income statement in future		–	–
Total other comprehensive income/loss, net of tax		–	–
Net profit for the period		–	–
Total comprehensive income/loss		–	–
Dividend payments		–	–
Change in the scope of consolidation		–	–
Change in non-controlling interests		–	–
Other changes		–	–
Balance as of December 31, 2020	6.15	63,000	–6,300
Balance as of January 1, 2019		63,000	–6,258
Currency translation differences		–	–
Gains/losses from cash flow hedges		–	–
Items that may be reclassified to the income statement in future		–	–
Actuarial gains/losses of defined benefit pension plans		–	–
Gains/losses from financial assets at fair value through other comprehensive income		–	–
Items that will not be reclassified to the income statement in future		–	–
Total other comprehensive income/loss, net of tax		–	–
Net profit for the period		–	–
Total comprehensive income/loss		–	–
Purchase of treasury stock		–	–42
Dividend payments		–	–
Change in the scope of consolidation		–	–
Change in non-controlling interests		–	–
Balance as of December 31, 2019	6.15	63,000	–6,300

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

attributable to shareholders

Capital reserve	Other reserves	Profit carryforward	Total	Non-controlling interests	Total equity
–98,968	**–38,753**	**268,374**	**187,353**	**10,335**	**197,688**
–	–724	–	–724	–93	–817
–	904	–	904	–	904
–	**180**	–	**180**	**–93**	**87**
–	–	1,328	1,328	–	1,328
–	–	–667	–667	–	–667
–	–	**661**	**661**	**–**	**661**
–	**180**	**661**	**841**	**–93**	**748**
–	–	12,179	12,179	–218	11,961
–	**180**	**12,840**	**13,020**	**–311**	**12,709**
–	–	–	–	–1,176	–1,176
–	–	–	–	–20	–20
–1,005	–	–	–1,005	–671	–1,676
–	–	–500	–500	–	–500
–99,973	**–38,573**	**280,714**	**198,868**	**8,157**	**207,025**
–67,203	**–34,356**	**244,287**	**199,470**	**26,112**	**225,582**
–	–4,146	–	–4,146	–163	–4,309
–	–251	–	–251	–	–251
–	**–4,397**	–	**–4,397**	**–163**	**–4,560**
–	–	–911	–911	–	–911
–	–	–18	–18	–	–18
–	–	**–929**	**–929**	**–**	**–929**
–	**–4,397**	**–929**	**–5,326**	**–163**	**–5,489**
–	–	25,173	25,173	189	25,362
–	**–4,397**	**24,244**	**19,847**	**26**	**19,873**
–	–	–157	–199	–	–199
–11,348	–	–	–11,348	–1,247	–12,595
–	–	–	–	107	107
–20,417	–	–	–20,417	–14,663	–35,080
–98,968	**–38,753**	**268,374**	**187,353**	**10,335**	**197,688**

CONSOLIDATED STATEMENT OF CASH FLOWS 2020

Highlight Communications AG, Pratteln

(TCHF)	Note	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Net profit for the period		11,961	25,362
Deferred taxes		53	–8,200
Income taxes		8,192	5,269
Financial result (without currency result)		6,685	7,208
Earnings from investments in associated companies	6.6	–6	–7
Amortization, depreciation and impairment on non-current assets	6.1/6.2/6.3/6.4	74,678	116,313
Gain (-)/loss (+) from disposal of non-current assets	7.3/7.6	–52	–275
Other non-cash items		–963	1,351
Increase (-)/decrease (+) in inventories, trade accounts receivable and other assets not classified as investing or financing activities		–8,627	3,517
Decrease (-)/increase (+) in trade accounts payable and other liabilities not classified as investing or financing activities		–9,739	–17,222
Dividends received from associated companies	6.6	5	5
Interest paid		–4,943	–4,354
Interest received		1,106	389
Income taxes paid		–7,530	–4,272
Income taxes received		391	505
Cash flow from operating activities		71,211	125,589

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

(TCHF)	Note	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Change in cash and cash equivalents due to acquisition/ disposal of companies/shares in companies (net)	3.1	–764	859
Payments for intangible assets	6.2	–2,713	–3,697
Payments for film assets		–41,036	–93,730
Payments for property, plant and equipment	6.3	–3,730	–6,602
Payments for right-of-use assets		–477	–
Payments for financial assets	6.9	–	–620
Payments for purchase of non-controlling interests	3.1	–	–8,000
Proceeds from disposal of property, plant and equipment		219	97
Cash flow for investing activities		**–48,501**	**–111,693**
Payments for purchase of treasury stock	6.15	–	–199
Payments for purchase of non-controlling interests	6.15	–1,676	–35,080
Repayment of current financial liabilities	6.18	–25,687	–93,050
Repayment of lease liabilities	6.4	–8,903	–8,372
Proceeds from sale/leaseback	6.4	–	3,936
Proceeds from receipt of current financial liabilities	6.18	10,481	133,538
Dividend payments	6.15	–1,176	–12,595
Cash flow for financing activities		**–26,961**	**–11,822**
Cash flow for/from the reporting period		**–4,251**	**2,074**
Cash and cash equivalents at the beginning of the reporting period	6.14	52,970	52,530
Effects of currency differences		–541	–1,634
Cash and cash equivalents at the end of the reporting period	6.14	48,178	52,970
Change in cash and cash equivalents		**–4,251**	**2,074**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2020

Highlight Communications AG, Pratteln

1. GENERAL INFORMATION

The consolidated financial statements of the Highlight Group were adopted by the Board of Directors of Highlight Communications AG on April 29, 2021, and require the approval of the Annual General Meeting to be held in June 2021.

1.1 General information on the Group

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

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

The operating activities of Highlight Communications AG comprise the segments Film, Sports as well as Sports- and Event-Marketing. Please see note 9 for further information on segment reporting.

1.2 Basis of presentation

The consolidated financial statements of Highlight Communications AG were prepared in accordance with the International Financial Reporting Standards (IFRS) and the additional provisions of Swiss Commercial law. All IFRSs/IASs and SICs/IFRICs applicable as of December 31, 2020, were complied with.

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

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

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

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

2. ACCOUNTING

2.1 Relevant standards and interpretations applied for the first time

Amendments to IFRS 16: Covid-19-Related Rent Concessions

The change in "Covid-19-Related Rent Concessions (Amendment to IFRS 16)" amend IFRS 16 to:

- provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification;
- require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications;
- require lessees that apply the exemption to disclose that fact; and
- require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The amendment is effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted. The Highlight Group utilized the practical expedient at an early stage for all rent concessions; due to the Covid-19 pandemic, rent concessions for fiscal 2020 were not recognized as contract modifications. 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 of TCHF 119 under other expenses.

Amendments to IFRS 3: Definition of a Business

With the change in IFRS 3 "Business Combinations", there is a more precise statement that to be considered a business an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. In addition, it is clarified that a business also includes a business combination which does not cover all the inputs and processes required for generating a service.

These amendments did not impact the consolidated financial statements as of December 31, 2020, but could impact future periods if the Group effects business combinations.

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

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

2.3 Initial accounting of short-time allowance and social insurance contributions

When all statutory conditions are met, the claim to short-time allowance exists for the respective employees, even if the employer has to submit the notification of the lost work. The employer is obligated to pay out the short-time allowances to the employee, but has them subsequently reimbursed. The employer acts solely as a paying agent for the short-time allowances received from the public authorities. 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 social insurance contributions related to the short-time allowance paid by the employer are to be recognized as personnel expenses. On the other hand, under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", the reimbursements are to be regarded as grants related to income. They are to be shown as income (gross) or as deduction from staff costs (net).

In the Highlight Group TCHF 1,341 of government grants for social insurance contributions related to the short-time allowance were recognized as deductions from staff costs in the reporting period.

3. SCOPE OF CONSOLIDATION

3.1 Acquisitions

By way of agreement dated and effective January 1, 2020, Highlight Communications AG, Pratteln, acquired 100% of the shares in Highlight Event AG, Emmen, from Highlight Event and Entertainment AG, Pratteln, for a purchase price of TCHF 9,000. As a result of gaining control, this equity interest is included in consolidation from the acquisition date onwards. An advance payment for the acquisition of this transaction of TCHF 8,000 was made in December 2019.

Highlight Event AG works in event marketing and essentially holds the exclusive rights to market the Eurovision Song Contest and the Vienna Philharmonic. The company is assigned to the Sports- and Event-Marketing segment.

Acquisition accounting and thus IFRS 3 were applied in full; all identifiable assets and liabilities were measured at fair value and included in the consolidated financial statements.

The assets and liabilities identified as of January 1, 2020 break down as follows:

(TCHF)	
Non-current assets	
Other intangible assets	8,292
Property, plant and equipment	5
Deferred tax assets	39
Current assets	
Trade accounts receivable and other receivables	1,662
Income tax receivables	33
Cash and cash equivalents	366
Non-current liabilities	
Pension liabilities	391
Deferred tax liabilities	829
Current liabilities	
Trade accounts payable and other liabilities	177
Identified assets and liabilities (net)	**9,000**
Goodwill	–
Cost	**9,000**
Purchased cash funds (cash inflow)	366
Total cash outflow	**8,634**

The other intangible assets identified in the course of the purchase price allocation relate to the exclusive rights to market the Eurovision Song Contest and the Vienna Philharmonic Orchestra. These are amortized over a useful life of 40 years.

Revenue of TCHF 2,305 and earnings after taxes of TCHF 449 were included in the consolidated financial statements of the Highlight Group as a result of the first-time consolidation of the company as of January 1, 2020.

On September 7, 2020, Dahoam Television GmbH, Dachau, was founded as a wholly-owned subsidiary of Constantin Film Produktion GmbH. The company is fully consolidated and assigned to the Film segment. Revenue of TCHF 35 and earnings after taxes of TCHF 30 were included in the consolidated financial statements of the Highlight Group as a result of the first-time consolidation of the company.

In the 2020 reporting year, Highlight Communications AG increased its shareholding in Sport1 Medien AG, which was already included in consolidation, from 94.18 % to 94.91 %. This is a transaction between equity providers that changed equity by TCHF –1,676.

3.2 Other changes

At the beginning of 2020, Constantin Sport Holding GmbH was renamed Sport1 Holding GmbH.

Furthermore, in March 2020 Sport1 Gaming GmbH was renamed Spin50 GmbH.

The consolidated company Constantin Entertainment Israel Ltd., Tel Aviv, was liquidated on June 25, 2020.

In September 2020, the following companies were renamed: Team Holding AG to TEAM Holding AG, Team Football Marketing AG to TEAM Football Marketing AG, T.E.A.M. Television and Media Marketing AG to TEAM Marketing AG and T.E.A.M. UK to TEAM Marketing UK Ltd.

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

3.3 Overview of fully consolidated companies

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

Fully consolidated companies as of December 31, 2020

	Activity	Country	Currency	Subscribed capital	Share in capital*	Voting rights of the respective parent company
TEAM Holding AG (formerly: Team Holding AG)	Holding company	CH	CHF	250,000	100%	100%
TEAM Football Marketing AG (formerly: Team Football Marketing AG)	Exploitation of sports rights	CH	CHF	6,340,000	95.27%	100%
TEAM Marketing AG (formerly: T.E.A.M. Television Event And Media Marketing AG)	Marketing of sports events	CH	CHF	200,000	100%	100%
TEAM Marketing UK Ltd. (formerly: T.E.A.M. UK)	Marketing of sports events	GB	GBP	1	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%
Mythos Film Verwaltungs-GmbH	Administration	DE	EUR	25,000	100%	100%
Mythos Film Produktions-GmbH & Co. KG**	Film and TV production	DE	EUR	12,000	100%	100%
Constantin Film International GmbH	International film production	DE	EUR	105,000	100%	100%
Constantin Pictures GmbH	International film and TV production	DE	EUR	25,000	100%	100%
Constantin Entertainment GmbH	TV entertainment production	DE	EUR	200,000	100%	100%
Constantin Entertainment Polska Sp z.o.o.	TV entertainment production	PL	PLN	54,000	100%	100%
Constantin Entertainment SRB d.o.o.	TV entertainment production	RS	RSD	526,944	100%	100%
Constantin Entertainment RO SRL***	TV entertainment production	RO	RON	10,000	100%	100%
Constantin Entertainment Bulgarien EOOD	TV entertainment production	BG	BGN	5,000	100%	100%
Constantin Entertainment CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	100%	100%
Constantin Entertainment Slovakia s.r.o.****	TV entertainment production	SK	EUR	25,000	100%	100%
Olga Film GmbH	Film and TV production	DE	EUR	603,000	95.52%	95.52%
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, Unipessoal Lda*****	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%
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	94.91%	94.91%
Sport1 Holding GmbH (formerly: Constantin Sport Holding GmbH)	Holding company	DE	EUR	55,000	100%	100%
Sport1 GmbH	Platform operator	DE	EUR	500,000	100%	100%
Spin50 GmbH (formerly: Sport1 Gaming GmbH)	Inactive	DE	EUR	25,000	100%	100%
PLAZAMEDIA GmbH	Production service provider	DE	EUR	150,000	100%	100%
PLAZAMEDIA Austria Ges.m.b.H., in liquidation	Production service provider	AT	EUR	35,000	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.*
** *33.33% are held by Mythos Film Verwaltungs-GmbH.*
*** *0.1% are held by Constantin Film Produktion GmbH.*
**** *3% are held by Constantin Film Produktion GmbH.*
***** *50% are held by Constantin Film AG.*

3.4 Overview of companies not included in consolidation

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

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

Companies not included in consolidation as of December 31, 2020

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

* *Share held by Constantin Pictures GmbH, Germany.*

3.5 Overview of associated companies

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

	Share in capital	Period recognized in the consolidated financial statements	Currency	Subscribed capital
BECO Musikverlag GmbH	50%	Jan. 01 to Dec. 31, 2020	EUR	25,565

The annual financial statements of BECO Musikverlag GmbH as of December 31, 2019 were used for reporting as the annual financial statements as of December 31, 2020 have not yet been prepared.

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

4. SUMMARY OF THE KEY ACCOUNTING POLICIES

4.1 Methods of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2 Currency translation

4.2.1 Functional currency

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

4.2.2 Measurement of balances and transactions in foreign currency

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

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

4.2.3 Currency translation in the Group

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

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

4.2.4 Exchange rates

		Closing rate		Annual average rate	
		Dec. 31, 2020	Dec. 31, 2019	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Euro	(EUR)	1.08233	1.08538	1.07030	1.11261
US dollar	(USD)	0.88248	0.96754	0.93891	0.99373
British pound	(GBP)	1.20462	1.27591	1.20438	1.26928
Canadian dollar	(CAD)	0.69258	0.74330	0.70028	0.74901

4.3 Fair value measurement

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

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

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

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

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

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

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

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

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

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

4.4 Film assets

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

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

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

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

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

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

4.5 Other intangible assets

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

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

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

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

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

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

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

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

4.6 Goodwill

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

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

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

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

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

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

4.7 Property, plant and equipment

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

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

4.8 Leases

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

4.9 Impairment of non-financial assets

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

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

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

4.10 Inventories

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

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

Inventories also include service productions in development that have not yet been ordered by the broadcaster (see note 4.16). In addition, inventories include trade receivables not yet invoiced.

4.11 Financial instruments

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

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

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

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

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

4.11.1 Financial assets at amortized cost

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

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

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

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

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

4.11.2 Financial assets at fair value

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

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

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

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

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

4.11.3 Financial liabilities

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

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

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

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

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

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

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

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

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

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

Objective evidence of impairment includes:

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

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

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

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

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

Cash and cash equivalents are also subject to the impairment provisions of IFRS 9. As long as the counterparties – banks and financial institutions – have a good rating and do not have any going concern problems, 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.

In 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 will not be reclassified to the income statement in future". The current service cost and net interest are recognized in profit or loss under personnel expenses. A reduction in contributions within the meaning of IAS 19 occurs when the employer must pay larger contributions than the service cost. Special events such as plan amendments that change employee claims, curtailments and settlements are recognized in profit or loss.

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

4.13 Other provisions, contingent liabilities and contingent assets

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

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

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

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

4.14 Income taxes

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

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

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

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

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

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

4.15 Equity

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

4.16 Future revenue from contracts with customers

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

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

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

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

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

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

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

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

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

Service productions in progress are reported as contract assets or contract liabilities in the amount of the difference between realized sales and invoices. Service productions in development that have not yet been ordered by the broadcaster are recognized under inventories.

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

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

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

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

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

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

4.17 Government grants

Project promotion

Project promotion as a contingently repayable loan

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

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

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

Project subsidies

Project subsidies are non-refundable subsidies that a producer is entitled to depending on the number of people who go to see the (subsidized) film in theatrical exploitation for financing the project costs of a subsequent film. These are government grants for assets. The subsidies granted are deducted from the carrying amount of the subsidized film in the balance sheet when filming on the subsequent film commences.

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 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 no later than the time of the film's release. Prior to theatrical release these are capitalized as other receivables. At the same time, deferred income is reported under other liabilities.

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

Distribution loans

Distribution loan as a contingently repayable loan

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

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

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

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).

5. JUDGMENT/ESTIMATION UNCERTAINTY

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

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

5.1 Significant risks

5.1.1 Impairment of non-financial assets

To assess whether assets have become impaired, the expected future cash flows from the use and possible disposal of such assets are estimated per cash-generating unit. The estimates and assumptions are based on premises that reflect the most recent information available. The actual cash flows may differ significantly from the discounted future cash flows based on these estimates. Changes in revenue and cash flow forecasts could lead to impairment.

5.2 Other risks

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

Certain contracts with customers at the Highlight Group have variable 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 variable consideration has to be estimated; this is done using the probability-weighted expected value or the most likely amount – depending on which of the two values is closest to the consideration owed to the Highlight Group. Even if the price is fixed but is dependent on future events, the Highlight Group classifies such consideration as variable. Variable future revenue from licenses based on future transactions (sales-based royalties) are recognized at the later of license utilization or fulfillment of the performance obligation.

5.2.2 Financial assets

The fair value of financial assets which are traded on organized markets is determined on the basis of the quoted market price at the end of the reporting period. The fair value of financial assets for which there is no active market is determined by using measurement methods. Measurement methods include using the most recent transactions between knowledgeable, willing parties in an arm's length transaction, comparing the fair values of other, mostly identical financial instruments, analyzing discounted cash flows and using other measurement models based on management assumptions.

5.2.3 Impairment of financial assets (debt instruments)

The requirements for the recognition of impairment on financial assets, which is based on the expected loss model, include substantial judgments regarding the extent to which expected credit losses can be influenced by changes in economic factors. Financial assets must be divided into different risk classes/ratings in accordance with historical and expected probabilities of default (for example, due to the general economic situation and related forecasts). Loss allowances must be recognized before loss events occur.

At the Highlight Group, expected losses are defined as the weighted average of credit losses or using available external ratings, which are weighted by the respective probabilities of default. The estimates always account for the possibility of default and the possibility of non-default, even if the most probable scenario is non-default.

Please see note 4.11.4 for further disclosures.

5.2.4 Service productions

The percentage of completion of customer-specific service productions for which revenue is recognized over time is determined using the cost-to-cost method (recognition in the amount of costs incurred as of the end of the reporting period in proportion to the expected total costs) or the physical completion method. The expected production cost and the stage of completion are calculated on the basis of estimates. Changes in estimates have a direct effect on earnings generated.

5.2.5 Refund liabilities for expected returns of merchandise

The Group's refund liabilities for expected returns of merchandise are based on an analysis of contractual or legal obligations, historical trends and the Group's experience. On the basis of information currently available, management considers the refund liabilities recognized for expected returns of merchandise to be adequate. As they are based on management estimates, they may have to be revised upon better information becoming available. Such adjustments could affect the refund liabilities recognized for expected returns of merchandise and the sales in future periods.

5.2.6 Provisions for litigation

The Group companies are involved in various legal disputes. On the basis of current knowledge, the Group assumes that its provisions recognized are adequate. However, further litigation could arise resulting in costs not covered by the existing provisions. Moreover, it cannot be ruled out that the extent and the costs of legal disputes could increase. Such changes may affect the provisions recognized for litigation in future reporting periods.

5.2.7 Pension liabilities

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

5.2.8 Income taxes

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

5.2.9 Leases

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

In the fiscal year 2020, further investments were made in the broadcasting center using leasing. With these acquisitions, it was also deemed reasonably certain that the purchase option would be exercised on termination of the lease. Accordingly, the right-of-use asset is written down over its economic life, which is longer than the fixed duration of the lease.

5.3 Judgments and estimates as a result of the Covid-19 pandemic

Management judgments and estimates can impact the measurement of and disclosures on assets and liabilities and on the income and expenses recognized for the period under review. Due to the currently unforeseeable consequences of the Covid-19 pandemic, these management judgments and estimates are subject to greater uncertainty. The actual amounts may differ from management judgments and estimates. Changes here can have a material impact on the Group financial statements. In the context of updating the management's exercise of judgments and estimates, account was taken of all available information on anticipated economic developments and state countermeasures. This information was also used in the analysis of the recoverability and collectability of assets and receivables. As the pandemic development is ongoing, it is difficult to forecast its length and the overall impact on assets, liabilities, earnings and cash flows. We have prepared the underlying estimates and assumptions on the basis of currently available knowledge and the best information available and deployed a scenario which assumes that the economic impact of the current Covid-19 situation will not be of a long-term nature. This view is supported by the economic forecast for 2021 and the vaccination start of Covid-19 at the end 2020/beginning of 2021.

6. NOTES TO INDIVIDUAL ITEMS OF THE BALANCE SHEET

6.1 Film assets

(TCHF)	Third-party productions	In-house productions	Total film assets
Acquisition and production costs 2020			
Jan. 01, 2020	513,702	1,423,295	1,936,997
Currency translation differences	–879	–3,591	–4,470
Additions	6,545	35,401	41,946
Disposals	41,486	470	41,956
Balance on December 31, 2020	**477,882**	**1,454,635**	**1,932,517**
Accumulated amortization/value adjustments 2020			
Jan. 01, 2020	498,646	1,263,678	1,762,324
Currency translation differences	–845	–2,998	–3,843
Depreciation for the year	4,969	42,115	47,084
Impairment	1,396	7,361	8,757
Write-ups	531	1,293	1,824
Disposals	41,486	470	41,956
Balance on December 31, 2020	**462,149**	**1,308,393**	**1,770,542**
Acquisition and production costs 2019			
Jan. 01, 2019	514,388	1,396,878	1,911,266
Currency translation differences	–12,177	–52,510	–64,687
Additions	12,923	79,560	92,483
Disposals	1,432	633	2,065
Balance on December 31, 2019	**513,702**	**1,423,295**	**1,936,997**
Accumulated amortization/value adjustments 2019			
Jan. 01, 2019	480,301	1,245,514	1,725,815
Currency translation differences	–11,391	–46,671	–58,062
Depreciation for the year	29,894	61,449	91,343
Impairment	1,559	4,062	5,621
Write-ups	285	43	328
Disposals	1,432	633	2,065
Balance on December 31, 2019	**498,646**	**1,263,678**	**1,762,324**
Net carrying amounts on December 31, 2020	**15,733**	**146,242**	**161,975**
Net carrying amounts on December 31, 2019	**15,056**	**159,617**	**174,673**

Impairment losses of TCHF 8,757 (previous year's period: TCHF 5,621) 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 4.22 % and 4.23 % (previous year: between 1.61 % and 3.08 %). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review. Write-ups are recognized for projects for which a write-down has been recognized in the past and whose forecast revenues for the remaining exploitation period are considerably higher than the previous year's estimates.

In the year under review, the Highlight Group received project subsidies and project promotion loans of TCHF 29,084 (previous year's period: TCHF 19,114), which were deducted from the capitalized production costs.

Deferred project promotion loans amounted to TCHF 5,616 as of December 31, 2020 (previous year: TCHF 5,986). Project promotions of TCHF 933 were repaid in the year under review (previous year's period: TCHF 902).

In addition, sales subsidies and distribution loans of TCHF 1,611 (previous year's period: TCHF 4,437) 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 957 (previous year: TCHF 0) as of December 31, 2020. Distribution loans of TCHF 1,272 (previous year's period: TCHF 1,166) were repaid over the year under review. As of December 31, 2020, there were receivables for subsidies and grants of TCHF 16,543 (previous year: TCHF 20,357).

Directly attributable financing costs of TCHF 1,767 (previous year's period: TCHF 1,722) 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: 1.2% to 7.8%).

6.2 Other intangible assets and goodwill

(TCHF)	Patents and licenses	Purchased software	Internally developed intangible assets	Advance payments	Total intangible assets	Goodwill
Acquisition and production costs 2020						
January 1, 2020	60,832	8,912	5,630	3,444	78,818	139,527
Change in the scope of consolidation	8,292	–	–	–	8,292	–
Currency translation differences	5	–10	27	–33	–11	–28
Additions	402	694	633	984	2,713	–
Disposals	15	91	581	–	687	–
Transfers	–	–	3,013	–3,013	–	–
Balance on December 31, 2020	**69,516**	**9,505**	**8,722**	**1,382**	**89,125**	**139,499**
Accumulated amortization/value adjustments 2020						
January 1, 2020	8,694	7,418	4,490	–	20,602	5,973
Currency translation differences	3	–7	1	–	–3	–5
Depreciation for the year	5,184	623	1,147	–	6,954	–
Impairment	–	–	–	–	–	454
Disposals	15	91	581	–	687	–
Balance on December 31, 2020	**13,866**	**7,943**	**5,057**	**–**	**26,866**	**6,422**
Acquisition and production costs 2019						
January 1, 2019	60,759	9,112	4,309	2,370	76,550	139,639
Change in the scope of consolidation	–	–	–	–	–	275
Currency translation differences	–12	–193	–75	–115	–395	–387
Additions	78	1,034	1,396	1,189	3,697	–
Disposals	–	1,034	–	–	1,034	–
Transfers	7	–7	–	–	–	–
Balance on December 31, 2019	**60,832**	**8,912**	**5,630**	**3,444**	**78,818**	**139,527**
Accumulated amortization/value adjustments 2019						
January 1, 2019	3,710	6,971	3,649	–	14,330	6,108
Currency translation differences	–6	–138	–38	–	–182	–135
Depreciation for the year	4,975	622	879	–	6,476	–
Impairment	9	–	–	–	9	–
Disposals	–	31	–	–	31	–
Transfers	6	–6	–	–	–	–
Balance on December 31, 2019	**8,694**	**7,418**	**4,490**	**–**	**20,602**	**5,973**
Net carrying amounts on December 31, 2020	**55,650**	**1,562**	**3,665**	**1,382**	**62,259**	**133,077**
Net carrying amounts on December 31, 2019	**52,138**	**1,494**	**1,140**	**3,444**	**58,216**	**133,554**

Goodwill

The table below shows the allocation of goodwill:

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Sport1 Medien AG (Sport segment)	114,747	114,747
Constantin Film Verleih GmbH (Film segment)	12,025	12,025
Constantin Entertainment GmbH (Film segment)	3,763	3,773
Constantin Television GmbH (Film segment)	1,718	1,723
Hager Moss Film GmbH (Film segment)	509	511
Mythos Film GmbH (Film segment)	–	460
PSSST! Film GmbH (Film segment)	269	269
Other (Film segment)	46	46
Total	**133,077**	**133,554**

Goodwill was tested for impairment at the level of the cash-generating units in the respective segment. The recoverable amounts are equal to the value in use in impairment testing for goodwill. The basis of the discounted cash flow method in the Highlight Group is future cash flows derived from three-year earnings planning. For the impairment test of Constantin Film Verleih GmbH, the growth rate beyond the detailed planning period was set at 1% (previous year: 1%), for Sport1 Medien AG at 0.5% (previous year: 1%) and for other items this was set at between 0% and 0.5% (previous year: 0% to 2.0%). The capital asset pricing model (CAPM) was used to calculate the costs of capital and a peer group was referred to. As of December 31, 2020, the CAPM-based discount factor before taxes was set at 7.42% (previous year: 7.72%) for the impairment test of Constantin Film Verleih GmbH, at 7.03% for Sport1 Medien AG (previous year: 7.23%) and at 7.57% to 7.71% for other items (previous year: 7.64%).

As of December 31, 2020, goodwill was tested for impairment as part of the annual impairment test. This resulted in goodwill impairment of TCHF 454 (previous year's period: TCHF 0) on Mythos Film GmbH, whose activities are reported in the Film segment, as the goodwill of Mythos Film GmbH is no longer covered by the estimated future cash flows.

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

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

Results and sensitivity of impairment testing

Goodwill Sport1 Medien AG

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

At the measurement date, impairment testing did not result in any reduction in goodwill. The recoverable amount exceeds the net carrying amount by CHF 33.2 million (previous year: CHF 18.0 million). The following changes in the significant assumptions would lead to the value in use corresponding to the net carrying amount:

	2020	
	Assumption	Sensitivity
Revenue growth in 2023 with EBITDA margin unchanged as compared to the business plan	0.3%	–0.8%
Normalized EBITDA margin in 2023	14.9%	11.9%
Discount rate after taxes	5.5%	6.41%
Long-term growth rate	0.5%	–0.48%

	2019	
	Assumption	Sensitivity
Revenue growth in 2023 with EBITDA margin unchanged as compared to the business plan	2.3%	1.2%
Normalized EBITDA margin in 2023	13.3%	12.3%
Discount rate after taxes	5.68%	6.17%
Long-term growth rate	1.0%	0.45%

6.3 Property, plant and equipment

(TCHF)	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total property, plant and equipment
Acquisition and production costs 2020					
Jan. 01, 2020	4,233	9,529	20,064	62	33,888
Change in the scope of consolidation	–	–	5	–	5
Currency translation differences	−4	−9	−35	1	−47
Additions	310	1,837	1,400	183	3,730
Disposals	80	167	1,556	–	1,803
Balance on December 31, 2020	**4,459**	**11,190**	**19,878**	**246**	**35,773**
Accumulated depreciation 2020					
Jan. 01, 2020	2,375	5,081	11,746	–	19,202
Currency translation differences	−4	1	−11	–	−14
Depreciation for the year	532	1,559	2,456	–	4,547
Disposals	80	158	1,398	–	1,636
Balance on December 31, 2020	**2,823**	**6,483**	**12,793**	**–**	**22,099**
Acquisition and production costs 2019					
Jan. 01, 2019	5,908	12,497	16,673	1,871	36,949
Change in the scope of consolidation	–	–	3	–	3
Currency translation differences	−52	−374	−431	−25	−882
Additions	1,404	1,670	3,599	24	6,697
Disposals	3,027	2,865	1,493	95	7,480
Transfers	–	−1,399	1,713	−1,713	−1,399
Balance on December 31, 2019	**4,233**	**9,529**	**20,064**	**62**	**33,888**
Accumulated depreciation 2019					
Jan. 01, 2019	5,073	3,504	10,817	–	19,394
Currency translation differences	−31	−171	−221	–	−423
Depreciation for the year	360	1,991	2,569	–	4,920
Disposals	3,027	184	1,419	–	4,630
Transfers	–	−59	–	–	−59
Balance on December 31, 2019	**2,375**	**5,081**	**11,746**	**–**	**19,202**
Net carrying amounts on December 31, 2020	**1,636**	**4,707**	**7,085**	**246**	**13,674**
Net carrying amounts on December 31, 2019	**1,858**	**4,448**	**8,318**	**62**	**14,686**

With the adoption of IFRS 16 in the previous year, lease assets are presented as a separate balance sheet item. In the previous-year period, this resulted in reclassifications of lease assets previously reported in technical equipment and machinery for which the Highlight Group was the lessee under a finance lease in the net amount of TCHF 1,340. In the previous-year period, the disposals of technical equipment and machinery are primarily attributable to the sale/leaseback agreement for the broadcasting center.

6.4 Leases

Right-of-use assets

(TCHF)	Real estate	Vehicles	Technical equipment	Operating and office equipment	Total right-of-use assets
Acquisition and production costs 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**
Acquisition and production costs 2019					
January 1, 2019	37,936	867	713	386	39,902
Currency translation differences	–1,055	–35	–218	–16	–1,324
Additions	643	168	5,767	78	6,656
Disposals	248	–	–	–	248
Transfers	–	–	1,399	–	1,399
Balance on December 31, 2019	**37,276**	**1,000**	**7,661**	**448**	**46,385**
Accumulated depreciation 2019					
January 1, 2019	–	–	–	–	–
Currency translation differences	–131	–12	–37	–2	–182
Depreciation for the year	6,310	442	1,415	105	8,272
Transfers	–	–	59	–	59
Balance on December 31, 2019	**6,179**	**430**	**1,437**	**103**	**8,149**
Net carrying amounts on December 31, 2020	**26,055**	**422**	**11,550**	**249**	**38,276**
Net carrying amounts on December 31, 2019	**31,097**	**570**	**6,224**	**345**	**38,236**

The following leases were concluded in the reporting period:

PLAZAMEDIA GmbH entered into several new lease agreements to expand its broadcasting center in fiscal 2020. The monthly lease payments amount to TEUR 52 in total. The leasing terms are between 42 and 45 months. In this context, Sport1 Medien AG assumed a directly enforceable guarantee for all liabilities of PLAZAMEDIA GmbH arising from these agreements. The guarantees are perpetual and capped at TEUR 2,976. The leases contain purchase options (TEUR 109 in total) to buy back assets after the end of the lease. It is reasonably certain that the option will be exercised.

Furthermore, PLAZAMEDIA GmbH entered into a lease agreement for servers and similar equipment. The monthly lease payments amount to TEUR 19 in total. The lease term is 36 months. A payment of TEUR 450 was made before the commencement date. This payment was classified as cash flow from investing activities as it is a payment to acquire a right-of-use asset. These leases contain a purchase option (TEUR 180) to buy back assets after the end of the lease. It is reasonably certain that the option will be exercised.

Reconciliation of liabilities arising from financial liabilities

(TCHF)	
Balance on January 1, 2019	**42,924**
Additions	2,743
Interest cost	798
Payments	–5,234
Cash change from repayment	*–4,436*
Cash change from interest	*–798*
Currency translation	–1,202
Other	–79
Balance on December 31, 2019	**39,950**
Additions	8,347
Interest cost	780
Payments	–9,683
Cash change from repayment	*-8,903*
Cash change from interest	*-780*
Currency translation	–97
Other	–81
Balance on December 31, 2020	**39,216**
thereof non-current lease liabilities	29,328
thereof current lease liabilities	9,888

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

Lease payments in the consolidated income statement

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Income from the disposal of right-of-use assets	–	1
Expenses from short-term leases	1,268	1,749
Expenses from leases of low-value assets (if not already short-term)	13	1
Expenses from variable lease payments (not included in lease liabilities)	923	587
Amortization on right-of-use assets from leases	8,706	8,272
Interest expenses from lease liabilities	780	798
Total	**11,690**	**11,406**

In the reporting period expenses from variable lease payments contains negative variable lease payments of TCHF 119 as a result of the amendment to IFRS 16 (see note 2.1).

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

Lease payments in the consolidated cash flow statement

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Short-term leases	1,268	1,749
Leases for low-value assets	13	1
Variable lease payments	923	587
Payment for right-of-use assets	477	–
Repayment and interest on lease liabilities	9,683	9,170
Total	**12,364**	**11,507**

Cash flow from investing activities contains 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, 2020								
Due within one year	350	13	619	–	–	–	7,522	8,504
Due between one year and five years	–	9	1,547	–	1,025	11,636	5,542	19,759
Due after five years	–	–	1,446	–	–	3,156	–	4,602
Total	**350**	**22**	**3,612**	**–**	**1,025**	**14,792**	**13,064**	**32,865**
As of December 31, 2019								
Due within one year	603	1	1,266	457	–	151	–	2,478
Due between one year and five years	–	–	6,156	2,463	120	9,470	340	18,549
Due after five years	–	–	4,058	528	–	5,969	–	10,555
Total	**603**	**1**	**11,480**	**3,448**	**120**	**15,590**	**340**	**31,582**

6.5 Financial information of subsidiaries with material non-controlling interests

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

Subsidiaries with significant non-controlling interests

Subsidiary	Dec. 31, 2020	Dec. 31, 2019
Sport1 Medien AG, Ismaning, Germany	5.09 %	5.82 %

Disclosures on financial information (after elimination of internal relations)

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Share in equity of non-controlling interests	4,028	5,361

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Share of earnings of non-controlling interests	–583	–1,587

Disclosures on financial information (before elimination of internal relations)

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Current assets	31,237	42,027
Non-current assets	63,629	62,203
Total assets	**94,866**	**104,229**
Current liabilities	32,630	36,770
Non-current liabilities	9,065	8,249
Total liabilities	**41,695**	**45,018**
Net assets	**53,171**	**59,211**

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Sales	92,245	119,013
Earnings from continuing operations after taxes	–4,468	–1,842
Other earnings after taxes	–1,356	–4,278
Total earnings for the year	**–5,824**	**–6,120**
Cash flow from operating activities	3,737	3,806
Cash flow for investing activities	–4,503	–5,128
Cash flow for financing activities	–5,145	–965
Cash flow for the reporting period	**–5,911**	**–2,287**

This is the consolidated financial information of the Sport1 Medien Group.

The other non-controlling interests are immaterial.

6.6 Investments in associated companies

As of December 31, 2020 – 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, 2018	**54**
Dividends/repayments of capital	–5
Share of earnings	7
Currency translation	–2
Balance on December 31, 2019	**54**
Dividends/repayments of capital	–5
Share of earnings	6
Currency translation	–1
Balance on December 31, 2020	**54**

Financial information

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Earnings after taxes	12	14
Other comprehensive income/loss (OCI)	–	–
Total earnings	**12**	**14**

	Dec. 31, 2020	Dec. 31, 2019
Contingent liabilities (proportional)	–	–

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2019 were used for reporting on associated companies as the annual financial statements as of December 31, 2020 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.

6.7 Non-current receivables

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Non-current trade accounts receivable (financial assets)		
Non-current trade accounts receivable	11,615	16,026
Credit losses expected over the entire term (level 2)	–	–66
Total	**11,615**	**15,960**
Non-current other receivables (financial assets)		
Non-current other receivables	1,501	61
Total	**1,501**	**61**
Total non-current receivables	**13,116**	**16,021**

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

Write-downs on non-current trade accounts receivable

(TCHF)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2018	**127**	**–**
Currency translation differences	–4	–
Reduction due to a decrease in the volume of receivables	–57	–
Balance on December 31, 2019	**66**	**–**
Currency translation differences	–1	–
Reduction due to a decrease in the volume of receivables	–65	–
Balance on December 31, 2020	**–**	**–**

6.8 Deferred tax assets

Breakdown of deferred tax assets

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Tax loss carryforwards	6,965	8,671
Intangible assets/film assets	4,448	5,300
Property, plant and equipment	744	867
Trade accounts receivable and other receivables and assets	12,243	19,258
Contract assets	2	2
Other financial assets	142	–
Inventories	18,139	14,041
Lease liabilities	7,649	8,349
Trade accounts payable and other liabilities	2,846	1,952
Contract liabilities	1,978	1,007
Advance payments received	5,906	1,121
Provisions	561	296
Pension liabilities	658	651
Total	**62,281**	**61,515**
Netting with deferred tax liabilities	–49,247	–48,016
Deferred tax assets (net)	**13,034**	**13,499**

Maturities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Current deferred tax assets	973	983
Non-current deferred tax assets	12,061	12,516

The Group has total loss carryforwards of TCHF 54,294 (previous year: TCHF 46,352) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

2020 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	–	18,365	35,929	15,886

2019 (TCHF)	Expiry date			
	< 1 year	1 – 5 years	> 5 years	thereof without expiry
	654	18,365	27,333	8,582

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

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Changes in deferred taxes (assets and liabilities)	–1,062	9,035
thereof:		
Change in income statement	–53	8,200
Change in other comprehensive income/loss	–274	150
Change in the scope of consolidation	–790	–
Change in currency translation	55	685

6.9 Other assets

Other financial assets

Other non-current financial assets

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in Geenee Inc.	–	–
Investment in AGF Videoforschung GmbH	–	504
Investment in Summacum GmbH	34	329
Investments in the leAD SPORT1 Accelerator Program	–	54
Other investments	9	9
Equity instruments at fair value through profit or loss (FVTPL)		
Convertible loans	–	14
Total	**43**	**910**

Other current financial assets

Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investments in the leAD SPORT1 Accelerator Program	11	–
Equity instruments at fair value through profit or loss (FVTPL)		
Convertible loans	12	14
Total	**23**	**14**

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

In the previous year, Sport1 GmbH acquired 5.56 % of the shares in AGF Videoforschung GmbH and 10 % of the shares in Summacum GmbH. In summer 2019, Sport1 GmbH also entered into a partnership with leAD Sports Accelerator Management GmbH and launched the leAD SPORT1 Accelerator Program. As part of this strategic program, Sport1 GmbH acquired shares in various start-ups.

All these equity interests are irrevocably recognized at fair value through other comprehensive income (FVTOCI). These equity interests are allocated to level 3 of the fair value hierarchy (see note 8.4). They are strategic financial investments of Sport1 Medien AG.

In the fourth quarter of 2020, due to a change in strategy, the 4-percent equity interest, Live Penalty, Prague, was sold for EUR 1. Also in the fourth quarter of 2020, the equity interests in Pitz Inc. and leagiON Company were sold, each for TCHF 11. The difference to the carrying amounts (Live Penalty: TCHF 14, Pitz Inc. and leagiON Company: each TCHF 13) were recognized in other comprehensive income. It is anticipated that payment from these sales will be received in the first quarter of 2021. The equity interest in Diggin Ltd. was reclassified to current assets as it is planned to sell it at the carrying amount in the first quarter of 2021. In the process, the carrying amount of this equity interest was adjusted to the potential sales proceeds of TCHF 11 via other comprehensive income (see note 8.4).

The measurement of the fair values of the equity interests of AGF Videoforschung GmbH and Summacum GmbH resulted in lowering their carrying amounts. These value adjustments were recognized in other comprehensive income (see note 8.4).

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 the previous year Sport1 GmbH also extended a long-term convertible loan and a short-term convertible loan each with a volume of TCHF 14, both of which are measured at fair value through profit or loss.

In the fourth quarter of 2020, the Champions Round Inc. convertible loan was sold for TCHF 12. The difference to the carrying amount of TCHF 14 was recognized in the net financial result as losses from changes in the fair value of financial instruments. It is anticipated that payment from this sale will be received in the first quarter of 2021. Also in the fourth quarter of 2020, the Dynamic Bets Inc. convertible loan was adjusted to the possible sales proceeds of TCHF 12 and the difference in value recognized in the net financial result. It is planned to sell the asset at its carrying amount 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 1,950.

6.10 Inventories

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Net balance		
Unfinished goods and services	23,376	6,388
Blu-rays/DVDs	594	647
Other merchandise	–	12
Constants	144	140
Total	**24,114**	**7,187**

Unfinished goods and services essentially relate to service productions in development that have not yet been ordered by the broadcaster. In the year under review, impairment losses were recognized in the amount of TCHF 1,583 (previous year's period: TCHF 431) and reversed in the amount of TCHF 10 (previous year's period: TCHF 50).

6.11 Trade accounts receivable and other receivables

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Trade accounts receivable	46,539	51,930
Other receivables	71,541	84,558
Total	**118,080**	**136,488**

6.11.1 Trade accounts receivable

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Trade accounts receivable (financial assets)		
Current receivables	45,894	52,999
Liabilities due to related parties	-	5
Credit losses expected over the entire term (level 2)	-181	–278
Individual value adjustments (level 3)	-4,910	–5,230
Total	**40,803**	**47,496**
Trade accounts receivable (non-financial assets)		
Receivables from countertrades	5,736	4,434
Total	**5,736**	**4,434**
Total trade accounts receivable	**46,539**	**51,930**

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

Trade accounts receivable includes receivables of TCHF 733 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 174 were recognized for the first time under other financial assets. TCHF 135 was initially recognized in equity via contract liabilities, with TCHF 92 in financial income and TCHF 53 in financial expense.

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

Impairment losses

(TCHF)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2018	**475**	**5,376**
Currency translation differences	–11	–191
Addition due to an increase in the volume of receivables	9	–
Reduction due to a decrease in the volume of receivables	–195	–
Additions	–	680
Consumption	–	–101
Reversals	–	–534
Balance on December 31, 2019	**278**	**5,230**
Currency translation differences	–4	–15
Reduction due to a decrease in the volume of receivables	–105	–
Change in risk parameters	12	–
Additions	–	299
Consumption	–	–31
Reversals	–	–573
Balance on December 31, 2020	**181**	**4,910**

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 reversals were taken primarily on the basis of payments made on receivables which had been written down. 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, 2020	Dec. 31, 2019
CHF	825	1,747
EUR	35,171	33,346
USD	10,543	16,837
Total	**46,539**	**51,930**

6.11.2 Other receivables

Other receivables (financial assets)

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

(TCHF) Dec. 31, 2019	Gross	Expected credit losses Level 1	Level 2	Level 3	Net
Suppliers with debit balances	511	–	–	–	511
Receivables from loans	11,576	–25	–	–929	10,622
Subsidies receivables	20,357	–	–	–	20,357
Positive fair value of derivative financial instruments without hedging relationships	287	–	–	–	287
Receivables due from personnel (financial)	310	–	–	–	310
Other assets (financial)	11,718	–	–	–1,773	9,945
Other receivables due from related parties	14,852	–	–	–	14,852
Total	**59,611**	**–25**	**–**	**–2,702**	**56,884**

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

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

Impairment losses

(TCHF)	Credit losses expected over 12 months (level 1)	Credit losses expected over the entire term (level 2)	Individual value adjustments (level 3)
Balance on December 31, 2018	**59**	**–**	**1,965**
Currency translation differences	–23	–	–25
Reduction due to a decrease in the volume of receivables	–11	–	–
Additions	–	–	762
Balance on December 31, 2019	**25**	**–**	**2,702**
Currency translation differences	–	–	–10
Addition due to an increase in the volume of receivables	30	–	–
Additions	–	–	561
Consumption	–	–	–650
Balance on December 31, 2020	**55**	**–**	**2,603**

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

Other receivables (non-financial assets)

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Prepaid expenses	8,504	25,860
Input tax	1,322	990
Other taxes	277	264
Advance payments	954	513
Other assets (non-financial)	3,798	47
Total	**14,855**	**27,674**

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

Currency profile

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
CHF	13,497	17,846
EUR	43,962	60,163
USD	4,261	6,183
CAD	5,549	366
Other	4,272	-
Total	**71,541**	**84,558**

6.12 Contract assets

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Contract assets	32,686	18,632
Credit losses expected over the entire term (level 2)	–6	–6
Total	**32,680**	**18,626**

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, 2018	**23,507**
Currency translation differences	–756
Additions	19,101
Impairment	–6
Reclassification to trade accounts receivable	–23,220
Balance on December 31, 2019	**18,626**
Currency translation differences	–45
Additions	32,472
Impairment	–6
Reclassification to trade accounts receivable	–18,367
Balance on December 31, 2020	**32,680**

6.13 Income tax receivables

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Income taxes Switzerland	33	-
Income taxes Germany	544	715
Income taxes rest of the world	181	99
Total	**758**	**814**

6.14 Cash and cash equivalents

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

6.15 Equity

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

Share capital

As of December 31, 2020, the fully paid-up share capital of the parent company, Highlight Communications AG, totaled CHF 63,000,000 (previous year: CHF 63,000,000), divided into 63,000,000 bearer shares with a par value of CHF 1.00 per share (previous year: 63,000,000 bearer shares of CHF 1.00 per share).

Treasury stock

As of December 31, 2020, the separately reported item "Treasury stock" amounted to TCHF –6,300 (previous year: TCHF –6,300). The amount reflects the nominal capital of treasury shares. As of December 31, 2020, the number of directly held non-voting treasury shares was 6,299,501 shares in Highlight Communications AG (previous year: 6,299,501). In the year under review, no treasury shares were acquired or sold (previous year's period: acquisition of 42,000 treasury shares at a transaction value of TCHF 199).

Capital reserve

As of December 31, 2020, the Group’s capital reserve amounted to a total of TCHF –99,973 (previous year: TCHF –98,968).

In the year under review, no dividends were paid (previous year’s period: dividend payments of TCHF 11,348).

The increase in the equity interest in Sport1 Medien AG from 94.18 % to 94.91 % led to a reduction in capital reserves of TCHF 1,005 (previous year’s period: reduction in capital reserves of TCHF 20,417 as a result of the increase in the equity interest in Sport1 Medien AG from 79.18 % to 94.18 %).

Non-controlling interests

Non-controlling interests in consolidated subsidiaries amounted to TCHF 8,157 as of December 31, 2020 (previous year: TCHF 10,335).

Dividend payments in the reporting year amounted to TCHF 1,176 (previous year’s period: TCHF 1,247) and the net profit for the period attributable to non-controlling interests was TCHF –218 (previous year’s period: TCHF 189). The 0.73 % increase in the equity interest in Sport1 Medien AG led to a reduction in non-controlling interests by TCHF 671 (previous year’s period: reduction by TCHF 14,663 as a result of increasing the equity interest by 15.0 %). Liquidation of the consolidated company Constantin Entertainment Israel Ltd. resulted in a decrease in non-controlling interests of TCHF 20. Differences from currency translation amounted to TCHF –93 (previous year: TCHF –163). In the previous year, the initial consolidation of PSSST! Film GmbH also resulted in an increase in non-controlling interests by TCHF 107.

Other reserves

As of the end of the reporting period, other reserves totaled TCHF –38,573 (previous year: TCHF –38,753).

As of December 31, 2020, these relate to the translation of the equity of companies that do not use Swiss francs as their functional currency (TCHF –39,087; previous year: TCHF –38,363) and to other cash flow hedge reserves of TCHF 514 (previous year: TCHF –390).

The cash flow hedge reserve before taxes developed as follows as of December 31, 2020.

Reconciliation of the market valuation of financial instruments

(TCHF)	
Balance on December 31, 2018	**–198**
Gains or losses from effective hedging relationships	–332
Reclassification, as the underlying transaction is no longer expected	–26
Balance on December 31, 2019	**–556**
Gains or losses from effective hedging relationships	1,288
Balance on December 31, 2020	**732**

To make the presentation clearer, the plus/minus signs in the prior-year figures have been adjusted, as losses from hedges were reported in the previous year while gains from hedges are reported in the current fiscal year.

The changes in other components of equity in fiscal years 2020 and 2019 were as follows:

Other comprehensive income/loss (OCI)

2020 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	–817	–	–817
Reclassification of realized gains/losses	–	–	–
Currency translation differences	–817	–	–817
Gains/losses from cash flow hedges	1,288	–384	904
Items that may be reclassified to the income statement in future	**471**	**–384**	**87**
Actuarial gains/losses of defined benefit pension plans	1,360	–32	1,328
Gains/losses from financial assets at fair value through other comprehensive income	–809	142	–667
Items that will not be reclassified to the income statement in future	**551**	**110**	**661**
Other comprehensive income/loss	**1,022**	**–274**	**748**

2019 (TCHF)	Before taxes	Tax effect	After taxes
Unrealized gains/losses from currency translation	–4,939	–	–4,939
Reclassification of realized gains/losses through profit or loss	630	–	630
Currency translation differences	–4,309	–	–4,309
Gains/losses from cash flow hedges	–358	107	–251
Items that may be reclassified to the income statement in future	**–4,667**	**107**	**–4,560**
Actuarial gains/losses of defined benefit pension plans	–954	43	–911
Gains/losses from financial assets at fair value through other comprehensive income	–18	–	–18
Items that will not be reclassified to the income statement in future	**–972**	**43**	**–929**
Other comprehensive income/loss	**–5,639**	**150**	**–5,489**

Information on capital management

In managing capital, the Highlight Group pays particular attention to ensuring that the continuation of the Group's operating activities is guaranteed. Consolidated equity is the most important control parameter in this respect.

Highlight Communications AG aims to increase the capital provided to the company by the capital market and to generate an appropriate return for shareholders. The parent company uses its equity for this purpose by acquiring equity interests and co-financing the expansion of their operating activities. The Highlight Group can also distribute a dividend, pay back capital to the shareholders or issue new shares. The aim of management in this is to use equity and borrowed capital efficiently in order to ensure financial flexibility on the basis of a solid capital structure and thereby guarantee sufficient liquidity resources.

Liquidity consists of the inflows from operating activities, cash on hand and the borrowings available. The liquidity of the Highlight Group is managed centrally for all segments by Highlight Communications AG. This does not include Constantin Film AG and Sport1 Medien AG, which manage their own liquidity independently of Highlight Communications AG. In addition to a liquidity report and liquidity planning to assess its liquidity status, Highlight Communications AG essentially uses its gearing and net debt ratios, defined as current and non-current financial liabilities less cash and cash equivalents, to monitor its liquidity resources.

The equity management of Highlight Communications AG comprises all items of equity reported in the balance sheet. Highlight Communications AG also monitors the borrowed capital of the Film, Sports and Sports- and Event-Marketing segments in the context of Group management. Debt capital is monitored non-centrally by Highlight Communications AG, Sport1 Medien AG and Constantin Film AG.

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

The credit agreements of Highlight Communications AG and Constantin Film AG include compliance with certain financial covenants. The financial covenants of the Highlight Group relate to EBITDA, 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. If the conditions on borrowed funds are violated, the interest rate may increase and a termination option may arise. The financial covenants had not been violated as of December 31, 2020. The equity management of Sport1 Medien AG comprises all items of equity reported in the balance sheet. In the context of Group management, Sport1 Medien AG also monitors all items of borrowed capital. Sport1 Medien AG has not agreed any financial covenants.

6.16 Pension obligations

6.16.1 Defined benefit pension plans

The defined benefit pension plans in place relate to the Swiss companies of the Highlight Group. Practically all employees and pensioners of these companies are insured in various pension plans. These pension plans have ties to various collective facilities. These are independent legal entities in the form of foundations for the purpose of retirement and invalidity pensions for employees and their surviving dependents after their death.

The pension plans grant more than the individual benefits demanded by law in the event of invalidity, death, old age and resignation. The risk benefits are defined on the basis of the insured salary. The retirement pension is calculated on the basis of the projected interest-bearing savings and a conversion rate.

Through these defined benefit pension plans, the Group is exposed to actuarial risks such as longevity, interest rate risk as well as market and investment risk.

Companies abroad have defined contribution plans only.

Funding agreements for future contributions

The Swiss occupational pension scheme (BVG – Swiss Federal Law on Occupational Retirement, Surviving Dependents' and Disability Pension and related ordinances) stipulates the minimum pension benefits. Legislation prescribes minimum annual amounts for employers. However, an employer can also pay higher contributions than those prescribed by law. These contributions are set out in the pension plan/regulations. In addition, an employer can also pay non-recurring contributions or advances to the scheme. These contributions cannot be paid back to the employer, but they are available to the employer in order to settle future employer contributions (employer contribution reserve).

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

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

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

The forecast employer contributions for fiscal year 2021 amount to TCHF 1,383.

Maturity profile of defined benefit obligation

(TCHF)	2020	2019
Less than 1 year	3,861	2,693
Weighted average maturity of defined benefit obligation (in years)	15.6	15.9

Change in defined benefit liabilities

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

Pension liabilities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Present value of defined benefit obligation	43,541	41,060
Fair value of plan assets	40,138	36,018
Asset ceiling	1,217	-
Carrying amount	**4,620**	**5,042**

The pension liabilities totaling TCHF 4,620 consist of pension assets of TCHF 1,950 (see note 6.9) and pension liabilities of TCHF 6,570.

The figure to be included as assets is limited to the amount of the employer contribution reserve, resulting in an asset ceiling of TCHF 1,217 as of December 31, 2020 (previous year: TCHF 0).

Development of defined benefit obligation

(TCHF)	2020	2019
Present value of defined benefit obligation as of January 1	**41,060**	**36,832**
Change in the scope of consolidation	1,236	–
Current service cost (without employee contributions and administrative expenses)	2,109	1,865
Employee contributions	1,103	995
Interest cost	124	265
Curtailment, settlement	–260	–150
Benefits paid	–2,227	–1,110
Actuarial losses/(gains) from experience adjustments	106	–307
Actuarial losses/(gains) from changes in financial assumptions	290	2,670
Present value of defined benefit obligation as of December 31	**43,541**	**41,060**
thereof actively insured persons	39,916	37,307
thereof pensioners	3,625	3,753

Development of plan assets

(TCHF)	2020	2019
Fair value of assets as of January 1	**36,018**	**33,269**
Change in the scope of consolidation	845	–
Interest income	103	236
Employee contributions	1,103	995
Employer contributions	1,407	1,316
Administrative expenses of the foundation	–84	–97
Benefits paid	–2,227	–1,110
Actuarial (losses)/gains from experience adjustments	2,973	1,409
Fair value of assets as of December 31	**40,138**	**36,018**

Retirement benefit expenses broke down as follows:

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Current service cost (without employee contributions and administrative expenses)	2,109	1,865
Administrative expenses of the foundation	84	97
Effects from curtailments and settlements	–260	–150
Net interest cost (income)	21	29
Total income statement	**1,954**	**1,841**

Plan assets

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

(TCHF)	2020	2019
Cash and cash equivalents	602	148
Bonds with quoted market prices on active markets	10,063	11,246
Bonds without quoted market prices	201	844
Shares with quoted market prices on active markets	12,648	9,157
Real estate	14,345	13,060
Other	2,279	1,563
Total	**40,138**	**36,018**

The actual return on plan assets in the year under review amounted to TCHF 3,076 (previous year's period: TCHF 1,645).

Actuarial assumptions

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

	2020	2019
Discount rate	0.15	0.20
Pension trend	0.00	0.00
Salary trend	1.50	1.50
Average life expectancy after pension men (in years)	22.83	22.72
Average life expectancy after pension women (in years)	25.85	25.75

As in the previous year, the new BVG 2015 generation table was used for the actuarial assumptions for mortality, disability and employee turnover.

Sensitivity analysis

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

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

	Discount rate (incl. change in interest rate applied)		Pension trend		Salary trend		Average life expectancy
2019 (TCHF)	+25 BP	–25 BP	+25 BP	–25 BP	+25 BP	–25 BP	+ 1 year
Effect on defined benefit obligation	–1,152	1,333	915	–	288	–280	1,129

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 5,887 in the year under review (previous year's period: TCHF 8,830).

6.17 Deferred tax liabilities

Breakdown of deferred tax liabilities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Film assets	36,340	35,629
Intangible assets	14,825	15,233
Right-of-use assets	7,083	7,803
Inventories	3	2
Trade accounts receivable and other receivables	4,418	2,158
Contract assets	4,863	4,484
Other financial assets	48	–
Pension assets	262	–
Provisions	–	307
Trade accounts payable and other liabilities	4,186	5,086
Contract liabilities	160	264
Advance payments received	11,183	10,577
Total	**83,371**	**81,543**
Netting with deferred tax assets	–49,247	–48,016
Deferred tax liabilities (net)	**34,124**	**33,527**

Maturities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Current deferred tax liabilities	–	–
Non-current deferred tax liabilities	34,124	33,527

6.18 Financial liabilities

Reconciliation of liabilities arising from financial liabilities

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

			Non-cash changes				
(TCHF)	Jan. 01, 2019	Cash	Reclassifications from first-time adoption of IFRS 16	Accrual of interest	Currency translation	Other	Dec. 31, 2019
Non-current financial liabilities	934	120,756	–934	2,117	–139	–1,675	121,059
Current financial liabilities	149,004	–80,268	–230	–	–1,834	–	66,672
Total financial liabilities	**149,938**	**40,488**	**–1,164**	**2,117**	**–1,973**	**–1,675**	**187,731**

Please see note 6.4 for the reconciliation with lease liabilities.

6.18.1 Non-current financial liabilities

In the previous year, Highlight Communications AG concluded a new credit agreement, providing for three facilities. Facility A amounts to EUR 40.6 million (nominal value EUR 37.9 million) and Facility B amounts to CHF 49.4 million (nominal value CHF 50 million); both are required to be repaid in the amount of 20% per year. Facility C amounts to CHF 49.3 million (nominal value CHF 50 million) and is due only in 2024. The repayment amounts due for Facility A and Facility B in the 2021 reporting period are reported as current; the remainder is recognized under non-current financial liabilities. Highlight Communications AG's credit facilities of TCHF 90,000 and TEUR 30,296 (previous year: TCHF 100,000 and TEUR 45,000) are secured by the shares in Sport1 Medien AG and Constantin Film AG.

6.18.2 Current financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 69,416 (previous year: TCHF 66,672), TCHF 51,218 (previous year: TCHF 48,438) of which relates to the financing of film projects. The Highlight Group had free short-term credit facilities totaling around TCHF 161,753 (previous year: TCHF 172,067) 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 161,905 (previous year: TCHF 174,633) and the resulting proceeds from exploitation in addition to receivables and contract assets of TCHF 48,543 (previous year: TCHF 51,655). 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.

In late June 2021, Highlight Communications AG was required to make repayments of TEUR 7,574 for Facility A and TCHF 10,000 for Facility B. These repayments are reported at Highlight Communications AG. As of the end of the reporting period, until April 30, 2021 the Sport1 Medien Group has a working capital facility of TCHF 7,576 (previous year: TCHF 7,598) and guarantee lines of TCHF 7,576 (previous year: 7,598). 4,000,000 Highlight Communications AG shares with a carrying amount of TCHF 17,490 (previous year: 4,000,000 Highlight Communications AG shares with a carrying amount of TCHF 18,148) were pledged in total for the two credit facilities as of December 31, 2020. Financial covenants do not have to maintained for the borrowed capital.

Currency profile

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
CHF	10,000	10,000
EUR	31,234	40,666
USD	21,654	16,006
CAD	6,528	–
Total	**69,416**	**66,672**

6.19 Advance payments received

Advance payments received totaling TCHF 52,147 (previous year: TCHF 57,487) essentially include amounts received for productions for which revenue has not yet been recognized and advance payments from customers of TCHF 10,012 (previous year: TCHF 15,467).

6.20 Non-current liabilities

In the previous year, other non-current liabilities included a contingent purchase price component of TCHF 231 from the acquisition of Hager Moss Film GmbH in 2018. This were paid out/reversed in the fiscal year (see note 8.4).

6.21 Trade accounts payable and other liabilities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Trade accounts payable	38,992	46,846
Other liabilities	90,975	87,575
Total	**129,967**	**134,421**

6.21.1 Trade accounts payable

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Trade accounts payable (financial)		
Current liabilities	19,251	21,064
Liabilities due to related parties	5	44
Outstanding invoices	18,868	25,176
Total	**38,124**	**46,284**
Trade accounts payable (non-financial)		
Liabilities from countertrades	868	562
Total	**868**	**562**
Total trade accounts payable	**38,992**	**46,846**

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 trade accounts payable relevant under IFRS 7 is approximately their fair value.

Currency profile

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
CHF	525	884
EUR	15,797	22,871
USD	20,571	22,963
CAD	2,092	–
Other	7	128
Total	**38,992**	**46,846**

6.21.2 Other current liabilities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Other liabilities (financial)		
Liabilities from conditional loan repayment (subsidies)	18,740	18,382
Customers with credit balances	297	197
Commissions, licenses and royalty payments	35,518	29,888
Current other loans	228	222
Negative fair value of derivative financial instruments without hedging relationships	337	855
Personnel-related liabilities (financial)	14,709	16,512
Other current liabilities (financial)	4,191	3,636
Other liabilities due to related parties	186	949
Total	**74,206**	**70,641**
Other liabilities (non-financial)		
Value-added tax liabilities	3,215	2,077
Other taxes	3,668	4,992
Social security	451	740
Prepaid expenses	7,518	7,570
Negative fair value of underlying transactions in hedging relationships	1,099	–
Personnel-related liabilities (non-financial)	818	1,555
Total	**16,769**	**16,934**

Currency profile

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
CHF	13,407	15,259
EUR	75,568	70,989
USD	442	–
CAD	1,549	1,327
Other	9	–
Total	**90,975**	**87,575**

6.22 Contract liabilities

Development of contract liabilities

(TCHF)	
Balance on December 31, 2018	**8,131**
Currency translation differences	–283
Additions	6,021
Amounts consumed due to performance	–6,468
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**

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

The line “Amounts consumed due to performance” relates to revenue recognized in the reporting period that was contained in net contract liabilities at the beginning of the period.

6.23 Provisions

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

(TCHF)	Jan. 01, 2019	Currency translation differences	Con-sumption	Reversal	Reclassifi-cation	Addition	Dec. 31, 2019
Provisions for litigation risks	1,887	–61	1,386	115	–	1,167	1,492
Staff provisions	2,712	–88	1,057	913	362	1,043	2,059
Provisions for guarantees and contractual obligations	1,203	–33	7	373	–	2	792
Other provisions	2,054	–30	1,739	217	–	161	229
Total	**7,856**	**–212**	**4,189**	**1,618**	**362**	**2,373**	**4,572**
thereof current provisions	7,856	–212	4,189	1,618	362	2,373	4,572

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 223 (previous year: TCHF 135).

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

6.24 Income tax liabilities

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Income taxes Switzerland	2,033	2,224
Income taxes Germany	4,643	3,373
Income taxes rest of the world	2	221
Total	**6,678**	**5,818**

7. NOTES TO INDIVIDUAL ITEMS OF THE INCOME STATEMENT

7.1 Revenue from contracts with customers

Please see the segment reporting under note 9 for a breakdown of revenue.

Revenue from contracts with customers from prior periods recognized in the current period amounted to TCHF 573 (previous year's period: TCHF 1,053).

Future revenue from contracts with customers

Revenue expected to be recognized (TCHF)	Dec. 31, 2020	Dec. 31, 2019
within one year	268,817	160,975
between one and five years	262,751	338,790
after five years	2,809	295
Total	**534,377**	**500,060**

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 91,192 (previous year's period: TCHF 92,850). Other own work capitalized of TCHF 2,049 (previous year's period: TCHF 3,007) mainly relates to digital internally generated intangible assets.

7.3 Other operating income

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Income from the reversal of provisions and deferred liabilities	2,837	4,713
Prior-period income	897	1,180
Recharges	490	699
Price gains	3,125	2,600
Income from rents and leases	12	24
Write-off of liabilities	131	673
Income from the disposal of non-current assets	85	31
Income from deconsolidation	63	–
Income from settlements of claims for damages and settlement agreements	3,820	5,780
Income from the disposal of right-of-use assets from leases	–	1
Miscellaneous operating income	4,578	26,098
Total	**16,038**	**41,799**

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.

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

In the previous year, miscellaneous operating income included TCHF 22,165 in income from the transfer of rights of use.

7.4 Cost of materials and licenses

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Licenses and commission	29,232	36,833
Other costs of material	15,370	13,757
Total licenses, commissions and material	**44,602**	**50,590**
Production costs	160,839	166,065
Purchased services	845	1,145
Royalty payments in the Film segment	12,002	6,705
Total purchased services	**173,686**	**173,915**

7.5 Personnel expenses

In the reporting period, TCHF 1,341 in government grants were recognized as deductions in personnel expenses (previous year's period: TCHF 0). This relates to the reimbursed social insurance contributions for the short-time allowance.

7.6 Other operating expenses

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Rental costs	2,250	2,862
Repair and maintenance costs	1,262	1,067
Advertising and traveling expenses	5,082	10,111
Legal, consulting and auditing costs	10,498	14,981
IT costs	5,111	5,818
Administrative costs	1,857	1,986
Other personnel-related expenses	1,437	2,289
Insurance, dues and fees	1,962	1,999
Expenses relating to other periods	175	61
Price losses	3,276	3,066
Vehicle costs	569	719
Bank fees	274	187
Losses from the disposal of non-current assets	33	27
Expenses from deconsolidation	–	630
Other taxes	38	93
Release and promotion expenses	11,923	28,847
Expenses from short-term leases	1,268	1,749
Expenses from leases of low-value assets (if not already short-term)	13	1
Expenses from variable lease payments (not included in lease liabilities)	923	587
Miscellaneous operating expenses	4,214	5,778
Total	**52,165**	**82,858**

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. These declined due to the fact that cinema closures in the corona pandemic resulted in fewer films being released in movie theaters than in previous years.

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 902 (previous year's period: TCHF 1,442) and reversals of impairment losses on financial assets totaling TCHF 795 (previous year's period: TCHF 797).

7.8 Financial income

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Interest and similar income	1,109	418
Gains from changes in the fair value of financial instruments	178	307
Currency exchange gains	2,876	1,543
Total	**4,163**	**2,268**

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.

7.9 Financial expenses

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Interest and similar expenses	6,626	6,223
Write-down of financial assets and non-current securities	–	213
Losses from changes in the fair value of financial instruments	566	699
Currency exchange losses	1,564	1,456
Interest expenses from lease liabilities	780	798
Total	**9,536**	**9,389**

As in the previous year, several derivative financial instruments were not in a formal hedge in accordance with IFRS 9 in the year under review. However, there were still economic hedges.

7.10 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: 21 %) relates to the tax rate applicable at the domicile of Highlight Communications AG.

Effective tax rate reconciliation

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Profit before taxes	20,206	22,431
Expected taxes based on a tax rate of 17.93 (previous year: 21 %)	–3,623	–4,711
Differing tax rates	–364	–59
Reversal of deferred tax assets	–	50
Write-down on deferred tax assets	–172	–
Tax-exempt income	–10	–114
Permanent differences	–1,048	–613
Non-deductible expenses	–2,430	–1,294
Aperiodic income taxes	–148	108
Other effects	998	1,071
Effects from changes in tax laws in Switzerland	–	10,963
Unrecognized deferred taxes	–1,448	–2,470
Actual tax expense	**–8,245**	**2,931**
Effective tax rate in %	**40.8**	**–13.1**

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, 2020

ASSETS (TCHF)
Cash and cash equivalents
Trade accounts receivable
Contract assets
Other receivables (current)
Financial assets at fair value
Other receivables
Derivative financial instruments with hedging relationships
Other financial assets (current)
Financial assets at fair value
Financial assets at fair value
Non-current receivables
Financial assets at fair value
Other receivables
Other financial assets (non-current)
Financial assets at fair value
Financial assets at fair value

EQUITY AND LIABILITIES (TCHF)
Financial liabilities (current and non-current)
Financial liabilities with hedging relationships (current and non-current)
Lease liabilities (current and non-current)**
Trade accounts payable (current and non-current)
Contract liabilities
Other liabilities (current and non-current)
Financial liabilities at amortized cost
Financial liabilities at fair value
Other liabilities (underlying transactions in hedging relationships)

AGGREGATED BY CATEGORY
ASSETS (TCHF)
Financial assets at amortized cost
Financial assets at fair value through profit or loss
Financial assets at fair value through OCI

EQUITY AND LIABILITIES (TCHF)
Financial liabilities at amortized cost
Financial liabilities at fair value

Classification category IFRS 9	Carrying amount on 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
AC	48,178	–	48,178	–	–	48,178
AC	46,539	–5,736	40,803	–	–	40,803
without category	32,680	–32,680	–	–	–	–
FVTPL	211	–	–	–	211	211
AC	70,231	–14,855	55,376	–	–	55,376
without category	1,099	–	–	–	1,099	1,099
FVTPL	12	–	–	–	12	12
FVTOCI	11	–	–	11	–	11
FVTPL	11,397	–	–	–	11,397	11,397
AC	1,719	–	1,719	–	–	1,719
FVTPL	–	–	–	–	–	–
FVTOCI	43	–	–	43	–	43
AC	173,467	–	173,467	–	–	174,740
AC	–732	–	–732	–	–	–732
without category	39,216	–	–	–	–	–
AC	38,992	–868	38,124	–	–	38,124
without category	9,900	–9,900	–	–	–	–
AC	89,633	–15,670	73,963	–	–	73,963
FLTPL	337	–	–	–	337	337
without category	1,099	–1,099	–	–	–	–
AC	166,667	–20,591	146,076	–	–	146,076
FVTPL	11,620	–	–	–	11,620	11,620
FVTOCI	54	–	–	54	–	54
AC	301,360	–16,538	284,822	–	–	286,095
FLTPL	337	–	–	–	337	337

** Not relevant under IFRS 7: It does not concern financial instruments.*
*** In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities.*

AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

Disclosures IFRS 7: Classes as of December 31, 2019

ASSETS (TCHF)
Cash and cash equivalents
Trade accounts receivable
Contract assets
Other receivables (current)
Financial assets at fair value
Other receivables
Other financial assets (current)
Financial assets at fair value
Non-current receivables and other receivables
Other financial assets (non-current)
Financial assets at fair value
Financial assets at fair value

EQUITY AND LIABILITIES (TCHF)
Financial liabilities (current and non-current)
Financial liabilities with hedging relationships (current and non-current)
Lease liabilities (current and non-current) **
Trade accounts payable (current and non-current)
Contract liabilities
Other liabilities (current and non-current)
Financial liabilities at amortized cost
Financial liabilities at fair value

AGGREGATED BY CATEGORY
ASSETS (TCHF)
Financial assets at amortized cost
Financial assets at fair value through profit or loss
Financial assets at fair value through OCI
EQUITY AND LIABILITIES (TCHF)
Financial liabilities at amortized cost
Financial liabilities at fair value

The category of financial assets measured at fair value through profit or loss includes derivative financial instruments as well as a non-current receivable. The category of financial liabilities measured at fair value through profit or loss includes derivative financial instruments as well as an earn-out liability in the previous year.

			Valuation in the balance sheet under IFRS 9			
Classification category IFRS 9	Carrying amount on Dec. 31, 2019	thereof not relevant under IFRS 7*	Amortized cost	Fair value through OCI	Fair value through profit or loss	Fair value on Dec. 31, 2019
AC	52,970	–	52,970	–	–	52,970
AC	51,930	–4,434	47,496	–	–	47,496
without category	18,626	–18,626	–	–	–	–
FVTPL	287	–	–	–	287	287
AC	84,271	–27,674	56,597	–	–	56,597
FVTPL	14	–	–	–	14	14
AC	16,021	–	16,021	–	–	16,021
FVTPL	14	–	–	–	14	14
FVTOCI	896	–	–	896	–	896
AC	187,175	–	187,175	–	–	181,363
AC	556	–	556	–	–	556
without category	39,950	–	–	–	–	–
AC	46,846	–562	46,284	–	–	46,284
without category	7,401	–7,401	–	–	–	–
AC	86,800	–16,934	69,866	–	–	69,866
FLTPL	1,086	–	–	–	1,086	1,086
AC	205,192	–32,108	173,084	–	–	173,084
FVTPL	315	–	–	–	315	315
FVTOCI	896	–	–	896	–	896
AC	321,377	–17,496	303,881	–	–	298,069
FLTPL	1,086	–	–	–	1,086	1,086

**Not relevant under IFRS 7: It does not concern financial instruments.*
***In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities.*

AC: Financial assets at amortized cost
FVTOCI: Financial assets at fair value through OCI
FVTPL: Financial assets at fair value through profit or loss
FLTPL: Financial liabilities at fair value through profit or loss

8.2 Offsetting

For derivative financial instruments, according to the contractual agreements in the event of insolvency, all asset and liability derivatives with the counterparty in question are offset and only the net amount of the receivable or liability remains. As offsetting is only legally enforceable in the event of insolvency and the Group neither has a legal right to offset amounts at the current time nor does it intend to settle on a net basis, the derivative financial instruments are reported in the consolidated balance sheet on a gross basis.

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

Offsetting as of December 31, 2020

Offsetting of financial assets

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

Offsetting of financial liability

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

Offsetting as of December 31, 2019

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	287	–	287	–60	227

Offsetting of financial liability

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	855	–	855	–60	795

8.3 Management of financial risks

The Group is exposed to various financial risks resulting from its operating and financing activities. Financial risks can be broken down into the categories liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks). These risks are monitored centrally within the Highlight Group. The risk situation is tracked by the risk manager on the basis of a risk management directive that applies to the whole Group using standardized risk reports and reported to the Board of Directors of Highlight Communications AG. Financial risks are identified, assessed and hedged in close cooperation with the Group's operating companies.

8.3.1 Liquidity risks

A liquidity risk arises if future payment obligations of the Group cannot be covered by available liquidity or corresponding credit facilities. In order to limit this risk, suitable processes are in place within the Highlight Group, with which cash inflows or outflows and maturities are monitored and controlled on an ongoing basis. Highlight Communications AG and the Highlight Group had sufficient liquidity reserves taking into account the available short-term credit facilities as of the end of the reporting period.

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

Liquidity risk

2020 (TCHF)	Carrying amount Dec. 31, 2020	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Interest rate Variable	Repay-ment	Fixed interest	Interest rate Variable	Repay-ment	Fixed interest	Interest rate Variable	Repay-ment
Non-derivative financial liabilities										
Liabilities due to banks	172,735	435	3,481	68,467	–	5,485	104,593	–	–	–
Lease liabilities	39,216	–	–	10,663	–	–	21,129	–	–	12,173
Other non-interest-bearing financial liabilities	112,087	–	–	112,087	–	–	–	–	–	–
Derivative financial liabilities										
Derivatives without hedging relationships	337	–	–	2,901	–	–	1,894	–	–	–
Currency derivatives in connection with fair value/cash flow hedges	–	–	–	–	–	–	–	–	–	–
Derivative financial assets										
Derivatives without hedging relationships	211	–	–	1,356	–	–	1,869	–	–	–
Currency derivatives in connection with fair value/cash flow hedges	1,099	–	–	9,570	–	–	–	–	–	–

2019 (TCHF)	Carrying amount Dec. 31, 2019	Due within one year			Due within one year and five years			Due after five years		
		Fixed interest	Interest rate Variable	Repay-ment	Fixed interest	Interest rate Variable	Repay-ment	Fixed interest	Interest rate Variable	Repay-ment
Non-derivative financial liabilities										
Liabilities due to banks	187,731	–	2,765	66,672	–	6,853	122,883	–	–	–
Lease liabilities	39,950	–	119	8,314	–	387	21,309	–	56	12,237
Other non-interest-bearing financial liabilities	116,381	–	–	116,381	–	–	–	–	–	–
Derivative financial liabilities										
Derivatives without hedging relationships	855	–	–	12,634	–	–	2,753	–	–	–
Currency derivatives in connection with fair value/cash flow hedges	–	–	–	–	–	–	–	–	–	–
Derivative financial assets										
Derivatives without hedging relationships	287	–	–	5,052	–	–	2,343	–	–	–
Currency derivatives in connection with fair value/cash flow hedges	–	–	–	–	–	–	–	–	–	–

In general, the Group companies are responsible for the management of cash and cash equivalents on their own, including current deposits of excess liquidity and the procurement of loans to bridge liquidity bottlenecks. Highlight Communications AG partly supports its subsidiaries in credit financing and at times acts as a coordinator with banks for purposes of maintaining the most cost-effective coverage of financial requirements. In addition, the Group's credit quality enables efficient use of the capital markets for its financing activities. This also includes the ability to issue equity and debt instruments on the capital market. It should be noted that various projects, especially in the film business, and other financing activities such as the purchase of non-controlling interests and the acquisition of treasury shares, can influence liquidity differently over time.

Despite unused working capital facilities, it may be necessary to borrow further debt capital on the capital market or from banks both in order to refinance existing liabilities and to finance new projects. There is therefore the risk that, in the event of a deterioration of the economic situation, funding may not be available to a sufficient extent or could only be available at significantly more disadvantageous terms.

8.3.2 Credit risks

The default risk arises from cash and cash equivalents, contractual cash flows from debt instruments carried at amortized cost, from derivative financial instruments that are assets, balances with banks and financial institutions and lending to customers including outstanding receivables.

A credit risk exists if a debtor cannot pay a receivable or cannot pay it on time or assets pledged as collateral lose value and therefore cause financial losses. Credit risks include the direct counterparty risk and the risk of deterioration in credit quality.

Banks and financial institutions with which the Highlight Group performs transactions must have a good credit quality and a good rating. In addition, any risks to cash and cash equivalents are minimized by allocating cash deposits among several banks.

The default risks of the Highlight Group's key customers are also monitored and assessed on an ongoing basis. Furthermore, in significant cases, the company also hedges the risk of default by a creditor by obtaining credit rating information.

Risks from the international distribution of film licenses are minimized by concluding business only with companies of reliable credit quality, by transferring rights to the contractual partner only after payment, and/or entering into transactions in exchange for corresponding collateral (e. g. letters of credit). The maximum credit risk of the Highlight Group is equal to the carrying amount of its financial assets.

Please see note 4.9 for further information on impairment of non-financial assets.

8.3.3 Market risks

Currency risk

The Highlight Group is exposed to currency risks in its ordinary business activities. This primarily relates to the euro, the US dollar and the Canadian dollar. Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities.

Each subsidiary is subject to risks associated with exchange rate fluctuations when it performs transactions with international contractual partners and incurs future cash flows in a currency other than its functional currency. The Highlight Group does not enter into any operating activities in currencies that are otherwise considered to be especially prone to risk.

Currency translation differences in net operating income and net finance costs of TCHF 1,161 (previous year's period: TCHF -379) were recognized in profit or loss in the year under review. In addition, currency differences from the translation of foreign subsidiaries of TCHF -817 (previous year's period: TCHF -4,309) and from cash flow hedges of TCHF 904 (previous year's period: TCHF -251) were recognized in other comprehensive income (OCI).

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

Interest risk

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

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

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

Other price risks

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

Sensitivities

The sensitivity analysis shows the effects of possible changes in market interest rates on earnings before taxes or equity. Changes in market interest rates affect interest income and expenses on floating-rate financial instruments. The interest rate sensitivity analysis was prepared assuming a change in the market interest rate of 100 basis points upwards and downwards.

The Group's currency sensitivities were calculated for the main currency pairings of EUR/CHF, EUR/USD and EUR/CAD (each expressed in Swiss francs) assuming that the underlying exchange rate of the pairing fluctuates by 10 % in either direction with all other currency parameters remaining the same. The sensitivity analysis does not include translation risks. The following table shows the effects of a change in the exchange rate of 10 %. The closing rate was used for the sensitivity analysis.

Sensitivity analysis

Dec. 31, 2020 (TCHF)	Interest rate risk −1 %	+1 %
Financial assets		
Cash and cash equivalents	−482	482
Trade accounts receivable (current and non-current)	–	–
Other receivables (current and non-current)	–	–
Derivative financial instruments	–	–
Other financial assets (current and non-current)	–	–
Financial liabilities		
Financial liabilities (current and non-current)	1,727	−1,727
Lease liabilities (current and non-current)	–	–
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Derivative financial instruments	–	–
Total increase/decrease	**1,245**	**−1,245**
thereof through OCI	–	–
thereof through profit or loss	–	–

Dec. 31, 2019 (TCHF)	Interest rate risk −1 %	+1 %
Financial assets		
Cash and cash equivalents	−530	530
Trade accounts receivable (current and non-current)	–	–
Other receivables (current and non-current)	–	–
Derivative financial instruments	–	–
Other financial assets (current and non-current)	–	–
Financial liabilities		
Financial liabilities (current and non-current)	1,877	−1,877
Lease liabilities (current and non-current)	84	−84
Trade accounts payable (current and non-current)	–	–
Other liabilities (current and non-current)	–	–
Derivative financial instruments	–	–
Total increase/decrease	**1,431**	**−1,431**
thereof through OCI	–	–
thereof through profit or loss	–	–

Exchange rate risk									
EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–539	539	–191	232	–67	82	–797	853	–	–
–53	55	–1,994	2,438	–	–	–2,047	2,493	–	–
–	–	–387	473	–504	617	–891	1,090	–	–
–	–	–733	600	–	–	–733	600	–	–
–	–	–	–	–	–	–	–	–24	24
3,246	–3,246	1,969	–2,406	593	–725	5,808	–6,377	–	–
–	–	90	–110	–	–	90	–110	–	–
232	–234	206	–251	190	–233	628	–718	–	–
–	–	1,704	–2,082	141	–172	1,845	–2,254	–	–
–	–	109	–89	–	–	109	–89	–	–
2,886	**–2,886**	**773**	**–1,195**	**353**	**–431**	**4,012**	**–4,512**	**–24**	**24**
–	–	–	–	–	–	–1,277	1,046	–	–
–	–	–	–	–	–	5,289	–5,558	–	–

Exchange rate risk									
EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %	–10 %	+10 %
–1,017	1,017	–1,597	1,950	–54	66	–2,668	3,033	–	–
–151	166	–2,963	3,620	–	–	–3,114	3,786	–	–
–	–	–562	688	–34	40	–596	728	–	–
–	–	–452	551	–	–	–452	551	–	–
–	–	–	–	–	–	–	–	–92	92
4,059	–4,059	1,455	–1,779	–	–	5,514	–5,838	–	–
–	–	114	–139	–	–	114	–139	–	–
264	–266	296	–362	–	–	560	–628	–	–
–	–	1,792	–2,190	120	–148	1,912	–2,338	–	–
–	–	668	–816	–	–	668	–816	–	–
3,155	**–3,142**	**–1,249**	**1,523**	**32**	**–42**	**1,938**	**–1,661**	**–92**	**92**
–	–	–	–	–	–	–1,151	1,402	–	–
–	–	–	–	–	–	3,089	–3,063	–	–

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

2020 (TCHF)		Level 1	Level 2	Level 3	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	12	11,409
Financial assets (equity instruments)	FVTOCI	–	–	54	54
Financial liabilities measured at fair value					
Derivative financial instruments	FLTPL	–	337	–	337

2019 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVTPL/without category	–	287	–	287
Financial assets at fair value through profit or loss	FVTPL	–	–	28	28
Financial assets (equity instruments)	FVTOCI	–	–	896	896
Financial liabilities measured at fair value					
Derivative financial instruments	FLTPL	–	855	–	855
Financial liabilities	FLTPL	–	–	231	231

Disclosures on level 3 financial instruments

	Investment in Geenee Inc.	AGF Video-forschung GmbH	Summacum GmbH	Other investments	Convertible loans	Financial liabilities	Options
Fair value on December 31, 2018	**–**	**–**	**–**	**9**	**–**	**74**	**–**
Gains/(losses) through profit or loss	–	–	–	–	–	164	–
Gains/(losses) through equity	–	–14	–7	–	–	–7	–
Purchase	–	518	336	54	28	–	–
Fair value on December 31, 2019	**–**	**504**	**329**	**63**	**28**	**231**	**–**
Gains/(losses) through profit or loss	–	–	–	–	–4	–100	39
Gains/(losses) through equity	–	–504	–295	–21	–	–1	–
Gains/(losses) through equity via contract liabilities	–	–	–	–	–	–	135
Utilization due to payment	–	–	–	–	–	–130	–
Sale	–	–	–	–22	–12	–	–
Fair value on December 31, 2020	**–**	**–**	**34**	**20**	**12**	**–**	**174**

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. 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 fair values of the equity interests acquired in fiscal 2019 were remeasured on the reporting date on the basis of current planning figures using a discounted cash flow calculation. For reasons of materiality, other equity instruments totaling TCHF 9 (previous year: TCHF 9) are recognized at historical cost.

Deviations from the planning of Hager Moss Film GmbH resulted in changes to the earn-out liability. The measurement of this earn-out liability was based on the actual EBIT of the company in fiscal 2019 and 2020. As of December 31, 2020, there is no longer an earn-out liability as a level 3 financial instrument.

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 47 %.

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

8.4.2 Financial assets and liabilities at amortized cost

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

8.4.3 Fair value of non-financial assets and liabilities

As of December 31, 2020 and December 31, 2019, there were no non-financial assets or liabilities measured at fair value.

8.5 Use of hedging instruments

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

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

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

8.5.1 Fair values of hedging instruments in hedges

Cash flow hedges

As of December 31, 2020, the currency risk component of non-derivative financial liabilities with a nominal amount of TCHF 12,231 (previous year: TCHF 12,658) was designated as a hedging instrument in cash flow hedges. The hedged items are forecast transactions that are highly likely to occur.

To make the presentation clearer, the plus/minus signs in the previous year were adjusted, as in the previous year losses from hedges were reported and in the current fiscal year gains from hedges.

The unrealized profit before tax from the remeasurement of hedging instruments recognized in other comprehensive income amounts to TCHF 1,288 (previous year: TCHF -332).

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

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

Non-derivative financial instruments in hedges

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2020 Nominal volume	Annual average rate
Foreign currency forward sale					
USD	12,231	–	–	12,231	1.15302

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2019 Nominal volume	Closing rate
Foreign currency forward sale					
USD	–	12,658	–	12,658	1.11961

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)	2020	2019
Cumulative fair value changes to determine ineffectiveness	1,288	–332
Carrying amount of financial liabilities	732	–556
Nominal value	12,231	12,658

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	–1,288	332
Reserve for active cash flow hedges	–732	556

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

Hedging instruments in hedge accounting

Currency risk

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Unrealized gains and losses from hedging instruments	1,288	–332
Reclassification of realized gains and losses through profit or loss as realization of the underlying transaction is no longer expected	–	–26

Owing to changes in market conditions, in the previous year one designated project was canceled and the items recognized in other comprehensive income were reclassified to the financial result.

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 2020 and was therefore not recognized in profit or loss.

Fair Value Hedges

In addition, in fiscal 2020 derivative financial instruments with a nominal amount of TCHF 9,570 (previous year: TCHF 0) were designated as hedging instruments in fair value hedges. The hedged items relate to pending sales in foreign currency.

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

Derivative financial instruments in hedges

(TCHF)	< 1 year	1 – 5 years	> 5 years	Dec. 31, 2020 Nominal volume	Annual 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)	2020	2019
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 is a pending trade receivable. The measurement effect from the hedged items is recognized in other receivables.

CCBS ineffectiveness and credit risks were immaterial in fiscal 2020.

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, 2020 and 2019 are as follows:

Derivative financial instruments without a hedge

	Dec. 31, 2020		Dec. 31, 2019	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
CZK	724	-32	2,454	-66
PLN	-	-	500	-7
USD	1,389	-22	8,479	-668
ZAR	1,357	17	1,361	-68
USD/CAD swap	-	-	2,210	19
thereof credit balance	1,357	17	1,457	29
thereof debit balance	2,113	-54	13,547	-819
Foreign currency forwards (acquisition)				
CZK	-	-	1,204	31
USD	4,550	-263	6,574	191
thereof credit balance	1,868	20	5,938	258
thereof debit balance	2,682	-283	1,840	-36

9. SEGMENT REPORTING

The segment information below is based on the management approach.

Segments and segment reporting are defined on the basis of the internal reporting of the organizational units to the chief operating decision maker with regard to the allocation of resources and the assessment of earnings power. The management of the company as the chief operating decision maker makes decisions on the allocation of resources to the segments and assesses their success on the basis of key indicators for revenue and segment earnings. The Group's management does not rate the segments on the basis of their assets and liabilities.

The Group consists of the Film segment, the Sports segment and the Sports- and Event-Marketing segment. Group functions of Highlight Communications AG are shown under "Other" and do not represent an operating segment. These include actual Group Management, Corporate Finance, Investor Relations, Controlling, Legal, Group Accounts, Corporate Communications, Internal Audit and Human Resources. Segment earnings are defined as EBIT as this figure is used internally for performance measurement.

The activities of Constantin Film AG and its subsidiaries plus the Highlight Communications equity interest in Rainbow Home Entertainment AG and its subsidiary are combined in the Film segment as they have similar business features and are comparable in terms of the type of their products, services, processes, customers and sales methods. Its activities comprise the production of films, the exploitation of the rights to the films it produces and acquires and the distribution of theatrical, DVD/Blu-ray and TV movies.

The Sports- and Event-Marketing segment comprises the activities of TEAM Holding AG, whose principal project is to market the UEFA Champions League via its subsidiaries. Its other marketing projects are the UEFA Europa League and the UEFA Super Cup. The newly acquired 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 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 2020

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Reconciliation	Group
External sales	261,346	61,463	91,758	–	–	414,567
Intragroup sales	12	–	487	–	–499	–
Total sales	261,358	61,463	92,245	–	–499	414,567
Other segment income	104,257	587	4,871	–	–436	109,279
Segment expenses	–352,353	–34,809	–106,152	–5,894	935	–498,273
thereof amortization, depreciation	*–49,906*	*–2,010*	*–13,551*	*–*	*–*	*–65,467*
thereof impairment	*–9,211*	*–*	*–*	*–*	*–*	*–9,211*
Segment earnings	**13,262**	**27,241**	**–9,036**	**–5,894**	**–**	**25,573**
Time reference of sales						
Over time	136,318	–	45,793	–	–	182,111
Point in time	125,028	61,463	45,965	–	–	232,456
	261,346	**61,463**	**91,758**	**–**	**–**	**414,567**
Sales by product						
Film	125,028	–	–	–	–	125,028
Production services	136,318	–	–	–	–	136,318
Sports- and Event-Marketing	–	61,463	–	–	–	61,463
Platform	–	–	73,113	–	–	73,113
Services	–	–	18,645	–	–	18,645
	261,346	**61,463**	**91,758**	**–**	**–**	**414,567**

Segment information 2019

(TCHF)	Film	Sports- and Event-Marketing	Sports	Other	Reconciliation	Group
External sales	303,522	64,689	118,602	–	–	486,813
Intragroup sales	56	–	411	–	–467	–
Total sales	303,578	64,689	119,013	–	–467	486,813
Other segment income	128,026	712	9,203	–	–285	137,656
Segment expenses	–415,215	–36,239	–136,453	–7,769	752	–594,924
thereof amortization, depreciation	*–95,360*	*–1,550*	*–13,773*	*–*	*–*	*–110,683*
thereof impairment	*–5,621*	*–*	*–9*	*–*	*–*	*–5,630*
Segment earnings	**16,389**	**29,162**	**–8,237**	**–7,769**	**–**	**29,545**
Time reference of sales						
Over time	139,702	–	51,209	–	–	190,911
Point in time	163,820	64,689	67,393	–	–	295,902
	303,522	**64,689**	**118,602**	**–**	**–**	**486,813**
Sales by product						
Film	163,820	–	–	–	–	163,820
Production services	139,702	–	–	–	–	139,702
Sports- and Event-Marketing	–	64,689	–	–	–	64,689
Platform	–	–	95,553	–	–	95,553
Services	–	–	23,049	–	–	23,049
	303,522	**64,689**	**118,602**	**–**	**–**	**486,813**

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

Segment information by region

Jan. 01 to Dec. 31, 2020 (TCHF)	Switzer-land	Germany	Rest of Europe	Rest of the world *	Total
External sales	75,905	227,905	52,460	58,297	414,567
Non-current assets	145,254	264,061	–	–	409,315

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

Jan. 01 to Dec. 31, 2019 (TCHF)	Switzer-land	Germany	Rest of Europe	Rest of the world *	Total
External sales	84,210	313,496	53,950	35,157	486,813
Non-current assets	146,449	280,970	–	–	427,419

**of which TCHF 32,685 is attributable to the US*

External sales by customers

	2020		2019	
(TCHF)	Nominal	in%	Nominal	in%
Customer A (Sports- and Event-Marketing segment)	59,158	14	64,689	13
Customer B (Film segment)	42,604	10	63,174	13
Customer C (Film segment)	28,635	7	23,825	5
Sales with other customers	284,170	69	335,125	69
Total external sales	**414,567**	**100**	**486,813**	**100**

In total, the Highlight Group generated more than 10% of total revenue with two customers (previous year's period: two customers). This revenue relates both to the Film segment and the Sports- and Event-Marketing segment.

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

10.1 Overview

Financial commitments, contingent liabilities and other unrecognized financial obligations

(TCHF)	Financial commit-ments	Contingent liabilities	Purchase commit-ments for licenses	Other unrecognized financial obligations	Lease liabilities	Total
As of December 31, 2020						
Due within one year	14,611	–	43,663	26,559	8,504	93,337
Due between one year and five years	11,698	–	118,761	28,375	19,759	178,593
Due after five years	–	–	–	954	4,602	5,556
Total	**26,309**	**–**	**162,424**	**55,888**	**32,865**	**277,486**
As of December 31, 2019						
Due within one year	14,653	–	30,870	23,536	2,478	71,537
Due between one year and five years	7,920	–	27,522	11,901	18,549	65,892
Due after five years	–	–	–	822	10,555	11,377
Total	**22,573**	**–**	**58,392**	**36,259**	**31,582**	**148,806**

10.2 Financial commitments

As of December 31, 2020, there were guarantees to various TV stations for the completion of service productions totaling TCHF 14,611 (previous year: TCHF 14,653). 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.

Sport1 Medien AG has assumed directly enforceable guarantees for all liabilities of PLAZAMEDIA GmbH arising from multiple leases. These guarantees are perpetual and are capped at a total of TCHF 11,698 (previous year: TCHF 7,920).

10.3 Contingent liabilities

There were no contingent liabilities as of the end of the reporting period.

10.4 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 11,429 (previous year: TCHF 12,781).

Furthermore, the purchase commitments for licenses include TCHF 150,995 (previous year: TCHF 45,611) for broadcasting and transmission rights of Sport1 GmbH. The increase in purchase commitments was due to the fact that Sport1 GmbH acquired new Bundesliga rights in June 2020.

10.5 Other unrecognized financial obligations

Other financial obligations not recognized in the balance sheet include TCHF 24,162 (previous year: TCHF 15,077) 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 31,726 (previous year: TCHF 21,182).

10.6 Rental and lease obligations

The Highlight Group rents numerous offices, warehouses, vehicles and facilities.

The Group has recognized right-of-use assets for these leases with the exception of short-term leases and leases for low-value assets (for more information see notes 4.8 and 6.4).

11. RELATED PARTY DISCLOSURES

As part of its normal business activities, the company maintains relations with associated companies, the main shareholder and its subsidiaries as well as with companies controlled by members of the Board of Directors.

Related party disclosures

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Receivables	–	–
Liabilities	106	57

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Sales and other income	–	–
Cost of materials and licenses and other expenses	83	76

Parent company and its direct subsidiaries

(TCHF)	Dec. 31, 2020	Dec. 31, 2019
Receivables	10,062	14,857
Liabilities	85	936

(TCHF)	Jan. 01 to Dec. 31, 2020	Jan. 01 to Dec. 31, 2019
Sales and other income	661	361
Cost of materials and licenses and other expenses	725	840

As in the previous year, there were no transactions with associated companies or joint ventures in the reporting year.

Other expenses of the direct parent company Highlight Event and Entertainment AG were incurred in the amount of TCHF 164 in the reporting year (previous year's period: TCHF 134).

As of December 31, 2020, there were further liabilities to various members of the Board of Directors and managing directors of TCHF 106 (previous year: TCHF 57).

Related parties include the members of the Board of Directors, the members of Group management and their relatives. Highlight Communications AG did not perform significant services for companies controlled by related parties in the reporting period or in the same period of the previous year.

Total remuneration for the members of the executive board

	2020			
	Remuneration	Expenses for pension benefits	Remuneration as a member of the Board of Directors	**Total remuneration**
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	1,422	231	11	1,664
Peter von Büren, executive member of the BoD	711	106	11	828
Other member of the management team	683	101	–	784
Total	**2,816**	**438**	**22**	**3,276**

	2019			
	Remuneration	Expenses for pension benefits	Remuneration as a member of the Board of Directors	**Total remuneration**
Bernhard Burgener, Chairman and Delegate of the BoD, executive member of the BoD (highest remuneration)	1,410	230	11	1,651
Peter von Büren, executive member of the BoD	673	113	11	797
Other member of the management team	644	101	-	745
Total	**2,727**	**444**	**22**	**3,193**

Please see the remuneration report for further information on the remuneration paid to members of the Board of Directors and the Group management, and note 9 to the annual financial statements of Highlight Communications AG for details of their shareholdings. There are no deviations between Swiss and international accounting law.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

Covid-19 again steadily continued to spread around the world in the first quarter of 2021. As in the previous year, the Board of Directors is monitoring the situation in the current reporting period and has already taken the appropriate action. Given this development, the Board of Directors is not currently able to issue an updated forecast for fiscal 2021 that takes Covid-19 into account as of this date.

Report of the statutory auditor

to the General Meeting of Highlight Communications AG

Pratteln

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Highlight Communications AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, consolidated statement of comprehensive income/loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 86 to 160) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

Overview

Overall Group materiality CHF 1,000,000

We concluded full scope audit work at 21 Group companies in 3 countries. These Group companies represent 97% of the Group's sales. Additionally, Review procedures were concluded at one more Group company, addressing a further 2% of the Group’s sales.

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

- Sales recognition in the Film and the Sports and Event Marketing segments
- Valuation of film assets
- Impairment testing of goodwill arising from the acquisition of Sport1 Medien AG (formerly Constantin Medien AG)

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Materiality

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

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

Overall Group materiality	CHF 1,000,000
How we determined it	5% of profit before taxes
Rationale for the materiality benchmark applied	We chose profit before taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 50,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to revenue recognition, please refer to note 4.16 (Future 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 261.3 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 61.5 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 component and a variable component that 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 2020/2021 season, taking into account the contractual basis and the expected results for this period. In doing so, we relied on the calculation of the expected marketing revenues from both competitions, which are reconciled periodically with UEFA. We included in our assessment the outcomes of our interviews with Management concerning the actual and the expected financial results of the current season and our experience of the accuracy of the prior year's estimated income and accruals. • In addition, in the light of the ongoing Covid 19 pandemic, we checked the plausibility of Management's assumptions about the course of the season with regard to the potential cancellation or postponement of matches and their potential financial impact on UEFA's income or the expected agency commission. We consider Management's approach with regard to assessing the correct amount of revenue and the recognition of revenue in the correct period in the Film and the Sports and Event Marketing segments to be appropriate.

Valuation of film assets

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to impairment testing, please refer to note 4.4 (Summary of the key accounting policies – Film assets), note 5 (Judgment/estimation uncertainty) and note 6.1 (Notes to individual items of the balance sheet – Film assets) in the notes to the consolidated financial statements. Film assets, comprising in-house and third-party productions, in the amount of CHF 162.0 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 forecast 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 country-specific particularities. • Additionally, we assessed whether and to what extent the results from the initial period of exploitation (cinema) or other indicators led to additional impairment of the book value of specific films. To this end, we also examined the age structure of the portfolio of film assets. We consider the assumptions made by Management in determining the performance-based amortisation and performing any impairment tests to be appropriate and suitable for assessing the value of the film assets.

Impairment testing of goodwill arising from the acquisition of Sport1 Medien AG (formerly Constantin Medien AG)

Key audit matter	How our audit addressed the key audit matter
With regard to the accounting policies applied to goodwill, please refer to note 4.6 (Summary of the key accounting policies – Goodwill), note 5 (Judgment/estimation uncertainty) and note 6.2 (Notes to individual items of the balance sheet – Intangible assets and goodwill) in the notes to the consolidated financial statements. In 2018, Highlight Communications AG acquired a majority stake in Sport1 Medien AG (formerly Constantin Medien AG). Highlight Communications carries out annual impairment testing. This involves estimates and assumptions relating to future business results and the discount rates applied to forecasted cash flows. We consider the impairment testing of goodwill arising from this transaction in the amount of CHF 114.8 million to be a key audit matter for the following reasons: The goodwill assigned to Sport1 Medien AG represents a significant share of total assets. Additionally, there is significant scope for judgement and estimates in determining the assumptions relating to future business results and the discount rates applied.	We assessed the impairment test carried out by the Group by performing the following main audit procedures: • For the forecasted cash flows, we assessed the budget process, especially whether Group Management and the Board of Directors monitored this process and challenged the applied assumptions. • We tested whether the values used for the impairment test were in line with the budget approved by the Board of Directors. In addition, we performed a plausibility check on whether these values lay within an acceptable range of expected future market growth rates. • We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. We analysed the reasons for any variances. • We checked the plausibility of the discount rate against the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities. • In addition, on the basis of sensitivity analyses, we tested whether possible changes in individual key assumptions (the discount rate, the EBITDA margin and the long-term growth rate) resulted in an impairment of the goodwill. On the basis of the audit procedures performed, we have addressed the risk of goodwill impairment. We consider Management's approach to test for the impairment of the goodwill to be appropriate. The assumptions used were consistent and within an acceptable range.

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and 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

Bruno Häfliger	Bastian Stolzenberg
Audit expert Auditor in charge	Audit expert

Lucerne, 30 April 2021

Financial statements

as of December 31, 2020 of Highlight Communications AG, Pratteln

BALANCE SHEET AS OF DECEMBER 31, 2020

Highlight Communications AG, Pratteln

ASSETS (TCHF)	Dec. 31, 2020	Dec. 31, 2019
Current assets		
Cash and cash equivalents	2,381	872
Other current receivables		
due to third parties	43	15
from shareholders	9,960	14,735
due to Group entities	2,633	31
from related parties	6	–
Prepaid expenses/accrued income	509	558
	15,532	16,211
Non-current assets		
Non-current receivables		
from Group companies	–	–
Non-current prepaid expenses/accrued income	808	1,273
Advance payments to shareholders	–	8,000
Equity investments	454,156	443,480
Licenses	–	–
	454,964	452,753
Total assets	470,496	468,964

TOTAL EQUITY AND LIABILITIES (TCHF)	Dec. 31, 2020	Dec. 31, 2019
Liabilities		
Trade accounts payable		
due to third parties	12	20
due to Group entities	1	237
Current interest-bearing liabilities		
due to banks	18,198	18,221
due to Group entities	15,993	19,678
Other current liabilities		
due to third parties	23	23
due to Group entities	153	–
due to shareholders	80	892
Deferred income/accrued expenses	943	952
	35,403	**40,023**
Non-current liabilities		
Non-current interest-bearing liabilities		
due to banks	104,593	122,882
	104,593	**122,882**
Equity		
Subscribed capital	63,000	63,000
Legal capital reserves		
Reserves from capital contributions	51,844	51,844
Other legal capital reserves	2,758	2,758
Legal reserves for treasury shares	37,395	37,395
Voluntary retained earnings	30,403	30,403
Profit carryforward	121,263	102,747
Net profit/loss for the year	24,441	18,516
Treasury shares		
against reserves from capital contributions	–604	–604
	330,500	**306,059**
Total equity and liabilities	**470,496**	**468,964**

INCOME STATEMENT 2020

Highlight Communications AG, Pratteln

(TCHF)	2020	2019
License income	81	61
Other income	326	16
Income from equity investments	37,009	36,031
Total income	37,416	36,108
License expenses	–7	–6
Personnel expenses	–3,484	–3,463
Office and administrative expense	–3,840	–5,029
Amortization, depreciation and impairment on non-current assets	–1,900	–5,000
Earnings before interest and taxes (EBIT)	28,185	22,610
Financial expense		
Interest expense	–3,775	–3,411
Price losses	–112	–725
Financial income		
Interest income	4	17
Price gains	139	25
Profit/loss before taxes	24,441	18,516
Income taxes	–	–
Net profit/loss for the year	24,441	18,516

NOTES TO THE FINANCIAL STATEMENTS 2020

Highlight Communications AG, Pratteln

1. ACCOUNTING

These financial statements were prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations. The material items of the balance sheet are accounted for as shown below.

Securities with a market price

Securities with a market price are measured at their market price on the reporting date. A fluctuation reserve was not recognized.

Foreign currency positions

The functional currency is the Swiss franc (CHF). Transactions in foreign currencies are translated into the functional currency CHF at the exchange rate as of the transaction date. Balance sheet items are translated at the closing rate.

Other current receivables

Other current receivables are recognized at nominal value less any necessary impairment losses. All changes in value are recognized in income.

Equity investments

Equity investments are valued individually. They are recognized at cost less any necessary impairment losses. Additional impairment losses are recognized at the discretion of the Board of Directors.

Treasury shares

From fiscal year 2015, treasury shares are recognized at cost without subsequent remeasurement.

2. DETAILS ON INDIVIDUAL ITEMS

Advance payments to shareholders made in the previous year

On December 17, 2019, Highlight Communications AG acquired from Highlight Event and Entertainment AG the stake in Highlight Event AG at a purchase price of CHF 9 million. The shares were transferred as of January 1, 2020. Completion and transfer of control occurred on January 1, 2020. In the previous year a payment of CHF 8 million was made. On January 1, 2020 the remaining amount of the purchase price of CHF 1 million was paid.

Current and non-current interest-bearing liabilities due to banks

In the reporting period, the relevant amortization was taken on the credit agreement.
In the financial statements amortization for FY 2021 is recognized as current.

Equity

In the reporting period, no dividend negatively impacting reserves from capital contributions was paid.

Income from equity investments

This item contains dividends from Group entities.

Price gains

There were operating foreign currency gains of CHF 0.3 million in the reporting period.

Office and administrative expense

This item contains management expenses, consulting expenses and investor relations costs.
Costs remained practically unchanged. In the reporting period there were costs in connection with the delisting offer to shareholders of Sport1 Medien AG (formerly: Constantin Medien AG).

Amortization, depreciation and impairment on non-current assets

In the reporting period, write-downs on receivables from Group companies amounted to CHF 1.9 million (with subordination). Total subordination amounted to CHF 15.4 million.

3. PLEDGED ASSETS AS COLLATERAL FOR OWN OBLIGATIONS

	Dec. 31, 2020	Dec. 31, 2019
Shares in Sport1 Medien AG		
Number of shares	88,835,372	88,151,753
Carrying amount in TCHF	235,226	233,553
Shares in Constantin Film AG		
Number of shares	12,742,600	12,742,600
Carrying amount in TCHF	132,151	132,151
Credit facility used		
TCHF	122,790	141,103

4. CONTINGENT LIABILITIES

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

5. NOTES ON MAIN INVESTMENTS

The list of all companies with own legal identity, including minority investments held directly or indirectly by the holding company and consolidated at the level of the Highlight Group, can be found in Note 3 of the consolidated financial statements in this annual report.

6. CHANGE TO LEGAL CAPITAL RESERVES

6.1 Authorized Capital

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

6.2 Capital reserves

In the reporting period, no dividend was paid.

7. SHAREHOLDER STRUCTURE

Shareholders with holdings of over 5%	Dec. 31, 2020	Dec. 31, 2019
Highlight Event and Entertainment AG	48.70%	45.18%
Stella Finanz AG	12.26%	12.26%
Axxion S.A.	9.89%	9.89%
Sport1 Medien AG	9.81%	9.81%

For the stakes held by members of the Board of Directors and the Group management as well as their related parties, refer to Note 9.

The Board of Directors is aware of no other material shareholdings (over 5%).

8. TREASURY SHARES (HELD DIRECTLY OR INDIRECTLY VIA SUBSIDIARIES)

Directly

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2020	116,983	605	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2020	116,983	605	–

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2019	74,983	406	–
Sales	–	–	–
Acquisitions	42,000	199	–
Balance on December 31, 2019	116,983	605	–

Indirectly

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2020	6,182,518	37,396	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2020	6,182,518	37,396	–

	Number of shares	Carrying amount TCHF	Transaction value TCHF
Balance on January 1, 2019	6,182,518	37,396	–
Sales	–	–	–
Acquisitions	–	–	–
Balance on December 31, 2019	6,182,518	37,396	–

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

As of December 31, 2020, the individual members of the Board of Directors and the Group management (including related parties) held the following number of shares in the company:

	2020	2019
Bernhard Burgener, Chairman and Delegate, executive member	–	–
René Camenzind, non-executive member	628,715	628,715
Martin Hellstern, non-executive member	200,000	200,000
Peter von Büren, executive member	–	–
Alexander Studhalter, executive member	–	–
Dr. Paul Graf, Managing Director	50,000	50,000

10. NUMBER OF FULL-TIME EQUIVALENTS

The average number of full-time equivalents over the year was not more than 10 employees.

11. ADDITIONAL INFORMATION, STATEMENT OF CASH FLOWS AND MANAGEMENT REPORT

Additional information, the statement of cash flows and the management report have been waived in accordance with Article 961d (1) of the Swiss Code of Obligations as Highlight Communications AG prepares consolidated financial statements in accordance with a recognized accounting standard.

12. EVENTS AFTER THE BALANCE SHEET DATE

Covid-19 again steadily continued to spread around the world in the first quarter of 2021. As in the previous year, the Board of Directors is monitoring the situation in the current reporting period and has already taken the appropriate action. Given this development, the Board of Directors is not currently able to issue an updated forecast for fiscal 2021 that takes Covid-19 into account as of this date.

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS AND THE LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS

Highlight Communications AG, Pratteln

PAYMENT OF A DIVIDEND FROM LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS

(TCHF)	**2020**
Payment of a dividend	0
Withdrawal from the legal reserves from capital contributions	**0**

APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(TCHF)	**2020**
Profit carryforward	121,263
Net profit for the year	24,441
Available retained earnings	**145,704**

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

(TCHF)	
Retained earnings	145,704
Dividend payment	0
Carryforward to new account	**145,704**

The Board of Directors of Highlight Communications AG recommends carrying forward all gains for fiscal 2020 to new account and therefore not distributing any dividends. By doing so, the Board of Directors aims to safeguard liquidity in the long term in light of the pandemic so that it can meet its financial obligations at all times.

Report of the statutory auditor

to the General Meeting of Highlight Communications AG

Pratteln

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Highlight Communications AG, which comprise the balance sheet as at 31 December 2020, income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 170 to 175) as at 31 December 2020 comply with Swiss law and the articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview

Overall materiality: CHF 1,600,000

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.

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

Overall materiality	CHF 1,600,000
How we determined it	0.5% of 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 80,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

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

Impairment testing of equity investments

Key audit matter	How our audit addressed the key audit matter
Equity investments in the amount of CHF 454.2 million are a significant item on the company's balance sheet, representing more than 96% of total assets. Equity investments are valued individually, and impairment is assessed by comparing the carrying amount with the recoverable amount. Impairment testing of equity investments is highly dependent on the valuation model used and, depending on the model chosen, on estimates about future results or cash flows and the discount rate. In this case, there is a degree of estimation uncertainty in determining the underlying assumptions and Management has scope to apply its judgement. The calculations of the recoverable amounts of the investments in Team Holding AG, Constantin Film AG and Sport1 Medien AG were updated in the year under review by the Management of Highlight Communications AG.	We examined the impairment testing of the equity investments by means of the following main audit procedures: We tested the valuation models used for their technical correctness. For the investment in Sport1 Medien AG, we tested the assumptions made by Management in forecasting future results or cash flows and in determining the discount rate. • For the forecasted cash flows, we assessed the budget process, especially whether Group Management and the Board of Directors monitored this process and challenged the applied assumptions. • We tested whether the values used for the impairment test were in line with the budget approved by the Board of Directors. In addition, we performed a plausi-

We consider the impairment testing of the equity investments a key audit matter because of the significance of this balance sheet item for the financial statements as a whole and the potential scope for judgement and estimation uncertainty in determining the relevant inputs and assumptions for valuation models that depend on estimates of future results or cash flows and the discount rate.

Please refer to note 1 (Accounting) and note 5 (Notes on main investments) in the notes to the financial statements 2020.

bility check on whether these values lay within an acceptable range of expected future market growth rates.

- We compared the assumptions relating to the prior year's revenues and results with those for the year under review in order to identify, in retrospect, any assumptions that were too optimistic regarding the budgeted revenues and results. We analysed the reasons for any variances.

- We checked the plausibility of the discount rate against the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities.

We consider the valuation models used by Management and the assumptions made by Management in forecasting future results or cash flows and in determining the discount rate for the equity investment in Sport1 Medien AG to be appropriate. The assumptions used were consistent and within an acceptable range.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Häfliger

Audit expert
Auditor in charge

Bastian Stolzenberg

Audit expert

Lucerne, 30 April 2021

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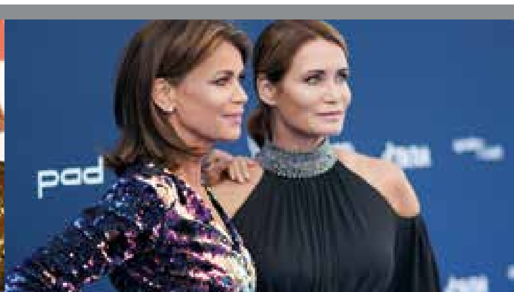
Highlight

Highlight Communications AG

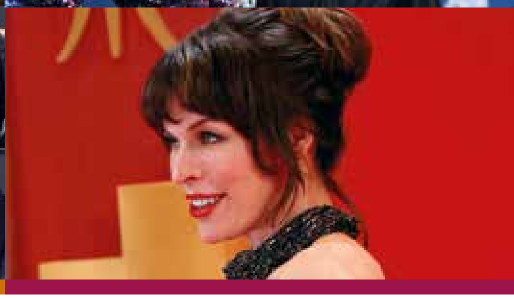
EVENTS

2021

CINEMA	Cannes Film Festival	May 12 – 19
	Locarno Film Festival	August 1 – 11
	Venice Film Festival	September 2 – 12
	Toronto Film Festival	September 6 – 16
FOOTBALL	UEFA Europa League final	May 27
	UEFA Champions League final	May 26
INVESTOR RELATIONS	Interim reports	May/August/November
	Annual General Meeting	June
	German Equity Forum	November 26 – 28



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