



Highlight

Highlight Communications AG



2Q 2022

INTERIM REPORT AS OF June 30, 2022

Significantly positive sales performance at the Highlight Group

- Consolidated sales increase by 29.8% year-on-year to CHF 268.2 million.
- The equity ratio increased slightly to 29.4% in the first half of 2022 (December 31, 2021: 29.1%).
- EBIT amounts to CHF -3.7 million as expected.

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INTERIM MANAGEMENT REPORT

BUSINESS DEVELOPMENT OF THE FILM SEGMENT

Industry conditions

Home entertainment

In the first half of 2022, the home entertainment sector was impacted by the COVID-19 pandemic in only a few isolated cases still. The reopening of movie theaters in summer 2021 led to an increase in initial releases in 2022.

While the digital distribution formats TVoD (Transactional-Video-on-Demand) and EST (Electronic-Sell-Through) broke even, the classic home entertainment market as a whole continued its downward trend. Sales of EUR 370.0 million were generated in the period from January to June 2022, down 1.34% on the same period of 2021 (EUR 375.0 million).

However, these figures do not include SVoD (Subscription-Video-on-Demand), an area that is experiencing substantial growth and achieved sales of EUR 1.137 billion in the reporting period (same period of 2021: EUR 1,003.0 million).

The downturn on the conventional market as a whole relates to the ongoing decline in sales volumes for purchases and rentals of physical media (DVDs and Blu-rays), which fell by around -7.7% to EUR 157.0 million (same period of 2021: EUR 170.0 million). Digital exploitation formats SVoD and EST were increased, with sales of EUR 208.0 million around 5.0% above the previous year's figure of EUR 198.0 million.

Operational development

Various library deals were agreed with several TV exploiters and streaming platforms, including ProSieben, SAT.1, Netflix, Amazon Prime, and RTL.

Theatrical production

In the first half of 2022, filming began on "Three Musketeers" (continued from 2021), "Manta, Manta 2" with Til Schweiger directing and starring, "Perfect Addiction", and "19:04".

In the same period, the Constantin Film Group secured the exploitation rights for "Natural Born Liar aka Menteur".

Theatrical distribution

In the first half of 2022, German movie theaters were not able to present their films to viewers without conditions due to the COVID-19 pandemic until April 2, 2022. For this reason, only two Constantin Group movies were released: "Stasikomödie" (a Leander Haußmann adaptation) and "Mia & Me".

Home entertainment

Notable new releases on the home entertainment market in the first half of 2022 included the international in-house theatrical production "Resident Evil - Welcome to Raccoon City" and the German in-house theatrical production "Contra".

In addition, the hit movie "After We Fell" was released right at the beginning of the year.

License trading/TV exploitation

In German free TV exploitation, sales were generated in particular by the start of the license for the theatrical movie “The Silence” in the second quarter of this year. In pay TV, licenses began for movies including “Breaking News in Yuba County” and “Die in a Gunfight” (Sky).

TV service production

In the reporting period, Constantin Entertainment GmbH produced episodes of the new daily show “Doppelt kocht besser” with celebrity chef Alexander Kumptner (SAT.1).

Constantin Television GmbH filmed another two episodes of “Kroatien-Krimi” for Degeto, and filming began on the streaming series “Liebes Kind” for Netflix and on the TV series “Im Zeichen des Wassermanns” for ARD. In addition, more episodes of the soap opera “Dahoam is Dahoam” were filmed for BR.

At Hager Moss Film GmbH, the TV film “Gaffer – und ihr schaut zu” was filmed for SWR and another episode of the TV series “Ein Krimi aus Passau” for Bayerischer Rundfunk.

Furthermore, filming began at Moovie GmbH on the TV series “Hübsches Gesicht” for RTL+ and at Olga Film GmbH on two more episodes of the crime film series “Kommissarin Lucas” for ZDF.

At Rat Pack Filmproduktion GmbH, two productions were filmed for international streaming services, and filming work began on another two ARD episodes of the series “Daheim in den Bergen”.

Analysis of non-financial performance indicators

Theatrical distribution

Of the Constantin Film titles screened in German movie theaters in the first half of 2022, “Contra”, which was released in 2021 already, recorded around 762,000 moviegoers and sales of approximately EUR 6.7 million. The top Constantin title in the first half of 2022 was “Mia and Me”.

Home entertainment

In the period from January to June 2022, the Highlight Group achieved a share of around 3.0% on the German video market without its sales partners Paramount Home Entertainment and Universal Home Entertainment. Its market position was maintained in 2022 as compared to the same period of 2021 (3.0%) thanks to its broad range of programming and good sales figures. Performance in the first half of 2022 benefited from the sales figures for the theatrical hit “After We Fell”, which generated more than 250,000 transactions in digital distribution.

While the negative trend on the physical home entertainment market will presumably continue, the growth prospects for digital home entertainment are still positive. Growth is expected, partly as a result of additional SVoD platforms entering the market.

License trading/TV exploitation

The ARD premiere broadcast of the fourth installment in the “Ostwind” series “Ostwind – Aris Ankunft” over Easter on April 15, 2022, was a hit not just with children but also with the adult audience. The family movie drew 1.36 million viewers aged 3 and over, corresponding to a market share of 11.2%. The repeat broadcast of the “Fack Ju Göhte” series also brought in good ratings for SAT.1 in June.

TV service production

There were very good ratings again in TV exploitation in the second quarter of 2022. For example, the ARD broadcast “Die Toten am Meer – Die Wikinger” (Moovie GmbH) posted an overall market share of just under 20.2%, while “Tatort: Warum” (Hager Moss Film GmbH) even achieved an overall market share of 25%. The next episode of the ZDF series “Kommissarin Lucas – Goldrausch” (Olga Film) also put in a very successful performance with an overall market share of around 22.4%.

At Dahoam Television, the daily show “Dahoam is Dahoam” again delivered solid ratings with an average overall market share of a good 16% in Germany in the reporting period, while the political satire show “SchleichFernsehen” achieved an overall market share on Bayerischer Rundfunk of up to 13.7% for its episodes in the reporting period.

The comedy format “LOL: Last One Laughing” (Constantin Entertainment) was highly successful as well, becoming the most successful show on Amazon Prime again in its third season. The successful daily show “Shopping Queen” celebrated its tenth birthday and also continued to deliver very good ratings in the afternoon programming on VOX.

BUSINESS DEVELOPMENT OF THE SPORTS AND EVENT SEGMENT

Sector-specific situation

Against a backdrop of the recent COVID-19 pandemic, the onset of war in Europe and the ensuing global macroeconomic headwinds, the outlook for the sports and event segment remains uncertain.

TEAM Group

The UK media market has become more consolidated in 2022 with British Telecommunications (BT) and Warner Bros Discovery formally agreeing to merge their sports broadcasting operations in the UK and Ireland. This will bring BT Sport and Eurosport UK channels into a single organisation, with the new company offering Olympic Games, tennis Grand Slams, Premiership Rugby, and English Premier League, as well as UEFA Champions League, UEFA Europa League, and UEFA Europa Conference League. The merger comes after OTT broadcaster, DAZN, which was also interested in buying the BT Sport operations, failed to agree on the acquisition terms at the beginning of the year.

Apple and Major League Soccer (MLS) signed a 10-year deal to present all MLS matches around the world for 10 years, beginning in 2023. For the first time in sport media history, the deal will cover every market, without any local blackouts or restrictions. Earlier in 2022, Apple signalled its increased interest in sports content when it acquired a Friday-night package, around 50 games a season, of Major League Baseball.

Sport1 Medien AG

The advertising trend of the data analysis company Nielsen showed a slight increase in the first six months, with gross advertising expenditure 2.6% higher than in the first half of 2021. The segment with the highest sales was still TV, where cumulative growth was in line with the overall market at 2.6%. Compared to the first half of 2021, the biggest increases were achieved by movie theaters – with growth of around 44.0% as a result of the low sales in the previous year’s period due to the pandemic – and radio with an increase of 11.7%. Direct mail also increased significantly by 9.7% in the first six months. Growth in newspapers, online (both +2%) and general interest magazines (+0.6%) was somewhat more moderate.

Operational development

The Board of Directors of the Highlight Group made the decision to report the Sports (Group company Sport1 Medien AG) and Sports- and Event-Marketing (Group companies TEAM Group and Highlight Event AG) segments in the Sports and Event segment as of January 1, 2022.

TEAM Group

In the first half of 2022, TEAM Group’s primary focus was on finalising the preparations for the global launch of the sales process for the commercial rights to the UEFA Champions League, the UEFA Europa League, and the UEFA Europa Conference League for the 2024/25 to 2026/27 seasons.

The first two tenders were launched in the UK and France. The processes were finished successfully with Canal+ acquiring all the rights in France and the UK incumbent, BT Sport, winning most of the rights in the market, with a package taken by multinational technology company Amazon and a highlights package taken by free-to-air public broadcaster, the BBC. It is the first ever UEFA Club Competitions (UCC) rights acquisition of the British public broadcaster.

In addition, TEAM Group’s other focus was on supporting UEFA in delivering a successful end to the 2021/22 season, the first season of the new commercial cycle. TEAM worked on delivering the UCC Finals in Paris, Sevilla, and Tirana, the first without crowd limitations or other restrictions since the COVID-19 pandemic, for all commercial partners.

Highlight Event AG

Highlight Event AG’s activities in the reporting period focused on the implementation of a number of events, starting with the Eurovision Song Contest 2022 in Turin, Italy, followed by two sponsor events of the Vienna Philharmonic Orchestra in Cologne, Germany, and Brussels, Belgium, and then the orchestra’s Summer Night Concert 2022 in the gardens of Schönbrunn Palace. All events could be implemented without any restrictions again for the first time. The commitments under the media and sponsorship agreements were therefore met in full.

The Eurovision Song Contest TV format was successfully sold in the United States, where an “American Song Contest” was held for the first time and broadcast on NBC (via TV and streaming). In addition to the more than 150 million TV viewers in over 40 countries, this is a very positive development. The Vienna Philharmonic Orchestra’s events were broadcast in almost 100 countries. With medici.tv, a leading classical music streaming platform, global broadcasting in the remaining countries was covered and secured for the first time.

Sport1 Medien AG

In the first half of 2022, the 360° sports platform SPORT1 again focused on the optimization of its portfolio of rights: Exploitation rights for numerous Professional Darts Corporation (PDC) tournaments including the World Darts Championship and many other top events were acquired for another five years until 2026. SPORT1 also acquired the rights to the FIFA Club World Cup UAE 2021™, which was held in 2022, the ISTAF INDOOR athletics events in Berlin and Düsseldorf, as well as the BMW International Open golf tournament in Eichenried near Munich. SPORT1 was also able to secure additional rights in eSports to the bevestor Virtual Bundesliga, which is hosted by the DFL Deutsche Fussball Liga together with ESL Gaming, in the Mixed Martial Arts (MMA) area as part of a cooperation with FIGHTING.de to numerous live events, as well as broadcasting rights to the World Games 2022, which took place from July 7 to 17 in the US state of Alabama. In addition to the existing live sport highlights – including Major League Baseball, which began in April, and the German Women’s Volleyball League – the new “24/7 Sports Pack” was launched on SPORT1 Extra in February. This package of channels includes Sportdigital FUSSBALL, Motorvision.TV, fight24 HD, EDGEsport and SPORT1+. A new quiz, “Fussball für Besserwisser”, was also launched in March. In addition, SPORT1 launched a motor-sports format campaign in June with “Triebwerk – Das Automagazin mit Tim Schrick” and also announced the TV premiere of “Car Maniac” – the first electric mobility magazine show on German television – in this context.

In the first half of 2022, PLAZAMEDIA created a campaign merging real and virtual elements in its mixed-reality studio for AlphaTauri, the premium fashion brand from Red Bull. PLAZAMEDIA also implemented the production of the new SAT.1 cooking show “Doppelt kocht besser” for Constantin Entertainment in its Studio 4 with a new IP-based control room.

The consulting unit LEITMOTIF expanded its service range in the second quarter to include social media and influencer marketing and management, and gained several new customers.

Analysis of non-financial performance indicators

TEAM Group

The UEFA Champions League Final in Paris was broadcast in over 200 countries around the world and attracted an average audience of approximately 110 million viewers, across all platforms. On the weekend of the Final, 1.2 billion interactions took place on social media related to the UCL Final. These broadcast audience figures represent a significant uplift of 29% from the 2021 Final in Porto and reemphasize the Final’s status as one of the world’s leading annual sports events.

The UEFA Europa League Final in Sevilla, and the first ever UEFA Europa Conference League Final in Tirana, were broadcast in over 100 countries around the world and were seen by an average of 30 million and 20 million viewers respectively.

Sport1 Medien AG

In the first half of 2022, SPORT1’s free TV market share among viewers aged three and over came to 0.5%. In the core target group of men aged 14 to 59, SPORT1’s free TV market share was stable year-on-year at 0.9%. Ratings highlights particularly included the Darts World Championship in January and the Ice Hockey World Championship in May, and in football the top matches in Bundesliga 2 on Saturday evenings, the round of 16 and the quarter-finals of the DFB Cup, and high-reach formats such as “Der STAHLWERK Doppelpass”.

SPORT1+ had 2.15 million pay TV subscribers in total as of June 30, 2022 (June 30, 2021: 2.34 million), eSPORTS1 had 2.07 subscribers (June 30, 2021: 2.09 million) and the international broadcaster eSportsONE had 2.24 million subscribers (June 30, 2021: 2.19 million).

Compared to the first six months of 2021, visits to SPORT1's digital platforms increased by around 3% in the first half of 2022. Video views on the SPORT1 platforms increased by 19% year-on-year to 100.8 million in the first half of 2022. On YouTube, there were 118 million video views each in the first halves of 2021 and 2022. In addition, May 2022 was a record month for SPORT1 in terms of videos, with 19.2 million video and livestream views on its own digital platforms.

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

Results of Group operations

| (CHF million) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 | Change |
|--|-----------------------------|-----------------------------|--------------|
| Sales | 268.2 | 206.7 | 29.8% |
| EBIT | -3.7 | 6.0 | n/a |
| Net profit for the period | -10.7 | 0.0 | n/a |
| Net profit attributable to shareholders | -10.6 | -0.2 | n/a |
| Earnings per share (CHF) | -0.19 | 0.00 | n/a |

In the first half of 2022, sales rose by CHF 67.7 million in the Film segment, which benefited from the easing of the COVID-19 pandemic, while sales declined by CHF 6.2 million in the Sports and Events segment. Capitalized film production costs and other own work capitalized were down by CHF 54.0 million at CHF 11.8 million on account of exploitation and production.

Consolidated operating expenses were higher than in the previous year at CHF 294.7 million (CHF 274.8 million) as a result of production work, while there were declines in staff costs (from CHF 94.5 million to CHF 81.3 million) and depreciation, amortization and impairment (from CHF 47.9 million to CHF 37.8 million) and the cost of materials and licenses rose year-on-year (from CHF 108.4 million to CHF 147.0 million). As a result, EBIT amounted to CHF -3.7 million after CHF 6.0 million in the first half of 2021.

The financial result was down slightly on the previous year's level at CHF -3.4 million (CHF -3.3 million), while tax expenses were stable year-on-year at CHF 2.6 million. The consolidated net profit amounted to CHF -10.7 million (previous year: CHF 0.0 million) as a result.

Results of segment operations

Film segment

| (CHF million) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 | Change |
|-------------------------|-----------------------------|-----------------------------|---------------|
| Segment sales | 189.3 | 121.6 | 55.7% |
| Segment earnings | 3.6 | 4.8 | -25.5% |

The sales increase in the Film segment reflects positive developments in home entertainment and TV service production; moreover, sales were generated from theatrical distribution again as movie theaters were re-opened following the lifting of COVID-19 restrictions.

Other segment income, which is largely influenced by capitalized film production costs, was down by CHF 51.6 million year-on-year at CHF 20.1 million (previous year: CHF 71.7 million). This decline results primarily from revenue recognition of service productions. In previous years, their capitalized production costs had been recognized in inventories on the basis of own work capitalized and in the first half of 2022 resulted in utilization. The utilization of these production costs capitalized in inventories reduces the item of own work capitalized. Segment expenses rose by CHF 17.4 million to CHF 205.8 million (previous year: CHF 188.5 million), thereby causing segment earnings to fall.

Sports and Event segment

| (CHF million) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 ¹ | Change |
|-------------------------|-----------------------------|--|--------------|
| Segment sales | 78.9 | 85.1 | -7.3% |
| Segment earnings | -4.2 | 4.0 | n/a |

The external sales of the Sports and Event segment declined by CHF 6.2 million year-on-year. At the same time, segment expenses climbed by CHF 3.1 million to CHF 86.9 million, causing segment earnings to tumble by CHF 8.2 million year-on-year to CHF -4.2 million.

¹ For better comparability, the previous year's figures for the Sports and Sports- and Event-Marketing segments have been adjusted.

Net assets situation

| (CHF million) | June 30, 2022 | Dec. 31, 2021 | Change |
|--------------------------------------|---------------|---------------|-------------------|
| Total assets | 607.6 | 674.5 | -9.9% |
| Equity | 178.8 | 196.1 | -8.8% |
| Equity ratio (in %) | 29.4 | 29.1 | 0.3 points |
| Current financial liabilities | 102.7 | 190.6 | -46.1% |
| Cash and cash equivalents | 17.7 | 48.3 | -63.3% |

On the assets side, non-current assets declined by CHF 5.5 million to CHF 386.5 million (December 31, 2021: CHF 391.9 million). The reduction is essentially due to lower capitalized in-house productions and third-party productions within film assets.

Current assets were down by CHF 61.4 million year-on-year at CHF 221.2 million as of the end of the first half of 2022 (December 31, 2021: CHF 282.6 million).

On the equity and liabilities side, non-current liabilities rose by CHF 69.9 million to CHF 139.8 million (December 31, 2021: CHF 69.9 million). At the same time, current liabilities declined by CHF 119.5 million in total to CHF 289.0 million (December 31, 2021: CHF 408.5 million). Downturns were reported in financial liabilities (of CHF 88.0 million), advance payments (of CHF 10.5 million) and trade payables and other liabilities (of CHF 20.3 million).

Consolidated equity (including non-controlling interests) decreased to CHF 178.8 million - partly due to currency effects of CHF -6.9 million.

Financial situation

Operating activities generated a net cash inflow of CHF 8.0 million in the period from January to June 2022. The increase of CHF 6.6 million as against the same period of the previous year (CHF 1.5 million) is primarily due to changes in net working capital.

Net cash used in investing activities was down year-on-year at CHF 25.2 million (CHF 31.7 million), while the two largest items within this were payments for film assets (down CHF 9.5 million year-on-year) and payments for the acquisition of equity investments in associates and joint ventures (up CHF 2.8 million).

Financing activities resulted in a cash outflow of CHF 12.9 million (previous year: inflow of CHF 16.5 million), essentially due to repayments of current financial liabilities.

Cash and cash equivalents declined by CHF 30.6 million to CHF 17.7 million in the first half of 2022.

REPORT ON RISKS AND OPPORTUNITIES

There were no significant changes in the Highlight Group's risks and opportunities in the first half of 2022. A detailed description of the risk management system and the risk and opportunity profile can be found in the management report of our Annual Report 2021.

FORECAST

Industry conditions

Film segment

After the forecast in the closing report for 2021 was issued, all COVID-related restrictions and thus all hygiene regulations and access restrictions for movie theaters were lifted on April 2, 2022. Use of movie theaters has picked up only very slowly since then and has not yet reached the level from before the pandemic in 2019. The prospects of success of individual movies will suffer due to the overall excess supply, as many movies that were not released during lockdown or during access restrictions are coming out now. Movie theaters will also have to compete against other consumer and leisure options for attention and sales.

While the negative trend on the physical home entertainment market will presumably continue, the growth prospects for digital home entertainment are still positive.

Further growth is expected, partly as a result of additional SVoD platforms entering the market.

Sports and Event segment

TEAM Group

Zenith, a media and telecommunications technology consultancy, forecasts that global advertising expenditure will increase by 8.0% in 2022, a drop from the 9.1% projected in December 2021. Growth will be supported by the Winter Olympics and football World Cup. Growth is expected to slow to 5.4% in 2023.

Sport1 Medien AG

The Dentsu global ad spend forecast anticipates growth in global advertising expenditure of 8.7% in 2022 and has thus revised the original growth forecast for 2022 down slightly by 0.4 percentage points. For the analysis, the current and historical comparative data have been adjusted to remove Russian investments from the forecast. The current data point to continuing growth in 2023 (+5.4%) and 2024 (+5.1%).

In its advertising expenditure forecasts, the media agency Zenith has lowered its original forecast somewhat further and now only anticipates an 8.0% increase in global advertising expenditure in 2022 as compared to 2021. The following increases are forecast for Germany in the coming years: 2022: +2.8%, 2023: +3.8%, 2024: +4.8%. TV and online are still considered to be the strongest growth drivers in Germany.

GroupM anticipates an increase in advertising expenditure in the high single digits for Germany in 2022. Dentsu also expects solid growth in net advertising spending of +3.8% in 2022 and +3.4% in 2023. According to Dentsu, digital is benefiting from the boom in social media, online video, and paid search, and will see the strongest growth in 2022 at 6.4%. Digital media would then account for the largest share of advertising expenditure in Germany at 61.1%. Out-of-home advertising is expected to grow by 6.1% in 2022 and would thus continue to receive 4% of total expenditure. Increases are also anticipated for radio (+1%) and movie theaters (+60%). However, both of these segments account for a relatively small share of advertising spending (radio 2.8% and movie theaters 0.1%). Dentsu predicts losses for all other segments in 2022. In TV, spending is expected to fall by 1.3%, causing its share of total expenditure to decrease to 15.8%. For newspapers and magazines, Dentsu anticipates declines of 0.3% and 0.5% respectively.

Key areas

Film segment

According to current planning for the theatrical production/acquisition of rights/streaming business area, productions including “Rehrgout-Rendezvous”, “Skatergirlz”, “Hagen von Tronje”, “Wow! Nachricht aus dem All”, and “Silber” are due to be filmed in the second half of 2022.

In theatrical distribution, seven movies are currently slated for release in the second half of 2022, provided that the general situation in Germany allows this. These include “Liebesdings” (released on July 7, 2022), “Guglhupfgeschwader” (released on August 4, 2022), “After Ever Happy”, “Freibad”, “Der Nachname”, and “Caveman”.

In license trading/TV exploitation, free TV exploitation will mainly benefit from sales for the theatrical movies “Horizon” (ZDF Enterprise) and “Das perfekte Geheimnis” (ProSieben) in the third quarter of this year. In pay TV exploitation, sales will be generated from “After We Fell” (pay-per-channel, Sky).

In the TV (service) production business area, the Constantin Film subsidiaries are preparing a number of new projects, including further episodes of the hit series “Die Heiland” (ARD).

Sports and Event segment

TEAM Group

In the second half of 2022, the TEAM Group’s activities will focus on successful continuation of the commercial rights sales process for the UEFA Champions League, the UEFA Europa League and the UEFA Europa Conference League for the 2024/25 to 2026/27 rights cycle.

In addition, the TEAM Group will focus on supporting UEFA in delivering the second season of the current commercial cycle of all three competitions.

Highlight Event AG

For the Eurovision Song Contest, Highlight Event AG’s focus in the second half of the year will be on the sale and negotiation of sponsorship and media rights.

At the Vienna Philharmonic Orchestra, activities will focus on preparations for the implementation of various sponsorship events and on contract negotiations for events in the period 2023–2024.

Sport1 Medien AG

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

In addition to complex live and non-live productions, PLAZAMEDIA will continue to focus on developing innovative production technologies, content management solutions and technical content distribution in 2022.

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

Notes and forward-looking statements

For calculation-related reasons, rounding differences of +/- one unit may arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

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.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2022 – Highlight Communications AG, Pratteln

CONSOLIDATED BALANCE SHEET

as of June 30, 2022 (unaudited) – Highlight Communications AG, Pratteln

| ASSETS (TCHF) | June 30, 2022 | Dec. 31, 2021 |
|--|----------------|----------------|
| Non-current assets | | |
| In-house productions | 106,365 | 117,051 |
| Third-party productions | 7,500 | 10,015 |
| Film assets | 113,865 | 127,066 |
| Other intangible assets | 55,912 | 58,151 |
| Goodwill | 115,326 | 119,162 |
| Property, plant and equipment | 12,189 | 12,711 |
| Right-of-use assets | 43,909 | 48,326 |
| Investments in associates and joint ventures | 2,041 | 49 |
| Non-current receivables | 30,418 | 13,726 |
| Other assets | 1,372 | 1,560 |
| Deferred tax assets | 11,436 | 11,189 |
| | 386,468 | 391,940 |
| Current assets | | |
| Inventories | 19,670 | 69,301 |
| Trade receivables and other receivables | 156,689 | 133,068 |
| Contract assets | 25,651 | 31,155 |
| Receivables from associates and joint ventures | 348 | 201 |
| Income tax receivables | 1,078 | 520 |
| Cash and cash equivalents | 17,720 | 48,345 |
| | 221,156 | 282,590 |
| Assets | 607,624 | 674,530 |
| EQUITY AND LIABILITIES (TCHF) | | |
| Equity | | |
| Issued capital | 63,000 | 63,000 |
| Treasury shares | -6,300 | -6,300 |
| Capital reserves | -104,571 | -104,686 |
| Other reserves | -64,490 | -57,726 |
| Profit carryforward | 288,723 | 298,022 |
| Equity attributable to shareholders | 176,362 | 192,310 |
| Non-controlling interests | 2,443 | 3,813 |
| | 178,805 | 196,123 |
| Non-current liabilities | | |
| Financial liabilities | 76,687 | - |
| Lease liabilities | 34,943 | 39,371 |
| Other liabilities | 87 | 90 |
| Pension liabilities | 2,917 | 4,108 |
| Deferred tax liabilities | 25,202 | 26,325 |
| | 139,836 | 69,894 |
| Current liabilities | | |
| Financial liabilities | 102,682 | 190,647 |
| Lease liabilities | 9,532 | 9,496 |
| Advance payments received | 29,549 | 40,015 |
| Trade payables and other liabilities | 117,923 | 138,247 |
| Contract liabilities | 13,355 | 13,654 |
| Provisions | 1,957 | 2,089 |
| Income tax liabilities | 13,985 | 14,365 |
| | 288,983 | 408,513 |
| Equity and liabilities | 607,624 | 674,530 |

The notes on pages 20 - 25 are an integral part of these consolidated interim financial statements.

CONSOLIDATED INCOME STATEMENT

January 1 to June 30, 2022 (unaudited) – Highlight Communications AG, Pratteln

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|--|-----------------------------|-----------------------------|
| Sales | 268,249 | 206,721 |
| Capitalized film production costs and other own work capitalized | 11,786 | 65,757 |
| Other operating income | 10,938 | 8,279 |
| Costs for licenses, commissions and materials | -28,664 | -23,859 |
| Cost of purchased services | -118,291 | -84,526 |
| Cost of materials and licenses | -146,955 | -108,385 |
| Salaries | -71,322 | -83,273 |
| Social security, pension costs | -9,928 | -11,190 |
| Staff costs | -81,250 | -94,463 |
| Amortization and impairment on film assets | -27,014 | -37,113 |
| Amortization, depreciation and impairment on intangible assets and property, plant and equipment | -6,150 | -6,112 |
| Amortization, depreciation and impairment on right-of-use assets | -4,589 | -4,645 |
| Amortization, depreciation and impairment | -37,753 | -47,870 |
| Other operating expenses | -28,646 | -24,161 |
| Impairment/reversals of impairment on financial assets | -75 | 86 |
| Gains/losses from the derecognition of financial assets at amortized cost | -10 | -1 |
| Profit from operations | -3,716 | 5,963 |
| Net income equity investments in associates and joint ventures | -901 | - |
| Financial income | 3,455 | 4,487 |
| Financial expenses | -6,857 | -7,818 |
| Net financial result | -3,402 | -3,331 |
| Profit before taxes | -8,019 | 2,632 |
| Income taxes | -3,594 | -5,109 |
| Deferred taxes | 959 | 2,478 |
| Taxes | -2,635 | -2,631 |
| Net profit for the period | -10,654 | 1 |
| thereof shareholders' interests | -10,569 | -164 |
| thereof non-controlling interests | -85 | 165 |
| Earnings per share (CHF) | | |
| Earnings per share attributable to shareholders (basic) | -0.19 | 0.00 |
| Earnings per share attributable to shareholders (diluted) | -0.19 | 0.00 |
| Average number of shares outstanding (basic) | 56,700,499 | 56,700,499 |
| Average number of shares outstanding (diluted) | 56,700,499 | 56,700,499 |

The notes on pages 20 – 25 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/LOSS

January 1 to June 30, 2022 (unaudited) – Highlight Communications AG, Pratteln

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021* |
|---|-----------------------------|------------------------------|
| Net profit for the period | -10,654 | 1 |
| Unrealized gains/losses from currency translation (restated) | -6,889 | 3,199 |
| Reclassification of realized gains/losses through profit or loss | - | - |
| Currency translation differences | -6,889 | 3,199 |
| Gains/losses from cash flow hedges | -110 | -255 |
| Items that can be reclassified to profit or loss | -6,999 | 2,944 |
| Actuarial gains/losses of defined benefit pension plans | 1,270 | 1,672 |
| Gains/losses from financial assets at fair value through other comprehensive income | - | - |
| Items that cannot be reclassified to profit or loss | 1,270 | 1,672 |
| Total other comprehensive income/loss, net of tax | -5,729 | 4,616 |
| Total comprehensive income/loss | -16,383 | 4,617 |
| thereof shareholders' interests | -16,063 | 4,419 |
| thereof non-controlling interests | -320 | 198 |

*see changes in accounting policies in note 3

The notes on pages 20 - 25 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

January 1 to June 30, 2022 (unaudited) – Highlight Communications AG, Pratteln

| (TCHF) | Equity attributable to shareholders | | | | | Profit carry- forward | Total | Non- controlling interests | Total equity |
|---|-------------------------------------|--------------------|---------------------|-------------------|----------------|-----------------------------|--------------|----------------------------------|-----------------|
| | Issued capital | Treasury shares | Capital reserves | Other reserves | | | | | |
| Balance as of January 1, 2022 | 63,000 | -6,300 | -104,686 | -57,726 | 298,022 | 192,310 | 3,813 | 196,123 | |
| Currency translation differences | - | - | - | -6,654 | - | -6,654 | -235 | -6,889 | |
| Gains/losses from cash flow hedges | - | - | - | -110 | - | -110 | - | -110 | |
| Items that can be reclassified to profit or loss | - | - | - | -6,764 | - | -6,764 | -235 | -6,999 | |
| Actuarial gains/losses of defined benefit pension plans | - | - | - | - | 1,270 | 1,270 | - | 1,270 | |
| Gains/losses from financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | |
| Items that cannot be reclassified to profit or loss | - | - | - | - | 1,270 | 1,270 | - | 1,270 | |
| Total other comprehensive income/loss, net of tax | - | - | - | -6,764 | 1,270 | -5,494 | -235 | -5,729 | |
| Net profit for the period | - | - | - | - | -10,569 | -10,569 | -85 | -10,654 | |
| Total comprehensive income/loss | - | - | - | -6,764 | -9,299 | -16,063 | -320 | -16,383 | |
| Dividend payments | - | - | - | - | - | - | -1,050 | -1,050 | |
| Personnel expenses from share-based payment | - | - | 115 | - | - | 115 | - | 115 | |
| As of June 30, 2022 | 63,000 | -6,300 | -104,571 | -64,490 | 288,723 | 176,362 | 2,443 | 178,805 | |
| Balance as of January 1, 2021 (restated)* | 63,000 | -6,300 | -99,973 | -47,636 | 280,714 | 189,805 | 8,157 | 197,962 | |
| Currency translation differences (restated) | - | - | - | 3,166 | - | 3,166 | 33 | 3,199 | |
| Gains/losses from cash flow hedges | - | - | - | -255 | - | -255 | - | -255 | |
| Items that can be reclassified to profit or loss | - | - | - | 2,911 | - | 2,911 | 33 | 2,944 | |
| Actuarial gains/losses of defined benefit pension plans | - | - | - | - | 1,672 | 1,672 | - | 1,672 | |
| Gains/losses from financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | - | |
| Items that cannot be reclassified to profit or loss | - | - | - | - | 1,672 | 1,672 | - | 1,672 | |
| Total other comprehensive income/loss, net of tax | - | - | - | 2,911 | 1,672 | 4,583 | 33 | 4,616 | |
| Net profit for the period | - | - | - | - | -164 | -164 | 165 | 1 | |
| Total comprehensive income/loss | - | - | - | 2,911 | 1,508 | 4,419 | 198 | 4,617 | |
| Dividend payments | - | - | - | - | - | - | -1,116 | -1,116 | |
| Change in non-controlling interests | - | - | -452 | - | - | -452 | -222 | -674 | |
| As of June 30, 2021 | 63,000 | -6,300 | -100,425 | -44,725 | 282,222 | 193,772 | 7,017 | 200,789 | |

*see changes in accounting policies in note 3

The notes on pages 20 - 25 are an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to June 30, 2022 (unaudited) – Highlight Communications AG, Pratteln

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|--|-----------------------------|-----------------------------|
| Net profit for the period | -10,654 | 1 |
| Deferred taxes | -959 | -2,478 |
| Income taxes | 3,594 | 5,109 |
| Financial result (without currency result) | 3,465 | 2,656 |
| Net income equity investments in associates and joint ventures | 901 | - |
| Amortization, depreciation and impairment on non-current assets | 37,753 | 47,870 |
| Gain (-)/loss (+) from disposal of non-current assets | -24 | -29 |
| Other non-cash items | -2,731 | -1,579 |
| Increase (-)/decrease (+) in inventories, trade receivables and other assets not classified as investing or financing activities | 10,849 | -24,902 |
| Decrease (-)/increase (+) in trade payables and other liabilities not classified as investing or financing activities | -26,750 | -20,721 |
| Dividends received from associated companies and joint ventures | - | - |
| Interest paid | -3,467 | -2,683 |
| Interest received | 41 | 510 |
| Income taxes paid | -4,079 | -3,083 |
| Income taxes received | 92 | 810 |
| Cash flow from operating activities | 8,031 | 1,481 |
| Payments for intangible assets | -2,321 | -1,688 |
| Payments for film assets | -18,479 | -28,015 |
| Payments for property, plant and equipment | -1,694 | -2,092 |
| Payment for acquisition of equity investments in associates and joint ventures | -2,769 | - |
| Proceeds from disposals of intangible assets and film assets | - | 1 |
| Proceeds from disposal of property, plant and equipment | 68 | 82 |
| Proceeds from disposals of financial assets | - | 58 |
| Cash flow for investing activities | -25,195 | -31,654 |
| Payments for purchase of non-controlling interests | - | -674 |
| Repayment of current financial liabilities | -24,581 | -7,767 |
| Repayment of lease liabilities | -4,559 | -4,836 |
| Proceeds from receipt of current financial liabilities | 17,263 | 30,851 |
| Dividend payments | -1,050 | -1,116 |
| Cash flow for/from financing activities | -12,927 | 16,458 |
| Cash flow for the reporting period | -30,091 | -13,715 |
| Cash and cash equivalents at the beginning of the reporting period | 48,345 | 48,178 |
| Effects of currency differences | -534 | 574 |
| Cash and cash equivalents at the end of the reporting period | 17,720 | 35,037 |
| Change in cash and cash equivalents | -30,091 | -13,715 |

The notes on pages 20 – 25 are an integral part of these consolidated interim financial statements.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as of June 30, 2022 (unaudited) – Highlight Communications AG, Pratteln

1. GENERAL INFORMATION ON THE GROUP

The parent company Highlight Communications AG is based at Netzbodenstrasse 23b, Pratteln, Switzerland. Highlight Communications AG's Board of Directors authorized the publication of these unaudited, condensed interim consolidated financial statements on August 18, 2022.

2. ACCOUNTING POLICIES

The unaudited, condensed interim consolidated financial statements for the period from January 1 to June 30, 2022 have been prepared in accordance with the International Accounting Standard on Interim Financial Reporting (IAS 34).

The condensed interim consolidated financial statements do not include all explanations and disclosures required for the financial statements for the full fiscal year and should be read in conjunction with the consolidated financial statements of the company as of December 31, 2021.

The accounting policies applied in preparing the condensed interim consolidated financial statements are the same as those used to prepare the consolidated financial statements for fiscal 2021 (see 2021 annual report, notes to the consolidated financial statements, note 4).

The condensed interim consolidated 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.

The Film segment and the Sports and Event segment are subject to seasonal fluctuations. The sales of the Film segment are dependent on the respective theatrical release dates and the subsequent exploitation chain. The Sports and Event segment generates lower sales in the summer months due to lower advertising income, which is dependent on broadcasting rights to sporting events. This leads to fluctuations in sales and segment earnings in the different quarters of the fiscal year.

In preparing the condensed interim consolidated financial statements, management is required to make estimates and assumptions influencing the assets, liabilities, contingent liabilities and contingent assets reported as of the end of the reporting period and the income and expenses for the reporting period (see 2021 annual report, notes to the consolidated financial statements, note 5).

3. CHANGES IN ACCOUNTING POLICIES

3.1 Relevant standards and interpretations applied for the first time

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

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

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

3.3 Restatement of previous year's figures in consolidated financial statements

In accordance with IAS 21 item 47, goodwill arising from the acquisition of a foreign operation must be treated as an asset. Goodwill is to be translated into the functional currency of the foreign operation at the respective closing rate in accordance with paragraphs 39 and 42. In the previous year's consolidated financial statements, these translations were not performed for the goodwill of Sport1 Medien AG from 2018. The effect was that both the goodwill and the currency reserve were overvalued. The previous year has been restated in accordance with IAS 8, Corrections of errors (see Annual Report 2021, Notes to the Consolidated Financial Statements, section 2.3).

In the first half of 2021, the currency reserves in the statement of financial position were changed by TCHF +1,423 in the consolidated financial statements. These corrections did not have any effects on the consolidated income statement or on the basic and diluted loss per share.

4. CHANGES IN THE CONSOLIDATED GROUP

Effective retroactively from January 1, 2022, Constantin Film Licensing Unipessoal Lda was liquidated.

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

Constantin Holding Inc., Delaware, was founded on January 4, 2022. Constantin Television, Munich, holds 100 % of the shares in this company. In turn, Constantin Holding Inc. holds a stake of USD 3 million in Upgrade Productions LLC, Delaware, which was included in Highlight Communications AG's consolidated financial statements using the equity method as of February 2, 2022.

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

5. NOTES ON SELECTED ITEMS OF THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT

5.1 Film assets

Film assets decreased by TCHF 13,201 as against December 31, 2021 as of June 30, 2022. Third-party productions declined by TCHF 2,515, while in-house productions decreased by a total of TCHF 10,686.

5.2 Contract assets

The carrying amount of contract assets declined from TCHF 31,155 to TCHF 25,651.

5.3 Cash and cash equivalents

Cash and cash equivalents declined from TCHF 48,345 to TCHF 17,720 as of June 30, 2022. Financing activities resulted in a cash outflow of TCHF 12,927, primarily as a result of the repayment of current financial liabilities. The Group's investing activities used cash of TCHF 25,195, which was essentially due to payments for film assets. Operating activities generated a positive cash flow of TCHF 8,031.

5.4 Equity

The number of directly and indirectly held non-voting treasury shares in Highlight Communications AG was 6,299,501 as of June 30, 2022 (December 31, 2021: 6,299,501).

The remeasurement of pension obligations resulted in an increase in retained earnings of TCHF 1,270 on account of the rise in the discount rate and plan amendments in particular.

Other reserves totaled TCHF -64,490 as of the end of the reporting period (December 31, 2021: TCHF -57,726). As of June 30, 2022, these relate to the translation of the equity of companies that do not use Swiss francs as their functional currency (TCHF -64,248; December 31, 2021: TCHF -57,594) and to other cash flow hedge reserves of TCHF -242 (December 31, 2021: TCHF -132).

5.5 Contract liabilities

The carrying amount of contract liabilities declined from TCHF 13,654 to TCHF 13,355.

5.6 Amortization, depreciation and impairment

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|--|-----------------------------|-----------------------------|
| Amortization of film assets | 23,599 | 36,377 |
| Amortization of intangible assets | 4,305 | 3,801 |
| Depreciation of property, plant and equipment | 1,845 | 2,311 |
| Amortization/depreciation of right-of-use assets | 4,589 | 4,645 |
| Amortization/depreciation | 34,338 | 47,134 |
| Impairment of film assets | 3,415 | 736 |
| Impairment | 3,415 | 736 |

5.7 Financial result

Financial income

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|---|-----------------------------|-----------------------------|
| Interest and similar income | 536 | 512 |
| Gains from changes in the fair value of financial instruments | - | 501 |
| Currency exchange gains | 2,919 | 3,474 |
| Total | 3,455 | 4,487 |

Financial expenses

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|--|-----------------------------|-----------------------------|
| Interest and similar expenses | 3,332 | 3,289 |
| Losses from changes in the fair value of financial instruments | 122 | 58 |
| Currency exchange losses | 2,856 | 4,149 |
| Interest expenses from lease liabilities | 547 | 322 |
| Total | 6,857 | 7,818 |

6. DISCLOSURES ON FINANCIAL RISK MANAGEMENT

6.1 Fair value of financial assets and liabilities

The following table shows the allocation of financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy:

Fair value hierarchy

| June 30, 2022 (TCHF) | | Level 1 | Level 2 | Level 3 | Total |
|---|------------------------|---------|---------|---------|--------|
| Financial assets at fair value | | | | | |
| | FVTPL/without category | | | | |
| Derivative financial instruments | | - | 61 | 230 | 291 |
| Financial assets at fair value through profit or loss | FVTPL | - | 12,170 | - | 12,170 |
| Financial assets (equity instruments) | FVTOCI | - | - | 39 | 39 |
| Financial liabilities at fair value | | | | | |
| Derivative financial instruments | FLTPL | - | 34 | - | 34 |
| June 30, 2021 (TCHF) | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value | | | | | |
| | FVTPL/without category | | | | |
| Derivative financial instruments | | - | 278 | 176 | 454 |
| Financial assets at fair value through profit or loss | FVTPL | - | 12,342 | - | 12,342 |
| Financial assets (equity instruments) | FVTOCI | - | - | 43 | 43 |
| Financial liabilities at fair value | | | | | |
| Derivative financial instruments | FLTPL | - | 269 | - | 269 |

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 on level 3 financial instruments

| | Investment in Geenee Inc. | AGF Video- forschung GmbH | Summacum GmbH | Other investments | Convertible loans | Options |
|---|---------------------------------|---------------------------------|------------------|----------------------|----------------------|------------|
| Fair value on December 31, 2020 | - | - | 34 | 20 | 12 | 174 |
| Gains/(losses) through profit or loss | - | - | - | - | - | 245 |
| Gains/(losses) through equity | - | - | -3 | 1 | - | -8 |
| Purchase | - | - | - | - | - | 49 |
| Sale | - | - | - | -12 | -12 | -35 |
| Transfer to level 3/(transfer from level 3) | - | - | - | - | - | -186 |
| Fair value on December 31, 2021 | - | - | 31 | 9 | - | 239 |
| Gains/(losses) through equity | - | - | -1 | - | - | -9 |
| Fair value on June 30, 2022 | - | - | 30 | 9 | - | 230 |

The financial assets measured at fair value and included in level 1 are measured using market prices.

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

The shares in Geenee Inc. and in AGF Videoforschung GmbH, both assigned to level 3 of the fair value hierarchy, had already been written down in full in previous years. There were no indications of a reversal of impairment in the reporting period. The shares in Summacum GmbH were also written down in the previous years. There were no indications of further impairment or a reversal of impairment losses in the reporting period. The shares in Diggin Ltd. were sold in the previous year for TCHF 12. For reasons of materiality, other equity instruments totaling TCHF 9 (December 31, 2021: TCHF 9) are recognized at historical cost.

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

The embedded derivatives and options in connection with a media-for-equity fund are based on the price of the most recent financing rounds of the relevant equity interests.

There was one reclassification between the fair value levels for embedded options in the previous year. As a result of an IPO for the underlying asset, one embedded option was reclassified from level 3 to level 1. There were no reclassifications between the individual levels of the fair value hierarchy in the reporting period.

6.2 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.

6.3 Fair value of non-financial assets and liabilities

As of June 30, 2022 and December 31, 2021, there were no non-financial assets or liabilities at fair value.

7. SEGMENT REPORTING

Segment information, Jan. 1 to June 30, 2022

| (TCHF) | Film | Sports and Event* | Other | Reconciliation | Group |
|---|--------------|-------------------|---------------|----------------|---------------|
| External sales | 189,339 | 78,910 | - | - | 268,249 |
| Intragroup sales | - | 1,113 | - | -1,113 | - |
| Total sales | 189,339 | 80,023 | - | -1,113 | 268,249 |
| Other segment income | 20,104 | 2,696 | - | -76 | 22,724 |
| Segment expenses | -205,833 | -86,911 | -3,134 | 1,189 | -294,689 |
| <i>thereof amortization, depreciation</i> | -25,829 | -8,509 | - | - | -34,338 |
| <i>thereof impairment</i> | -3,415 | - | - | - | -3,415 |
| Segment earnings | 3,610 | -4,192 | -3,134 | - | -3,716 |

Time of revenue recognition

| | | | | | |
|---------------|----------------|---------------|----------|----------|----------------|
| Over time | 135,770 | 23,912 | - | - | 159,682 |
| Point in time | 53,569 | 54,998 | - | - | 108,567 |
| | 189,339 | 78,910 | - | - | 268,249 |

Sales by product

| | | | | | |
|---------------------|----------------|---------------|----------|----------|----------------|
| Film | 53,569 | - | - | - | 53,569 |
| Production services | 135,770 | - | - | - | 135,770 |
| Sports and Event | - | 34,070 | - | - | 34,070 |
| Platform | - | 35,870 | - | - | 35,870 |
| Services | - | 8,970 | - | - | 8,970 |
| | 189,339 | 78,910 | - | - | 268,249 |

Segment information, Jan. 1 to June 30, 2021

| (TCHF) | Film | Sports and Event* | Other | Reconciliation | Group |
|---|--------------|-------------------|---------------|----------------|--------------|
| External sales | 121,626 | 85,095 | - | - | 206,721 |
| Intragroup sales | - | 211 | - | -211 | - |
| Total sales | 121,626 | 85,306 | - | -211 | 206,721 |
| Other segment income | 71,677 | 2,546 | - | -187 | 74,036 |
| Segment expenses | -188,455 | -83,803 | -2,934 | 398 | -274,794 |
| <i>thereof amortization, depreciation</i> | -38,573 | -8,561 | - | - | -47,134 |
| <i>thereof impairment</i> | -736 | - | - | - | -736 |
| Segment earnings | 4,848 | 4,049 | -2,934 | - | 5,963 |

Time of revenue recognition

| | | | | | |
|---------------|----------------|---------------|----------|----------|----------------|
| Over time | 57,363 | 27,161 | - | - | 84,524 |
| Point in time | 64,263 | 57,934 | - | - | 122,197 |
| | 121,626 | 85,095 | - | - | 206,721 |

Sales by product

| | | | | | |
|---------------------|----------------|---------------|----------|----------|----------------|
| Film | 64,263 | - | - | - | 64,263 |
| Production services | 57,363 | - | - | - | 57,363 |
| Sports and Event | - | 34,450 | - | - | 34,450 |
| Platform | - | 37,942 | - | - | 37,942 |
| Services | - | 12,703 | - | - | 12,703 |
| | 121,626 | 85,095 | - | - | 206,721 |

* The Board of Directors of the Highlight Group made the decision to report the operating activities of the Sports (Group company Sport1 Medien AG) and Sports- and Event-Marketing (Group companies TEAM Group and Highlight Event AG) segments in the Sports and Event segment as of January 1, 2022.

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

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

Compared to the consolidated financial statements as of December 31, 2021, financial commitments, contingent liabilities and other unrecognized financial obligations decreased by TCHF 33,465 to TCHF 197,361 as of June 30, 2022.

9. RELATED PARTY DISCLOSURES

As part of its normal business activities, the company maintains relations with associates, joint ventures, its main shareholder (and its subsidiaries) and companies controlled by members of the Board of Directors.

Related party disclosures

| (TCHF) | June 30, 2022 | Dec. 31, 2021 |
|-------------|---------------|---------------|
| Receivables | - | - |
| Liabilities | 41 | 54 |

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|---|-----------------------------|-----------------------------|
| Sales and other income | - | - |
| Cost of materials and licenses and other expenses | 11 | 25 |

Parent company and its direct subsidiaries

| (TCHF) | June 30, 2022 | Dec. 31, 2021 |
|-------------|---------------|---------------|
| Receivables | 8,061 | 12,774 |
| Liabilities | 2,129 | 2,158 |

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|---|-----------------------------|-----------------------------|
| Sales and other income | 192 | 37 |
| Cost of materials and licenses and other expenses | 119 | - |

Associates and joint ventures

| (TCHF) | June 30, 2022 | Dec. 31, 2021 |
|-------------|---------------|---------------|
| Receivables | 348 | 201 |
| Liabilities | - | - |

| (TCHF) | Jan. 01 to June 30, 2022 | Jan. 01 to June 30, 2021 |
|---|-----------------------------|-----------------------------|
| Sales and other income | - | - |
| Cost of materials and licenses and other expenses | - | - |

There were liabilities to various members of the Board of Directors and Managing Directors of TCHF 41 as of June 30, 2022 (December 31, 2020: TCHF 54).

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.

10. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Management Board and the Board of Directors are not aware of any events that occurred after the balance sheet date and have a material impact on the net assets, financial position and results of operations of the Highlight Group.

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