ANNUAL REPORT 2018

Highlight Event and Entertainment AG, CH-4133 Pratteln

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KEY FIGURES

in CHF thousand		2018	2017
Consolidated total assets	as of December 31	964,997	926,202
Consolidated equity	as of December 31	391,339	511,746
Market capitalization	as of December 31	183,700	149,173
Consolidated net income		-20,175	9,532
Consolidated net income attributable to shareholders		-14,518	15,014
Shares outstanding at beginning of fiscal year	Number	8,548,623	1,681,123
Shares outstanding at end of fiscal year	Number	8,504,618	8,548,623
Treasury shares at beginning of reporting period	Number	51,377	51,377
Treasury shares at end of reporting period	Number	95,382	51,377
Weighted average number of shares outstanding	Number	8,544,787	3,773,858
Earnings per outstanding share	CHF	-1.70	3.98
Share price of bearer shares each with a nominal value of CHF 9 as of December 31	CHF	21.60	17.45
Dividend per bearer share with a nominal value of CHF 9 (proposal by the Board of Directors for 2018)	CHF	-	-
Number of employees (FTEs)	as of December 31	1,558	934
Number of employees (FTEs)	Average for the year	1,566.3	988.0

MANAGEMENT REPORT BY THE BOARD OF DIRECTORS

Dear shareholders

The HLEE Group has had an eventful and successful fiscal 2018, in which we managed to achieve the targets we had set ourselves in addition to making important strategic preparations for the future development of our company. A decisive factor was the increase in the strategic investment in Highlight Communications AG (HLC) from 25% to 44.72%. HLEE will benefit from the synergies and business activities of HLC.

At the end of March 2018, Highlight Communications AG acquired a share parcel of approximately 79% in Constantin Medien AG. The company was included in consolidation for the first time effective March 31, 2018, and was allocated to the Sport segment.

Course of business and earnings

In 2018, the HLEE Group benefited from the full consolidation of Highlight Communications AG and generated a profit contribution in the Film and Sports- and Event-Marketing segments. The profit contribution almost compensated for the costs for our investments in the establishment and development of the World Boxing Super Series in the Sports segment.

Event Marketing segment

Vienna Philharmonic Orchestra

The orchestra's two major events – the New Year's Day Concert and the Summer Night Concert – went ahead very successfully in 2018; the New Year's Day Concert and the Summer Night Concert were broadcast on television, radio and streaming in more than 90 countries and around 80 countries respectively.

There were also television and sponsorship events in South America and Versailles (Château de Versailles). The concert in Versailles was produced in commemoration of the end of the First World War a hundred years ago as part of the framework agreement with the European Broadcasting Union (EBU) by its member broadcasters France Televisions and ZDF and subsequently broadcast in more than 40 countries. This year again, the close partnership with the EBU and its members, particularly ORF for the events in Austria, paid off. Furthermore, the cooperation with the classical streaming stations fidelio.at and medici.tv to broadcast the subscription concerts from Vienna was successfully implemented and further intensified.

The complex sponsorship agreements, which are directly linked with the television contracts, were implemented to the satisfaction of all partners. In 2018, the key strategic focus was preparing the 2019 sponsorship events in London (The Barbican), Amsterdam (The Royal Concertgebouw) and Milan (La Scala) and the 2019 television events in Vienna (New Year's Day Concert and the Summer Night Concert on June 20, 2019) and Macau (in cooperation with CCTV).

Given the long-term agency agreements with the Vienna Philharmonic Orchestra (until 2027) and the EBU (until 2021 or 2024 if certain financial targets are achieved), the order situation can be described as stable.

Eurovision Song Contest

The Eurovision Song Contest 2018 in Lisbon went ahead very successfully. As in the previous years, the top events (the semi-finals and the final) were watched on television by more than 100 million viewers. More than 150,000 fans attended the events in person, which were broadcast to over 40 countries, including the US.

One outstanding aspect was the good cooperation with the public broadcaster in Portugal, RTP, which produced a television show of the highest caliber. The event was sponsored by Osram, The Native, Visit Portugal, Vueling and Superbock. The city's Eurovision Village (Fan Zone) as well as the local hospitality and merchandising activities were a huge success for both EBU and the sponsors.

The next Eurovision Song Contest is taking place Tel Aviv (Israel) on May 18, 2019.

Given the long-term agency agreements with the Vienna Philharmonic Orchestra (until 2027) and the EBU (until 2021 or 2024 if certain financial targets are achieved), the order situation can be described as stable.

Film segment

Constantin Film AG, a company of Highlight Communications AG, has stood for quality and success for almost 40 years, and has made a crucial contribution to the development of and respect for German films at home and abroad. The company is Germany's most important independent producer and exploiter of productions in the entire fictional and non-fictional audiovisual sector. Its business activities are based on the five pillars of theatrical production/acquisition of rights, theatrical distribution, home entertainment, license trading/TV exploitation and TV production (TV entertainment in particular).

The Film segment generated very pleasing results in fiscal year 2018. Although the Constantin Film Group's distribution slate comprised only nine titles in 2018, one-third of those films attracted more than a million viewers each into German cinemas. "Sauerkrautkoma", which was screened almost exclusively in Bavaria, was also the first adaptation from Rita Falk's series of novels to achieve this. Moreover, the theatrical success of "Fack Ju Göhte 3" continued in home entertainment exploitation. The title generated outstanding physical (DVD and Blu-ray) and digital (electronic sell-through) sales figures.

In TV exploitation/license trading, initial broadcasts of Constantin Film theatrical productions in particular again achieved good ratings on free-TV in 2018. The biggest hit with audiences was the Rita Falk crime comedy "Grießnockerlaffäre" (ARD, 19.5% share of the overall market), followed by "Fack Ju Göhte 2" (ProSieben, 11.5% share of the overall market) and "Look Who's Back" (ARD, 8.3% share of the overall market).

In the TV service productions business area, transmission of the series "Die Heiland – Wir sind Anwalt" produced for ARD was extremely successful with over 4 million viewers (overall market) on average. The mini-series "Die Protokollantin" (ZDF) and two broadcast episodes of the ARD series "Der Kroatien-Krimi" also attracted more than 4 million viewers on the overall market. In addition, the early evening series "Dahoam is Dahoam" achieved a consistently high double-digit market share. As a result of this success, Bayerischer Rundfunk commissioned a total of 555 new episodes in mid-March 2018. This daily format that was first broadcast in 2007 is therefore guaranteed to stay on screens until early 2021.

Sports- and Event-Marketing segment

In the Sports- and Event-Marketing segment, Highlight Communications AG wholly owns Team Holding AG (TEAM). The TEAM Group specializes in the global marketing of major international sports events.

During the reporting year, the TEAM Group successfully closed the marketing for the commercial rights to the UEFA Champions League and the UEFA Europa League competitions for the 2018/19 to 2020/21 seasons. As the performance targets agreed with UEFA were achieved, the agency agreement between UEFA and TEAM was automatically extended. The new agreement covers global marketing of the media, sponsorship and licensing rights for the 2021/22 to 2023/24 seasons.

The focus in the second half of the year was on integrating all of the new commercial partners (across media, sponsorship and licensing) and on supporting UEFA in the kick-off of the new commercial rights cycle (2018/19 to 2020/21).

Sports segment

The World Boxing Super Series started its first season successfully, in 2018 crowning the first two winners of the Muhammad Ali Trophy.

After the quarter finals in the fall of 2017, the semi-finals were held across Europe in January and February 2018 - in Riga, Sochi, Manchester and Nuremberg. In July, the Cruiserweight final took place in Moscow where Aleksandr Usyk won, securing not only the Muhammad Ali Trophy but also all four world titles. The Super Middleweight Final in September was fought in the Saudi metropolis Jeddah. In the bout for the Muhammad Ali Trophy, Callum Smith emerged as the victor in his weight class.

The draw in Moscow kicked off the second season with three weight classes. With the aim of integrating new weight classes to the tournament each season, Bantamweight and Super Lightweight were added. The extremely attractive Cruiserweight fights resulted in this division being continued into the second season.

In the reporting year, the free-TV channel 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. In football, SPORT1 won the DFB invitation to tender to be the first private free-TV broadcaster in Germany with live and highlight rights to the DFB Cup for the 2019/20 to 2021/22 seasons. Its programming portfolio was also expanded to include further football rights.

Thanks to further new cooperations, it will also broadcast the easyCredit Basketball Bundesliga (BBL) for the next five seasons up to and including 2022/23, the semi-finals and the final of the BBL Pokal 2018/19, and the women's and men's volleyball Bundesliga until 2020/2021. In ice hockey, SPORT1 extended its partnership with the German Ice Hockey Federation (DEB) until 2024 and acquired the rights to the NHL Global Series Challenge 2018. It also acquired the rights to BILD Superleague Darts, the international matches of Germany's national handball teams, the 2018 Hockey World Cup and the 2018 German Hockey Championship in addition to American football from the German Football League (GFL).

"Other" segment

This segment comprises the administrative functions of HLEE as the holding company and the non-operational company Escor Automaten AG and the newly founded company Chameleo AG.

Personnel

The HLEE Group and its subsidiaries employed around 1,566 full-time employees on average over fiscal 2018. Specifically, Highlight Communications AG employed 1,550 full-time employees, Highlight Event AG five full-time employees, Chameleo AG three full-time employees and Comosa AG eight full-time employees.

Risk assessment

HLEE and its subsidiaries have a risk management system with defined risk control processes. The Board of Directors resolves risk management policies and monitors their implementation in addition to compliance (for further information please see the notes to the consolidated financial statements on page 35).

Outlook and acknowledgments

Marketing activities are focused on the fulfillment of the long-term television and sponsorship agreements with the Vienna Philharmonic, and design work (television, sponsorship and online) is already beginning for the new 2023-2027 contract cycle. The sales activities for the Eurovision Song Contest are seen as successful. Various partners have signed on, such as Osram, Portugal Tourism, Vueling and Super Bock.

By expanding the weight classes, new territories were opened up. Thus the quarter finals which took place in October and November were held in Yokohama, Ekaterinburg, Orlando, New Orleans, Glasgow and Chicago.

To the end of the year, Comosa AG received awards not only for the organization of the World Boxing Super Series, but also for the fights which took place. For the semi-final of the Muhammad Ali Trophy between Aleksandr Usyk and Mairis Briedis, the Mayor presented Comosa AG with the price for "Sports Event of the Year". Boxing Media East Side Boxing also honored Comosa AG as the “Promoter of the Year”.

Activities in Sports- and Event-Marketing will concentrate on helping UEFA to market the rights for the UEFA club competitions in the 2021/22 to 2023/24 seasons. This support comprises commercial consulting on tournament formats and brand positioning, commercial concepts, rights packages, and sales processes.

In the current fiscal year, the Constantin Film Group is expected to release nine own/co-productions and four licensed titles in German movie theaters. The highlights of the distribution slate include “Ostwind – Aris Ankunft”, the new installment in the very successful youth adventure series, and “Leberkäsjunkie”, the sixth adaptation of a Rita Falk crime novel. We also expect a good performance from the courtroom drama “Der Fall Collini” with Elyas M’Barek in the lead role and the new Bora Dagtekin film “Das perfekte Geheimnis”, which will be released at the end of October.

Finally, on behalf of the entire Board of Directors, I would like to thank all employees of our Group for their successful work in 2018, which was performed – as always – with energy, commitment and expertise. I would also like to thank you, our shareholders, for your continued trust in the Highlight Group, which we intend to continue to justify in the new fiscal year.

On behalf of the Board of Directors:

Bernhard Burgener

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in CHF thousand	Note	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	4.2, 6.13	59,340	197,661
Receivables	6.10	146,507	135,113
Contract assets	6.11	23,507	0
Inventories	6.9	5,860	4,027
Current assets		**235,214**	**336,801**
Film assets	6.1	185,451	161,814
Tangible assets	6.3	17,563	3,778
Intangible assets	6.2	388,676	326,741
Goodwill	6.2	117,329	1,579
Other financial assets	6.8	4,794	7,934
Advance payments for shares in affiliated companies		0	3,926
Investments in associated companies	6.5	54	75,570
Non-current receivables	6.6	14,743	6,137
Deferred tax assets	6.7	1,173	2,552
Non-current assets		**729,783**	**589,401**
ASSETS		**964,997**	**926,202**
Current liabilities	6.21	173,851	128,539
Contract liabilities	6.22	8,131	0
Financial liabilities	6.17	189,738	93,672
Current tax liabilities	6.24	4,288	2,850
Advance payments received	6.18	72,111	55,305
Provisions	6.23	7,856	5,024
Current liabilities		**455,975**	**285,390**
Non-current liabilities	6.20	1,958	1,924
Financial liabilities	6.17	44,348	70,257
Benefit plan liabilities	6.15	4,713	5,262
Deferred tax liabilities	6.16	66,664	51,623
Non-current liabilities		**117,683**	**129,066**
Debt		**573,658**	**414,456**
Share capital	6.14	77,400	77,400
Treasury shares	6.14	-1,697	-786
Reserves	6.14	61,241	79,341
Equity attributable to the shareholders of HLEE		**136,944**	**155,955**
Non-controlling interests	6.14	254,395	355,791
Equity		**391,339**	**511,746**
EQUITY AND LIABILITIES		**964,997**	**926,202**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF thousand	Note	2018	2017
Sales	7.1	564,083	137,939
Capitalized film production costs and other own work capitalized	7.2	154,877	28,227
Gross revenue		**718,960**	**166,166**
Other operating income	7.3	**21,114**	**35,407**
Costs for licenses, commissions and materials		-48,501	-13,045
Cost of purchased services		-239,691	-42,479
Cost of materials and licenses	7.4	**-288,192**	**-55,524**
Staff costs		-155,538	-35,922
Other operating expenses	7.5	-134,832	-72,000
Amortization, depreciation and impairment		-160,696	-27,288
Impairment/reversal on financial assets	7.6	-1,298	0
Losses/gains on the derecognition of financial assets (AC)		-47	0
Operating result		**-529**	**10,839**
Net income from associates		**-360**	**560**
Interest income and other financial income	7.7	4,848	2,982
Interest expense and other finance cost	7.8	-16,899	-2,069
Earnings before taxes		**-12,940**	**12,312**
Current taxes	7.9	-6,220	-547
Deferred taxes	7.9	-1,015	-2,233
Net income from continuing operations		**-20,175**	**9,532**
Net income from discontinued operations		0	0
Consolidated net income		**-20,175**	**9,532**
Other comprehensive income/loss not reclassified to profit or loss			
Gains/losses from financial assets at fair value	6.14	-2,177	10,960
Pension plan remeasurement	6.15	1,248	2,044
Other comprehensive income/loss reclassified to profit or loss			
Currency translation differences		-4,608	7,203
Gains/losses from cash flow hedges	6.14	1,598	0
Other comprehensive income including taxes		**-3,939**	**20,207**
Total comprehensive income		**-24,114**	**29,738**
Consolidated net income attributable to:			
Shareholders of Highlight Event and Entertainment AG		-14,518	15,014
Non-controlling interests		-5,657	-5,482
Total comprehensive income attributable to:			
Shareholders of Highlight Event and Entertainment AG		-17,945	26,109
Non-controlling interests		-6,169	3,629
Basic earnings per share (CHF)		-1.70	3.98
Diluted earnings per share (CHF)		-1.70	3.80
Weighted number of shares outstanding		8,544,787	3,773,858

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

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF thousand	Note	2018	2017
Consolidated net income		-20,175	9,532
Deferred taxes	7.9	1,015	2,233
Income tax	7.9	6,220	547
Net finance cost	7.7, 7.8	9,648	3,235
Amortization and depreciation	6.1, 6.2, 6.3	160,696	27,288
Other non-cash income and expenses		-2,489	-1,460
Gain (-)/loss (+) from disposal of non-current assets		56	153
Net income from associates		360	-560
Interest paid and other finance cost	6.17	-12,591	-1,183
Interest received and other financial income		506	186
Taxes paid		-5,506	-878
Taxes received		1,731	24
Decrease in assets attributable to operating activities		-15,592	28,553
Increase in liabilities attributable to operating activities		26,412	85,942
Cash flow from operating activities		**155,269**	**153,611**
Acquisition of property, plant and equipment	6.3	-12,230	-759
Acquisition of intangible assets	6.2	-3,274	-294
Acquisition of film assets	6.1	-177,184	-29,048
Disposal of property, plant and equipment		277	0
Disposal of intangible assets		125	0
Acquisition of non-controlling interests	3.1	0	-3,296
Change in cash and cash equivalents due to acquisitions		-107,829	63,292
Disposal of associates		6	0
Acquisition of shares in subsidiaries		-170	0
Disposal of shares in subsidiaries		12,221	0
Acquisition of financial assets	3.1	-76,013	-96,143
Disposal of financial assets	3.1	75,548	217
Cash flow from investing activities		**-288,523**	**-66,031**
Proceeds from capital increase	6.14	0	50,570
Acquisition of treasury shares	6.14	-911	0
Acquisition of non-controlling interests		-1,744	0
Increase in current financial liabilities	6.17	125,067	33,440
Borrowing of non-current financial liabilities	6.17	0	57,843
Repayment of current financial liabilities	6.17	-117,026	-39,481
Proceeds from convertible loans	6.17	0	12,085
Dividend payments	6.14	-7,369	-15,226
Cash flow from financing activities		**-1,983**	**99,231**
Net change in cash and cash equivalents		**-135,237**	**186,811**
Cash and cash equivalents as of January 1		197,661	3,721
Effect of exchange rate differences		-3,084	7,129
Cash and cash equivalents as of December 31		**59,340**	**197,661**
Cash funds earmarked for the takeover offer		**0**	**135,901**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity 2018 in CHF thousand	Share capital	Reserves	Treasury stock	**Equity attributable to shareholders of HLEE**	Non-controlling interests	**Total equity**
December 31, 2017	**77,400**	**79,341**	**-786**	**155,955**	**355,791**	**511,746**
Retrospective change of the accounting method due to IFRS 9 and		-155		**-155**	-192	-347
January 1, 2018	**77,400**	**79,186**	**-786**	**155,800**	**355,599**	**511,399**
Consolidated net income 2018		-14,518		-14,518	-5,657	-20,175
Other comprehensive income 2018		-3,427		-3,427	-512	-3,939
Total comprehensive income		**-17,945**	**0**	**-17,945**	**-61,69**	**-24,114**
Capital increase	0	0		**0**		0
Purchase of treasury stock		0	-911	-911	0	-911
Change in scope of consolidation		0		0	-87,666	-87,666
Dividends		0		0	-7,369	-7,369
Convertible loan		0		0	0	0
December 31, 2018	**77,400**	**61,241**	**-1,697**	**136,944**	**254,395**	**391,339**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity 2017 in CHF thousand	Share capital	Reserves	Treasury stock	**Equity attributable to shareholders of HLEE**	Non-controlling interests	**Total equity**
January 1, 2017	**15,593**	**-6,489**	**-786**	**24,717**	**0**	**24,733**
Consolidated net income 2017		15,014		15,014	-5,482	9,532
Other comprehensive income 2017		11,990		11,990	8,217	20,207
Total comprehensive income		**27,003**	**0**	**27,003**	**2,735**	**29,738**
Capital increase	61,807	58,314		103,722		103,722
Purchase of treasury stock			0	0		0
Sale of treasury stock				0		0
Other changes in equity	**0**	**0**		**0**		**0**
Change in scope of consolidation		0		0	368,266	368,266
Dividends		0		0	-15,226	-15,226
Convertible loan		513		513		513
December 31, 2017	**77,400**	**79,341**	**-786**	**155,955**	**355,791**	**511,746**

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

1. GENERAL INFORMATION

The consolidated financial statements of the HLEE Group were adopted by the Board of Directors of Highlight Event and Entertainment AG on April 24, 2019 and require the approval of the Annual General Meeting in June 2019.

1.1 General information on the Group

The parent company of the Group, Highlight Event and Entertainment AG, has its registered office in Netzibodenstrasse 23b, Pratteln/Switzerland.

Highlight Event and Entertainment AG (HLEE) is a stock corporation listed on the SIX Swiss Exchange.

The operating business of Highlight Event and Entertainment AG comprises the Film, Sport and Sport- and Event-Marketing operating segments. The figures of Constantin Medien AG, which has been included in consolidation since March 31, 2018, are reported under the Sport segment. Please see Note 9 for further information on segment reporting.

1.2 Basis of presentation

The consolidated financial statements of the Highlight Event and Entertainment AG were prepared in accordance with the International Financial Reporting Standards (IFRS) and the additional provisions of Swiss Commercial law. All IFRSs/IASs and SICs/IFRICs applicable as of December 31, 2018 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 "Consolidated group" (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 and contingent liabilities reported as of the end of the reporting period. These estimates and assumptions represent the management's best estimate based on past experience and other factors including estimates of future events. Estimates and assumptions are reviewed on an ongoing basis. Changes to estimates are required if the circumstances on which they are based have changed or new or additional information has become available. Such changes are recognized in the reporting period in which the estimate is modified. More detailed information on the basis of estimates can be found separately under the respective statement of financial position 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 stated in thousands of Swiss francs (TCHF) unless stated otherwise. For calculation reasons, rounding differences of +/- one unit (TCHF) can arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

2. ACCOUNTING

2.1 Relevant standards and interpretations applied for the first time

The application of the following relevant accounting Standards and Interpretations resulted in the material changes in the consolidated financial statements described below.

2.1.1 First-time adoption of IFRS 9, Financial Instruments

The IASB published the final version of IFRS 9 Financial Instruments on July 24, 2014. The Standard supersedes IAS 39, Financial Instruments: Recognition and Measurement, and is effective for reporting periods from January 1, 2018.

The first-time adoption of these requirements has no material effects on the results of operations, net assets and financial position.

The HLEE Group is exercising the option for simplified first-time adoption. The cumulative effects of the adoption of IFRS 9 are recognized in retained earnings through other comprehensive income as of January 1, 2018. Comparative information for earlier periods has not been restated.

The HLEE Group adopted IFRS 9 (2009), Classification and Measurement of Financial Assets, for the Group's consolidated financial statements early from January 1, 2016. The Group measures individual equity instruments at fair value through other comprehensive income (FVTOCI). The items are explained in Notes 8.1 and 8.4, but are currently immaterial for the Group and were acquired in the reporting year as part of a company acquisition. As of January 1, 2018, there were no changes in classification. No changes arose from the allocation of financial liabilities to the measurement categories according to IFRS 9. The provisions governing the derecognition of financial assets and liabilities are largely unchanged.

Furthermore, IFRS 9 introduces the expected loss model for the recognition of impairment on financial assets. This means that a loss allowance is recognized before losses are incurred on the basis of historical loss rates adjusted for current information and forecasts at the end of the reporting period. The HLEE Group uses the simplified lifetime credit loss approach to calculate expected losses on trade receivables and contract assets after impairment.

The impairment factors specific to maturity and risk are based on historical and forward-looking information. The expected losses over the remaining term are determined as percentages on the basis of the number of days past due and the external credit ratings available.

The first-time adoption of IFRS 9 essentially resulted in the following cumulative adjustment effects recognized in retained earnings as of January 1, 2018:

(TCHF)	
Increase in impairment loss on trade and other receivables (current)	24
Increase in impairment loss on trade and other receivables (non-current)	317
Impairment on contact assets now recognized separately in accordance with IFRS 15	6
Total	**347**

The first-time adoption of the new impairment model had no material effects on cash and cash equivalents or receivables from associated companies.

The impairment on financial assets according to IAS 39 as of December 31, 2017 is reconciled to the opening statement of financial position as of January 1, 2018 according to IFRS 9 as follows:

Impairments on financial assets including contract assets

(TCHF)	Non-current receivables (AC)	Current receivables (AC)	Other current receivables (AC)	Contract assets	Total
Portfolio in accordance with IAS 39 (Dec. 31, 2017)	-	4,559	1,730	0	6,289
Change resulting from first-time adoption of IFRS 9	24	297	20	6	347
Portfolio in accordance with IFRS 9 (Jan. 1, 2018)	**24**	**4,856**	**1,750**	**6**	**6,636**

The introduction of IFRS 9 extends the scope of the hedged items to which hedge accounting can potentially be applied. In addition, there will be no retrospective effectiveness test in the future. There must be evidence of an economic relationship between the hedged item and the hedging instrument without quantitative limits.

On first-time adoption of IFRS 9, an entity has a one-time option to choose between hedge accounting under IFRS 9 and the previous guidance under IAS 39. The variant chosen applies to all current and future hedge accounting. The HLLE Group is applying the regulations of IFRS 9 on hedge accounting prospectively starting from January 1, 2018. All hedges that went beyond December 31, 2017 were continued. There was no material impact on the consolidated financial statements of the HLEE Group.

The adoption of IFRS 9, Financial Instruments, also requires additional disclosures in the notes in accordance with IFRS 7, Financial Instruments: Disclosures. These relate in particular to disclosures on impairment and hedge accounting. These additional disclosures can be found in Notes 6 to 8.

2.1.2 First-time adoption of IFRS 15, Revenue from Contracts with Customers (including clarifications)

The IASB issued the new standard IFRS 15, Revenue from Contracts with Customers, in May 2014. The Standard supersedes IAS 18, Revenue, and IAS 11, Construction Contracts, in particular and is effective for reporting periods from January 1, 2018.

The Standard stipulates a principle-based five-step model for determining and recognizing revenue and is applicable to all contracts with customers.

The HLEE Group is exercising the option of simplified first-time adoption and does not reassess contracts that were fulfilled before the date of first-time adoption. In accordance with the Standard's transitional provisions, the figures for the previous year are not restated.

A significant financing component is not accounted for if the period between when a promised good or service is transferred to a customer and when the customer pays for that good or service will be one year or less.

The HLEE Group has not capitalized any costs of contract acquisition or costs of contract fulfillment as these are immaterial.

There were no adjustments in connection with accounting for non-monetary exchange transactions.

Overall, no material quantitative changes in revenue recognition arose from the implementation of IFRS 15.

The restatements in connection with the first-time adoption of IFRS 15 are as follows:

(TCHF)	**Carrying amount in accordance with IAS 18/IAS 11 Dec. 31, 2017**	Reclassification	**Carrying amount in accordance with IAS 15/IAS 11 Jan. 1, 2018**
ASSETS			
Trade and other receivables*	**133,05**	-13,628	**119,422**
Contract assets*	**-**	13,628	**13,628**
LIABILITIES			
Trade and other payables	**128,539**	-5,018	**123,521**
Provisions (current)	**5,024**	-3,716	**1,308**
Contract liabilities	**-**	8,734	**8,734**

** The carrying amounts as of January 1, 2018 are recognized before the impairments on contract assets recognized in accordance with IFRS 9. Please see the notes on the first-time adoption of IFRS 9.*

The table only shows the items affected by the change resulting from the first-time adoption of IFRS 15.

The reclassifications essentially relate to receivables and liabilities from contract manufacturing, which are recognized under contract assets and liabilities according to IFRS 15. These are netted per customer contract. A contract asset is when the HLEE Group has fulfilled a performance obligation but has not yet acquired an unconditional right to consideration (for example, because other performance obligations have to be fulfilled before an invoice can be issued). In complex arrangements, it may happen that the customer pays consideration at different times during the term of the contract. The HLEE Group sometimes receives consideration from its customers prior to the performance arising from a contract. In such cases, the rights and obligations from the contract are closely related; accordingly, the contract assets and contract liabilities are dependent on each other and shown net in the statement of financial position, provided that the conditions for netting are satisfied. Refund liabilities for expected returns of merchandise are reported under trade payables in accordance with IFRS 15.

The adoption of IFRS 15, Revenue from Contracts with Customers, likewise requires additional disclosures in the notes. These additional disclosures can be found in Notes 6 to 8.

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

The HLEE Group waived early adoption of the following relevant new and revised standards and interpretations whose adoption is not yet required for Highlight Event and Entertainment AG.

IFRS 16, Leases

The standard provides for a single accounting model for lessees. For lessees, this model means that all assets and liabilities under leases are recognized in the statement of financial position. If their term is no more than twelve months or if they are low-value assets, capitalization is optional. The lessor still distinguishes between finance and operating leases for accounting purposes.

The HLEE Group will adopt the Standard for the first time for the annual period beginning on January 1, 2019.

Its adoption by the HLEE Group essentially affects the leases previously classified as operating leases. The Highlight Group expects to apply the options under IFRS 16 as follows:

- Under the option provided by IFRS 16.5(1), leases with a term of less than twelve months (and without a purchase option) are not recognized in accordance with IFRS 16, but rather as an expense under other operating expenses.
- Under the option provided by IFRS 16.5(2), leases for low-value assets are not recognized in accordance with IFRS 16, but rather as an expense under other operating expenses.
- The HLEE Group does not exercise the option provided by IFRS 16.4 for intangible assets, i.e. all intangible assets are recognized in accordance with IAS 38.
- Furthermore, in accordance with IFRS 16.15, no lease classes are separated into lease and non-lease components; instead, all contract components are recognized as a lease.
- The HLEE Group reports rights of use in a separate item of the statement of financial position, “Rights of use from leases”.

When IFRS 16 is applied for the first time, an option is granted whereby an entity does not have to reassess whether a contract contains a lease within the meaning of IFRS 16 (IFRS 16.C3). Contracts classified as leases in accordance with IAS 17 continue to be treated as such. The HLEE Group will exercise this option.

The lessee must apply IFRS 16 either using the full retrospective method including prior periods, or the cumulative amount of adjustments when it is first applied must be recognized in equity at the beginning of the annual period of initial application (IFRS 16.C5, C7). The variant chosen applies to all contracts (IFRS 16.C6). The HLEE Group has chosen modified retrospective application. The right of use is measured on the basis of the value of the lease liability less prepayments or accruals. Accordingly, the comparative information for fiscal 2018 has not been restated in the 2019 consolidated financial statements in accordance with IFRS 16.C7.

The HLEE Group has analyzed the impact of the initial application of IFRS 16 in a Group-wide project. The following categories of leases were identified for which leases previously accounted for as operating leases must be treated as leases within the meaning of the new Standard as a result of the adoption of IFRS 16 as of January 1, 2019: real estate, vehicles, other technical equipment and machinery. Rights of use of approximately CHF 40 million and lease liabilities of approximately CHF 42 million are recognized in the consolidated statement of financial position as of January 1, 2019 as a result of initial application; the difference between the two items relates to the adjustment for deferred lease liabilities in accordance with IFRS 16.C8(b)(ii). As of January 1, 2019, this reduces the equity ratio and alters operating profit.

Costs that were reported as rental expenses in other operating expenses in the past are now recognized as interest expenses in net finance costs. Secondly, amortization on rights of use under leases is shown in operating profit. This resulted in improved EBITDA and slightly better EBIT in fiscal 2019.

3. CONSOLIDATED GROUP

3.1 First-time consolidation of Constantin Medien AG

On December 18, 2017, the Group company, Highlight Communications AG, together with a third party, made the shareholders of Constantin Medien AG, Ismaning, Germany, a voluntary public takeover bid and thus acquired 48.39%. At the end of March 2018, a further 29.99% of shares were acquired by Highlight Event and Entertainment AG, the parent company of Highlight Communications AG. Hence control was achieved as of the end of March 2018. The two transactions are classified as one transaction as they constitute a single transaction from an economic perspective. The company is allocated to the Sport segment.

The cost of the acquisition of Constantin Medien AG in accordance with IFRS is CHF 198.3 million. This corresponds to the fair value of the equity investment previously held.

The assets and liabilities identified as of March 31, 2018 are as follows:

In TCHF:	
Non-current assets:	
Intangible assets	60,474
Other intangible assets	3,196
Tangible assets	6,467
Other non-current financial assets	49,626
Deferred tax assets	297
Current assets:	
Inventories	152
Trade receivables	21,645
Other receivables	15,941
Cash and cash equivalents	92,039
Non-current liabilities:	
Other non-current liabilities	-98
Deferred tax liabilities	-2,032
Deferred tax liabilities (remeasurement)	-13,765
Current liabilities:	
Current financial liabilities	-75,178
Trade payables	-19,229
Other liabilities	-22,035
Provisions	-10,634
Income tax liabilities	-276
Identified assets and liabilities (net)	**106,590**
Goodwill	114,743
Non-controlling interests	-23,045
Cost	**198,289**
Cash funds acquired (inflow)	92,039
Total cash outflow	**106,250**

The other non-current financial assets of CHF 49.6 million relate to shares in Highlight Communications AG. The deferred tax liabilities (remeasurement) consist of the tax liabilities in connection with the acquisition of intangible assets.

Purchase price allocation gives rise to goodwill of TCHF 114,743 and intangible assets (patents and licenses) of TCHF 60,474. Within the prescribed measurement period following the acquisition date, the fair values of the assets acquired and liabilities assumed including deferred taxes were finally determined on December 31, 2018 as of March 31, 2018. As a result, the goodwill increased by TCHF 11,003 to TCHF 114,743. The effect arose from more detailed available information on patents and licenses, which resulted in reassessment in patent and license measurement. The finally determined intangible asset (patents and licenses) amounts to TCHF 60,474.

The goodwill resulting from the purchase price allocation (PPA) and the determined intangible assets (patents and licenses) constitute the positive difference between the purchase price paid and the fair values of the assets acquired and liabilities assumed including deferred taxes and primarily represent strategic synergy and development potential expected in the Sport segment in the future. Goodwill was accounted for using the partial goodwill method.

The intangible assets primarily relate to the “Sport 1” brand and the various rights in sports business. The main sources of income are advertising revenue, distribution revenue and revenue from the performance of production services. Revenue relates to products for platforms and services. Constantin Medien AG is an international media company based in Germany. Its programming portfolio includes the SPORT1 platforms with the following rights:

Soccer with live and highlight rights to the DFB-Pokal from the 2019/2020 season up to and including the 2021/22 season, the UEFA Youth League until 2020/21 and the finals of the UEFA Women’s Champions League until 2018/19, highlight summaries of the 2. Bundesliga on Friday and Sunday evenings from the start of the second half of the 2017/18 season, highlight clips from all matches of the 2018 FIFA World Cup™ and the 2018 UEFA European Under-17 Championship, motorsport with the FIA WEC, FIA Formula 2, the Porsche Carrera Cup and the new “Porsche GT Magazin” show, volleyball with the women’s and men’s Bundesliga from 2018/2019 to 2020/2021 and the Nations League 2018, American football with the German Football League (GFL), ice hockey with the NHL Global Series Challenge 2018, handball with international matches of German national teams, hockey with the Hockey World Cup 2018 and the German Championship 2018, and eSports with the EA SPORTS™ FIFA 18 Global Series, the TAG Heuer Virtual Bundesliga, the ESL Spring Championship 2018 and ESL One Dota 2. Since March 2018, SPORT1 has bundled its activities on external platforms in the newly created New Platforms unit. In the area of social media, SPORT1 reaches more than 5 million fans on channels including Facebook, Instagram, Twitter, and YouTube. SPORT1 has a very important brand in Germany.

Constantin Medien AG’s portfolio also includes PLAZAMEDIA. In June 2018, PLAZAMEDIA commissioned Europe’s most state-of-the-art, IP-based broadcasting center. In addition to the regular recording of the talk show “Ringlstetter,” the studio production “Gesundheitsshow” was created for Bayerischer Rundfunk including additional production services in the first half of 2018. Extensive series production services were rendered for ZDF and SPORT1 in connection with the UEFA Champions League, the UEFA Europa League, the Bundesliga and the 2. Bundesliga, and the 2018 FIFA World Cup™. In addition, PLAZAMEDIA took over the provision and operation of technical infrastructure and the technical production services for DAZN and Amazon Music’s sports radio, produced the international soccer match between Japan and Paraguay for Nippon TV, and digitalized content and established an archive for the DKB Handball-Bundesliga. PLAZAMEDIA was also responsible for the implementation of several events for well-known customers at the “ziegelei101” venue in the first half of 2018.

Constantin Medien AG is reported in the Sport segment and will benefit from its digital platforms, SPORT1 brand name, network and synergies in future. For this reason, the goodwill is justified.

Assuming that Constantin Medien AG had been included in the consolidated financial statements starting from January 1, 2018, this would have resulted in consolidated pro forma net revenue of CHF 137.1 million and a consolidated pro forma net loss of CHF 5.05 million. From April 1, 2018, consolidated revenue of CHF 104.24 million and a net loss of CHF 3.33 million for the 2018 reporting period was assumed as a result of first-time consolidation.

3.2 Other changes

By way of agreement dated and effective January 1, 2018, Constantin Film Produktion GmbH, Munich, acquired 100% of Mythos Film GmbH, Berlin, and also indirectly acquired its wholly owned subsidiaries Mythos Film Verwaltungs GmbH, Berlin, and Mythos Film Produktions GmbH und Co. KG, Berlin. As a result of gaining control, this equity investment will be included in consolidation from the acquisition date onwards. The company primarily produces own and co-productions for the German market. The Group acquired it in order to further expand its production activities. The purchase price in accordance with IFRS 3 comprises a cash purchase price of TCHF 3,296 that was subsequently reduced by TCHF 253 to TCHF 3,043. The payment for the acquisition was made in December 2017. The repayment for the acquisition will be made in December 2019.

The assets assumed at fair value comprise property, plant and equipment and intangible assets of TCHF 9, film assets of TCHF 2,116, deferred tax assets of TCHF 141 and current assets consisting of receivables and other assets (TCHF 513) and cash (TCHF 701). These are offset by liabilities assumed at fair value totaling TCHF 769. The receivables assumed include an amount of TCHF 164 that becomes intragroup receivables as a result of initial consolidation.

The provisional purchase price allocation results in goodwill non-deductible for tax purposes of TCHF 496. This constitutes the positive difference between the purchase price paid and the fair values of the assets acquired and liabilities assumed including deferred taxes and primarily represents strategic synergy and development potential among the productions.

As a result of the first-time consolidation of the companies as of January 1, 2018, revenue of TCHF 3 and profit after tax of TCHF -1,444 were included in the HLEE Group's consolidated financial statements.

Chameleo AG was founded on March 15, 2018. The HLEE Group holds a 90% stake. The company is at an early stage of development. On May 15, 2018, Chameleo AG founded a wholly owned subsidiary, Chameleo GmbH based in Munich, Germany. Chameleo AG and its holding Chameleo GmbH, accompany companies in optimizing their operating business in the context of digital transformation and provide the relevant consultancy services, management support and project implementation. As the company is in an early stage of development, and is currently immaterial, it is recognized in the Other segment.

A financial asset of 2% in the SP Group (Europe) was acquired on June 13, 2018. The purchase price was TCHF 500. The purpose of the company is the direct or indirect acquisition of majority or minority holdings and ongoing management and the sale of equity investments in domestic and international companies of all types.

By way of agreement dated and effective June 21, 2018, Constantin Television GmbH, Munich, acquired 100% of Hager Moss Film GmbH, Munich. As a result of gaining control, this equity investment will be included in consolidation from the acquisition date onwards. The company primarily produces service productions for the German market. The Group acquired it in order to further expand its production activities. The purchase price in accordance with IFRS 3 comprises a cash purchase price of TCHF 1,697 and a contingent purchase price component (earn-out clause) with a fair value of TCHF 86. The full payment was recognized under non-current liabilities.

The assets assumed at fair value include property, plant and equipment and intangible assets of TCHF 62, film assets of TCHF 2,961 and current assets comprising inventories (TCHF 345), receivables (TCHF 1,407) and cash (TCHF 294). These are offset by liabilities assumed at fair value (TCHF 3,831).

The provisional purchase price allocation results in goodwill non-deductible for tax purposes of TCHF 545. This constitutes the positive difference between the purchase price paid and the fair values of the assets acquired and liabilities assumed including deferred taxes and primarily represents strategic synergy and development potential among the productions.

The inclusion of the company in the consolidated financial statements from the beginning of the fiscal year until its first-time consolidation as of June 21, 2018 would have had the following effects on the results of operations, financial position and net assets: revenue of TCHF 2,139 and profit after tax of TCHF 3. Since first-time consolidation as of December 31, 2018, the companies have contributed TCHF 4,939 to revenue and profit after tax of TCHF 7 to consolidated net profit. The effective date of first-time consolidation is June 21, 2018. As there are no significant reconciling items to be taken into account, the statement of financial position and the income statement of Hager Moss Film GmbH as of June 30, 2018 are used for the first-time consolidation of the company for reasons of materiality.

Effective August 27, 2018, Constantin Sport Holding GmbH acquired an interest of 50.1% in Match IQ GmbH, Hamburg, and its wholly owned subsidiary Event IQ GmbH, Hamburg, and thereby achieved control. The companies are allocated to the Sport segment. In particular, Match IQ GmbH focuses on organizing training camps and test matches for renowned German and international soccer clubs and on the media exploitation of test matches. Incidental costs of acquisition of TCHF 34 were recognized in the income statement as a result of the acquisition of the companies. The purchase price amounts to TCHF 282. Furthermore, there is an earn-out clause with the remaining minority shareholder and managing director of Match IQ GmbH. The earn-out payments are conditional on the minority shareholder and managing director of Match IQ GmbH remaining the company's managing director. The dates of the earn-out payments are July 1, 2019 (TCHF 73), July 1, 2020 (TCHF 73), and July 1, 2021 (TCHF 28). The earn-out payments are recognized in staff costs pro rata temporis over the vesting period.

A negative difference of TCHF 23 was recognized through profit or loss in other operating income on initial consolidation. The assessment of the completeness and accuracy of the recognition of all acquired assets and liabilities was repeated before this was recognized. The negative difference was due to the sellers' strategic motivations. Non-controlling interests were recognized in the amount of their proportionate share of the identifiable net assets acquired.

The assets assumed at fair value include property, plant and equipment and intangible assets of TCHF 155 and current assets comprising inventories (TCHF 5), receivables (TCHF 458) and cash (TCHF 414). This is offset by deferred tax liabilities (TCHF 36), financial liabilities (TCHF 17), liabilities (TCHF 274) and contract liabilities (TCHF 92) assumed at fair value.

In purchase price allocation, long-term contracts with customers with useful lives between three and 44 months were recognized at a fair value of TCHF 119. They were measured using the discounted cash flow method.

The inclusion of the companies in the consolidated financial statements from the beginning of the fiscal year until their first-time consolidation at the end of August 2018 would have had the following effects on the HLEE Group's results of operations, financial position and net assets: additional revenue of TCHF 3,274 and profit after tax of TCHF 91. Since first-time consolidation as of December 31, 2018, the companies have contributed TCHF 329 to revenue and profit after tax of TCHF -84 to consolidated net profit.

The consolidated company Constantin Entertainment Hellas EPE, Athens, was liquidated on September 19, 2018. The consolidated company Constantin Entertainment Croatia d.o.o., Zagreb, was likewise liquidated on October 15, 2018. The effects of these transactions on these consolidated financial statements are immaterial.

On December 13, 2018, the Constantin Medien Group sold its associated company written down in full Nachspielzeit Marketing GmbH for TCHF 6.

On December 31, 2018, Constantin Film AG closed the sale of all shares in Nadcon Film GmbH (Film segment) to ZDF Enterprises GmbH and Dr. Peter Nadermann. The proceeds from the sale amounted to CHF 2. The disposal gave rise to a gain on deconsolidation of TCHF 530 which is reported in other operating income (Film segment). The net assets as of the date of disposal amount to TCHF -999 (TCHF 518 of which relating to shareholders) and essentially include film assets and property, plant and equipment (TCHF 1,650), deferred tax assets (TCHF 394), inventories and receivables (TCHF 46), cash and cash equivalents (TCHF 1,010), advances received (TCHF 2,574) and liabilities (TCHF 1,525).

3.3 Overview of consolidated companies

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

Consolidated companies as of December 31, 2018

	Activity	Country	Currency	Subscribed capital	Share in capital*	Voting rights of the respective parent company
Highlight Event AG, CH-Emmen	Event marketing	CH	CHF	500,000	100%	100%
Escor Automaten AG, CH-Pratteln	Development of gaming machines	CH	CHF	3,000,000	100%	100%
Comosa AG, CH-Zürich	Sports and entertainment events	CH	CHF	150,000	51%	51%
Highlight Communications AG	**Holding company**	**CH**	**CHF**	**63,000,000**	**44.72%**	**44.72%**
Chameleo AG	Business and digital transformation consulting	CH	CHF	100,000	90%	90%
Chameleo GmbH	Business and digital transformation consulting	DE	EUR	25,000	100%	100%
Team Holding AG	Holding company	CH	CHF	250,000	100%	100%
Team Football Marketing AG	Exploitation of sports rights	CH	CHF	6,340,000	95.27%	100%
T.E.A.M. Television Event And Media Marketing AG	Marketing of sports events	CH	CHF	200,000	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%
Constantin Film Services GmbH	Service provider	DE	EUR	25,000	100%	100%
Constantin Film Development Inc., Los Angeles	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%
Costantin 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 Israel Ltd.	TV entertainment production	IL	ILS	50,000	56.25%	56.25%
Constantin Entertainment Hungary Kft.	TV entertainment production	HU	HUF	3,000,000	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	2,5000	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	102,000	100%	100%
Rainbow Home Entertainment Ges.m.b.H. ******	Distribution	AT	EUR	363,364	100%	100%
Constantin Medien AG	Holding company	DE	EUR	93,600,000	79.18%	79.18%
Constantin Sport Holding GmbH	Holding company	DE	EUR	55,000	100%	100%
Sport1 GmbH	Platform operator	DE	EUR	500,000	100%	100%
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.	Production service provider	AT	EUR	35,000	100%	100%
Plazamedia Swiss AG	Production service provider	CH	CHF	100,000	100%	100%
Leitmotif Creators GmbH	Consulting	DE	EUR	25,000	100%	100%
Sport1 Media GmbH	Marketing	DE	EUR	25,100	100%	100%
Magic Sports Media GmbH	Marketing	DE	EUR	25,000	100%	100%
Match IQ GmbH	Consulting	DE	EUR	30,000	50.1%	50.1%
Event IQ GmbH	Consulting	DE	EUR	25,000	100%	100%

* *Direct and/or indirect share held by the Group*
** *0.2 % are held by Constantin Film Produktion 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.*
****** *In liquidation*
******* *33.33% are held by Mythos Film Verwaltungs-GmbH.*

3.4 Overview of companies not included in consolidation

Owing to a lack of business activities, the following subsidiaries of Highlight Communications AG are individually and collectively insignificant in providing a true and fair view of the Group's net assets, financial position and results of operations. These companies are therefore not included in the HLEE Group's consolidated group. The equity investments not included in consolidation have been reported at a carrying amount of TCHF 0 (previous year: TCHF 0). The companies are currently inactive and have no operations. Their assumed fair value is equal to their carrying amount.

Companies not included in consolidation as of December 31, 2018

	Country	Currency	Share capital	Shareholding
Impact Pictures LLC*	US	USD	1,000	51%
T.E.A.M. UK**	UK	GBP	1	100%

** Share held by Constantin Pictures GmbH, Germany*

*** Share held by T.E.A.M. Television Event And Media Marketing AG, Switzerland*

3.5 Overview of associated companies

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

	Share of capital	Period included in the consolidated financial statements	Currency	Share capital
BECO Musikverlag GmbH	50%	Jan. 1 – Dec. 31, 2018	EUR	25,565

The data for BECO Musikverlag GmbH are as of December 31, 2017 as the 2018 annual financial statements are not yet available.

For a presentation on the finance information of associated companies, refer to Chapter 6.5.

4. SUMMARY OF KEY ACCOUNTING POLICIES

4.1 Consolidation methods

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

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

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

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

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

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

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

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

A joint venture is a joint arrangement in which parties exercise joint control of the arrangement and have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which 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 investments are recognized at cost at the time of acquisition. Any goodwill identified is included in the carrying amount of the investment 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 investment. Profit distributions by these companies reduce their carrying amount. If there are objective indications of impairment, impairment losses are recognized in profit or loss. Changes recognized in the equity of associated companies and joint ventures are recognized by the Group in the amount of its interest and shown in the statement of changes in consolidated equity. Items recognized in other comprehensive income (OCI) in the financial statements of associated companies and joint ventures (e.g. currency translation differences) are shown in the consolidated financial statements as a separate item in other comprehensive income (OCI).

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

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

Non-controlling interests is the share of the profit and net asset value not attributable to the equity holders of the parent. Non-controlling interests are recognized separately in the consolidated income statement, the consolidated statement of comprehensive income and in the consolidated statement of financial position. Presentation in the consolidated statement of financial position takes place within equity, separately from the equity of the owners of the parent.

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

4.2 Currency translation

4.2.1 Functional currency

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

4.2.2 Measurement of balances and transactions in foreign currency

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

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

4.2.3 Currency translation in the Group

The statement of financial position 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 denominated in a currency other than Swiss francs are also translated at the exchange rate at the end of the reporting period. Any translation differences or differences from currency translation in amounts carried forward from previous years resulting from this are recognized in OCI.

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

4.2.4. Exchange rates

Closing rates are based on the middle rate on the last trading day of the fiscal year.

		Closing rate		Annual average rate	
		Dec. 31, 2018	Dec. 31, 2017	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
Euro	(EUR)	1.12633	1.16945	1.15135	1.11151
US dollar	(USD)	0.98405	0.97619	0.97685	0.98462
Pound sterling	(GBP)	1.25329	1.31716	1.29918	1.26829
Canadian dollar	(CAD)	0.72191	0.77772	0.75202	0.75907

4.3 Fair value measurement

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

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

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

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 “revenue generated by the film in the period divided by the film’s estimated total remaining revenue 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 sales. The maximum period for estimating sales is ten years for films as recognized in the film assets of the HLLE Group.

The estimate of the total sales is reviewed at the end of each quarter and adjusted if necessary. The quotient for the amortization for the period is calculated on the basis of any (adjusted) total sales. Each film is also tested for impairment at the end of each reporting period and if there are indications of impairment. If the cost or carrying amount of the film is not covered by the estimated total revenues 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 sales of the rights cannot be specifically determined, 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. For more information, please also see the comments in the section “Impairment of non-financial assets” (see Note 4.8). 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 the following criteria for capitalization are met:

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

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

Internally generated intangible assets are measured at amortized cost. Capitalized costs are amortized over their useful life once the development phase is complete and utilization is possible. The amortization period is determined according to the economic life and is three to 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 Constantin Medien AG, purchase price allocation identified customer relationships, the brand name for Sport 1 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.

4.6 Goodwill

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

i. the fair value of the consideration transferred as of the acquisition date,
ii. the amount of any non-controlling interests and
iii. the fair value of shares of the acquired company previously held by the acquirer in a step acquisition less the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

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

4.7 Property, plant and equipment

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

Leasehold improvements are measured at cost less depreciation and impairment. Depreciation is usually recognized over the term of the respective rental agreement lease (of up to 27.5 years). Technical equipment and other equipment, operating and office equipment are measured at cost less depreciation and impairment. Depreciation is recognized on a straight-line basis over the standard useful life of three to 25 years. Repairs and maintenance expenses are expensed as and when incurred. More extensive renovation work or improvements are capitalized. Renovation work is also depreciated over the above 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 or equipment is material, these components are recognized and depreciated individually.

4.8 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. The HLLE Group carries out annual impairment testing as of December 31 of each fiscal year. Impairment testing is carried out for other intangible assets and property, plant and equipment 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 respective carrying amount 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, and property, plant and equipment 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.

4.9 Inventories

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

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

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

4.10 Financial instruments

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

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

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

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

Write-downs on receivables are 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.

4.10.1 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. Financial instruments that do not meet these criteria are recognized at fair value.

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

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

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

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

4.10.2 Financial assets at fair value

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

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

Equity instruments are – without exception – measured at fair value. On first-time recognition there is the irrevocable option to show realized and unrealized changes in value in other comprehensive income (OCI) rather than in the income statement, provided that the equity instrument is not held for trading. Amounts recognized in other comprehensive income (OCI) cannot be reclassified to profit or loss in the future.

Fair value corresponds to the market price as of the end of the reporting period. If the market price is unavailable, the fair value is determined using similar market transactions or accepted 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 with the change in fair value.

4.10.3 Financial liabilities

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

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

4.10.4 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 and allocate loss allowances in the amount of the expected credit losses.

Stage 1: All instruments are initially assigned to stage 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.

Stage 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.

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

Objective evidence of impairment includes:

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

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

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

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

Trade receivables and contract assets 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.

4.10.5 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:

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.

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 and in equity under other reserves. Any ineffectiveness is recognized in the income statement.

Cumulative amounts recognized in other comprehensive income 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. When hedging foreign currency transactions, the Group uses hedging relationships for which the contractual characteristics of the hedging instrument match those of the hedged item exactly. The hedged item and the hedging instrument are therefore subject to the same risk and the resulting changes in value offset each other. If changes in the characteristics of the hedged item result in its material characteristics no longer exactly matching those of the hedging instrument, the effects of ineffectiveness are recognized in the income statement. 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.

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.

4.11 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”. The current service cost and net interest are recognized in profit and loss under staff costs. 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 of 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 for members of management is not IAS 19-relevant, as it is a voluntary provident fund.

4.12 Other provisions, contingent liabilities and contingent assets

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

Provisions are measured in the amount of the most likely expenditure. If the effect of the time value of money is material, non-current provisions are carried at the present value of the expected outflow calculated using current interest rates.

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

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

4.13 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 Event and Entertainment AG is not able to determine the time at which these temporary differences will reverse.

4.14 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.

4.15 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 payables 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 amount of revenue 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 service productions is recognized over time in the amount of the share of total revenue for the reporting period (see Note 4.16).

Revenue from licenses for TV (pay/free) rights is recognized at a point in time from the date 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. It is 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 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 theatrical distribution, home entertainment, license trading/TV exploitation and other revenue are reported under the product type 'Film'. Revenue from TV service productions is shown under the product type 'Production services'.

Revenue in the Sport- 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.

The Sport segment recognizes the revenue of activities of Constantin Medien AG and Comosa AG (WBSS) . 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. This contract has a term of two years. 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 is recognized net of invoiced VAT and volume rebates.

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.

4.16 Long-term service production

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

Service productions in production are reported as the difference between realized revenue and invoices as contract assets / contract liabilities in the statement of financial position. Service productions in development that have not yet been ordered by the broadcaster are recognized under inventories.

4.17 Operating leases

In the Group, there are operating leases in which the Group is the lessee and the economic owner of the leased asset is the lessor. The related lease payments are recognized on a straight-line basis as other operating expenses in the income statement over the term of the lease.

4.18 Government grants

Project promotion

Project promotion as a contingently repayable loan

Project film promotions are provided in the form of a contingently repayable interest-free loan in accordance with the requirements of the Film Promotion Act and the relevant regional promotions (rules of the Bavarian Film Promotion Fund (“FFF Bayern”) for example). These are repayable as soon as or if the producer’s income from a film exceeds a certain amount. These are government grants for assets. In the statement of financial position, 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 statement of financial position 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 statement of financial position 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 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.

5. JUDGMENT/ESTIMATION UNCERTAINTY

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

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

5.1 Significant risks

5.1.1 Impairment of non-financial assets

To assess whether assets have become impaired, the expected future cash flows from the use and possible disposal of such assets are estimated per cash-generating unit. The estimates and assumptions are based on premises that reflect the most recent information available. The actual cash flows can 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 HLEE 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 HLEE Group. Even if the price is fixed but is dependent on future events, the HLEE 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 HLEE Group, expected losses are defined as the weighted average of credit losses or using available external ratings, which are weighted by the respective probabilities of default. The estimates always account for the possibility of default and the possibility of non-default, even if the most probable scenario is non-default.

Please see Note 4.10.4 for further disclosures.

5.2.4 Construction contracts

The percentage of completion of 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 the provisions established are adequate. However, further litigation could arise resulting in costs not covered by the existing provisions. Moreover, it cannot be ruled out that the extent and the costs of legal disputes could increase. Such changes can affect the provisions recognized for litigation in future reporting periods.

5.2.7 Pension obligations

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. The actual results can differ from these estimates. Such changes can affect the deferred tax assets and liabilities recognized in future reporting periods.

6. NOTES TO INDIVIDUAL ITEMS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 Film assets

(TCHF)	Third-party productions	In-house productions	Total film assets
Cost 2018			
January 1, 2018	37,129	152,162	189,291
Change in consolidated group	-3,225	-3,393	-6,618
Currency translation differences	-1,300	-5,350	-6,650
Additions	8,367	170,236	178,603
Disposals	2,908	-	2,908
Total December 31, 2018	**38,063**	**313,655**	**351,718**
Cumulative amortization and impairment 2018			
January 1, 2018	1,266	26,211	27,477
Change in consolidated group	-2,794	-7,252	-10,046
Currency translation differences	-		-
Depreciation for the year	6,981	135,604	142,585
Impairment	1,556	7,885	9,441
Reversals of write-downs	125	157	282
Disposals	2,908	-	2,908
Total December 31, 2018	**3,976**	**162,291**	**166,267**
Cost 2017			
January 1, 2017	-	-	-
Change in consolidated group	35,389	98,432	133,821
Currency translation differences	884	21,672	22,556
Additions	856	32,058	32,914
Disposals	-	-	-
Total December 31, 2017	**37,129**	**152,162**	**189,291**
Cumulative amortization and impairment 2017			
January 1, 2017	-	-	-
Currency translation differences	-	-	-
Depreciation for the year	1,804	24,905	26,709
Impairment	129	1,546	1,675
Reversals of write-downs	667	240	907
Disposals	-	-	-
Total December 31, 2017	**1,266**	**26,211**	**27,477**
Net carrying amounts on December 31, 2018	**34,087**	**151,364**	**185,451**
Net carrying amounts on December 31, 2017	**35,863**	**125,951**	**161,814**

Impairment losses of TCHF 9,441 (previous year: TCHF 1,675) were recognized in the year under review as the value in use no longer covers the cost or the carrying amount of certain films due to a lack of market acceptance. The discounting rates before taxes used are between 1.89% and 4.45% (previous year: 1.23% to 4.21%). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review.

Reversals of write-downs are recognized for projects for which a write-down has been recognized in the past and whose forecast revenue for the remaining exploitation period are considerably higher than the previous year's estimates.

During the year under review, the HLLE Group received project subsidies and project promotion loans of TCHF 15,687 (previous year: TCHF 8,265) which were deducted from the capitalized costs.

Deferred project promotion loans amounted to TCHF 4,054 as of December 31, 2018 (previous year: TCHF 3,264). Project promotions of TCHF 1,151 were repaid in the year under review (previous year: TCHF 589).

Sales subsidies and distribution loans of TCHF 2,378 (previous year: TCHF 943) were also recognized in the consolidated income statement in the reporting year 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 0 (previous year: TCHF 0) as of December 31, 2018. Distribution loans of TCHF 709 (previous year: TCHF 547) were repaid over the year under review. As of December 31, 2018, there were receivables for subsidies and grants of TCHF 18,163 (previous year: TCHF 15,203).

Directly attributable financing costs of TCHF 1,094 (previous year: TCHF 595) 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 1.2% to 7.8% (previous year: 2.3% to 4.5%).

6.2 Other intangible assets and goodwill

Business combinations in 2018

Total goodwill of TCHF 114,747 (previous year: TCHF 0) was recognized in the statement of financial position as of December 31, 2018 on account of the first-time consolidation of Constantin Medien AG. Purchase price allocation for the first-time consolidation of Constantin Medien AG as of March 31, 2018 resulted in goodwill of TCHF 114,747. Note 3.1 contains explanatory notes on the purchase price allocation of Constantin Medien AG.

As of December 31, 2018, the CAPM-based discount factor before taxes for the impairment test of Constantin Medien AG was set at 7.55%. For the impairment test of Constantin Medien AG, the growth rate beyond the detailed planning period was set at 1%. Conservative scenarios were used for sales growth and EBIT margin. The results indicate that no impairment is required.

Goodwill was subjected to its annual impairment test as of December 31, 2018. As in the previous year, this did not result in any impairment losses.

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

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 use of the discounted cash flow method in the Highlight Group is based on future cash flows derived from detailed 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 the other positions at 0% to 2.0% (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, 2018, the CAPM-based discount factor before taxes for the impairment test of Constantin Film Verleih GmbH was set at 7.84% (previous year: 1.70%), for the other positions at7.91% to 8.03% (previous year: 7.66%).

(TCHF)	Purchased intangible assets	Purchased software	Internally developed intangible assets	Advance payments	Total intangible assets	Goodwill
Cost 2018						
January 1, 2018	326,741	-	-	-	327	1,579
Change in consolidated group	60,758	1,123	1,320	603	63,804	115,750
Currency translation differences	-12	-192	-53	-65	-322	-
Additions	13	1,429	-	1,832	3,274	-
Disposals	-	-	125	-	125	-
Total December 31, 2018	**387,500**	**2,360**	**1,142**	**2,370**	**393,372**	**117,329**
Cumulative amortization and impairment 2018						
January 1, 2018	-	-	-	-	-	-
Change in consolidated group	-	-	-	-	-	-
Currency translation differences	-2	-121	-12	-	-135	-
Depreciation for the year	3,797	540	494	-	4,831	-
Disposals	-	-	-	-	-	-
Total December 31, 2018	**3,795**	**419**	**482**	**-**	**4,696**	**-**
Cost 2017						
January 1, 2017	600	-	-	-	600	-
Change in consolidated group	325,960	-	-	-	325,960	-
Currency translation differences	74	-	-	-	74	-
Additions	294	-	-	-	294	1,579
Disposals	1	-	-	-	1	-
Total December 31, 2017	**326,927**	**-**	**-**	**-**	**326,927**	**1,579**
Cumulative amortization and impairment 2017						
January 1, 2017	-	-	-	-	-	-
Change in consolidated group	-	-	-	-	-	-
Currency translation differences	68	-	-	-	68	-
Depreciation for the year	119	-	-	-	119	-
Disposals	1	-	-	-	1	-
Total December 31, 2017	**186**	**-**	**-**	**-**	**186**	**-**
Net carrying amounts on December 31, 2018	**383,705**	**1,941**	**660**	**2,370**	**388,676**	**117,329**
Net carrying amounts on December 31, 2017	**326,741**	**-**	**-**	**-**	**326,741**	**1,579**

Goodwill

The allocation of goodwill can be seen in the table below:

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Highlight Communications AG	1,579	1,579
Constantin Medien AG	114,743	-
Mythos Film GmbH	477	-
Hager Moss Film GmbH	530	-
Total	**117,329**	**1,579**

Business combinations in 2017

The HLEE Group acquired a share of 25% (purchase price: CHF 95.6 million) in Highlight Communications AG on June 9, 2017. The HLEE Group paid for the shares in full after the suspension of entries in the commercial register was lifted. The transaction served the purpose of a takeover bid to the shareholders of Constantin Medien AG. The company was managed as an associate and was included in the half-year financial statements 2017 using the equity method.

Constantin Medien AG deconsolidated Highlight Communications AG retroactively as of June 12, 2017 in September 2017. The HLEE Group included Highlight Communications AG in consolidation as of September 28, 2017 as the HLEE Group, in accordance with IFRS 10, had effectively achieved control of Highlight Communications AG.

Mr. Bernhard Burgener is a member of and the Chairman of the Board of Directors of the Highlight and HLEE Group. Mr. Peter von Büren is an executive member of the Board of Directors of the Highlight and HLEE Group. There are no other executive members at either Highlight Communications AG or HLEE. Together, Mr. Bernhard Burgener and Mr. Peter von Büren can control the Board of Directors of Highlight Communications AG, as Bernhard Burgener, as the Chairman, has the casting vote (Article 713(1) of the *Obligationenrecht* (OR – Swiss Code of Obligations).

The HLEE Group satisfies the relevant criteria and thus has effective control over Highlight Communications AG. The HLEE Group has controlled the Highlight Group since September 28, 2017. The financial and operating policies of the company are essentially directed by the same people.

The cost of the acquisition of HLC in accordance with IFRS is CHF 124.3 million.This corresponds to the fair value of the previously held interest of 25%, which was recognized in profit or loss in the context of first-time consolidation (previous carrying amount: CHF 89.6). This gain is shown in the statement of comprehensive income under “Remeasurement of HLC shares” in other operating income.

The assets and liabilities identified as of September 30, 2017 are as follows:

TCHF:	
Cash and cash equivalents	63,294
Receivables	246,756
Other financial assets	246
Inventories	3,242
Film assets	133,821
Other intangible assets	325,776
Tangible assets	3,504
Investments in associated companies	64
Deferred tax assets	3,056
Liabilities	-87,119
Advance payments received	-53,670
Financial liabilities	-84,354
Benefit plan liabilities	-6,055
Income tax liabilities	-2,408
Deferred tax liabilities	-49,525
Provisions	-5,606
Identified assets and liabilities (net)	**491,022**
Goodwill	1,579
Non-controlling interests	-368,266
Cost	**124,335**
Cash funds acquired (inflow)	63,294

The goodwill essentially comprises the anticipated future synergies and the acquired expertise. Transaction costs of CHF 0.4 million were recognized as legal and consulting costs in connection with the acquisition of Highlight Communications AG. Since the acquisition of the Highlight Group, there has been additional net revenue of CHF 122.7 million and a profit of CHF 9 million in the consolidated financial statements of HLEE as of December 31, 2017. Assuming that the Highlight Group had been included in the consolidated financial statements from January 1, 2017, this would result in consolidated pro forma net revenue of CHF 389.5 million and consolidated pro forma net income of CHF 33.2 million.

The acquired other intangible assets include CHF 50 million from Film activities and CHF 275.8 million from Sports- and Event-Marketing.

Film activities comprise the production and distribution of theatrical and television films, video productions, DVDs/Blu-rays and the production and marketing of television events.

Sports- and Event-Marketing is operated by the subsidiary TEAM. The TEAM Group has an agency agreement with UEFA. This mainly comprises the marketing of the UEFA Champions League, the UEFA Europa League and the UEFA Super Cup. Given TEAM's long-term collaboration with UEFA for the marketing of the commercial rights until the 2020/21 season, the prospects for the continuation of the close cooperation with the Union of European Football Associations for further seasons until 2023/24 – subject to TEAM's ongoing performance – very strong.

For these reasons, the acquired other intangible assets have an indefinite useful life. Therefore they are not amortized, and instead tested for impairment at least once a year.

Negative goodwill exists when the proportionate fair value of the assets and liabilities acquired is higher than the purchase price. If negative goodwill exceeds the actual value of the assets acquired, this is immediately recognized in profit or loss. Negative goodwill was recognized as other income in profit or loss. As Comosa AG was only acquired as of December 31, 2016 and had no operating activities; information on the effect of this transaction on the results for 2016 was not presented for reasons of materiality.

6.3 Property, plant and equipment

(TCHF)	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total property, plant and equipment
Cost 2018					
January 1, 2018	332	124	3,200	613	4,269
Change in consolidated group	350	3,492	1,062	1,725	6,629
Currency translation differences	-51	-388	-318	-85	-842
Additions	482	7,500	4,555	1,381	13,918
Disposals	5	736	1,169	1,688	3,598
Reclassifications	-	75	-	-75	-
Reclassification of assets held for sale	-	-	-	-	-
Total December 31, 2018	**1,108**	**10,067**	**7,330**	**1,871**	**20,376**
Cumulative depreciation 2018					
January 1, 2018	32	26	433	-	491
Currency translation differences	-24	-71	-127	-	-222
Depreciation for the year	267	1,849	2,005	-	4,121
Disposals	2	730	845	-	1,577
Total December 31, 2018	**273**	**1,074**	**1,466**	**-**	**2,813**
Cost 2017					
January 1, 2017	-	-	52	-	52
Change in consolidated group	397	114	2,714	279	3,504
Currency translation differences	9	74	89	19	191
Additions	16	13	369	315	713
Disposals	90	77	24	-	191
Total December 31, 2017	**332**	**124**	**3,200**	**613**	**4,269**
Cumulative depreciation 2017					
January 1, 2017	-	-	36	-	36
Change in consolidated group	-	-	-	-	-
Currency translation differences	5	-	-	-	5
Depreciation for the year	27	32	397	-	456
Disposals	-	6	-	-	6
Total December 31, 2017	**32**	**26**	**433**	**-**	**491**
Net carrying amounts on December 31, 2018	**835**	**8,993**	**5,864**	**1,871**	**17,563**
Net carrying amounts on December 31, 2017	**300**	**98**	**2,767**	**613**	**3,778**

Technical equipment and machinery essentially comprise the following amounts for which the HLEE Group is the lessee under a finance lease. The term of the lease is 60 months with an uncancellable term of 30 months. It is then possible to cancel the lease in return for the payment of compensation.

Finance leases for technical equipment and machinery

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Cost	1,399	-
Reversal of accumulated impairment	59	-
Residual carrying amounts	**1,458**	**-**

The acquisition of this technical equipment and machinery therefore constitutes non-cash investment activity.

6.4 Financial information of subsidiaries with material minority interests

The financial information of subsidiaries with material minority interests is as follows:

Subsidiaries with material minority interests

Subsidiary	**Dec. 31, 2018**
Highlight Communications AG, Pratteln, Switzerland	55.82%

Disclosures on financial information (after elimination of internal transactions)

(TCHF)	**Dec. 31, 2018**
Equity shares of non-controlling interests	26,112

(TCHF)	**Apr. 1 – Dec. 31, 2018**
Earnings share of non-controlling interests	-427

Disclosures on financial information (before elimination of internal transactions)

(TCHF)	**Dec. 31, 2018**
Current assets	225,342
Non-current assets	413,304
Total assets	**638,646**
Current liabilities	376,405
Non-current liabilities	36,659
Total liabilities	**413,064**
Net assets	**225,582**

(TCHF)	**Apr. 1 – Dec. 31, 2018**
Sales	531,610
Net income from continuing operations before taxes	17,964
Other comprehensive income after taxes	-520
Annual result	**17,444**
Cash flow from operating activities	173,477
Cash flow from investing activities	-300,074
Cash flow from financing activities	-4,236
Cash flow of the reporting period	**-130,833**

This is the consolidated financial information of the Constantin Medien Group, which was included in the consolidated financial statements for the first time as of March 31, 2018 (see Note 3.1).

The other non-controlling interests relate primarily to Constantin Medien AG.

6.5 Investments in associated companies

As of December 31 2018, the Group has investments in an associate included in the consolidated financial statements using the equity method.

Carrying amounts (TCHF)	**HLC**	**CMAG**	**Various**	**Total**
December 31, 2016	**-**	**-**	**-**	
Additions	89,585	75,080	-	164,665
Disposals	-124,355	-	-	-124,355
Remeasurement of HLC shares	28,755	-	-	28,755
Change in consolidated group	-	-	54	54
Dividends/repayments of capital	-	-	-9	-9
Share of earnings	2,244	-1,690	6	560
Impairment				-
Currency translation	3,771	2,123	6	5,900
December 31, 2017	**-**	**75,513**	**57**	**75,570**
Additions	-	-	-	-
Disposals	-	-75,141	-6	-75,147
Remeasurement of HLC shares	-	-	-	-
Change in consolidated group	-	-	-	-
Dividends/repayments of capital	-	-	-6	-6
Share of earnings	-	-372	6	-366
Disposal gains	-	-	6	6
Impairment	-	-	-	-
Currency translation	-	-	-3	-3
December 31, 2018	**-**	**-**	**54**	**54**

In the previous year, the equity investment in Constantin Medien AG was managed as an associate and included in the consolidated financial statements using the equity method since August 2017. On March 22, 2018, Highlight Event and Entertainment AG, Highlight Communications AG and Constantin Medien AG, announced that they would implement a share swap as of the end of March 2018. In this connection, the HLEE Group sold its equity investment in Constantin Medien AG to Highlight Communications AG and in return obtained from Constantin Medien AG the 19.71% stake in Highlight Communications AG.

The annual financial statements of BECO Musikverlag GmbH as of December 31, 2017 were used for reporting on associates as the annual financial statements as of December 31, 2018 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. BECO Musikverlag GmbH is recognized under Other.

6.6 Non-current receivables

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Non-current trade receivables (financial assets)		
Non-current trade receivables	14,743	5,940
Expected lifetime credit losses (Level 2)	-127	-
Total	**14,616**	**5,940**
Non-current other receivables (financial assets)		
Non-current other receivables	127	197
Total non-current trade receivables	**14,743**	**6,137**

Non-current receivables essentially relate to the VAT portion for revenues 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.

Impairment losses

(TCHF)		Expected lifetime credit losses (Level 2)	Specific loss allowances (Level 3)
December 31, 2017		-	-
	Retroactive change of accounting method due to IFRS 9	24	-
January 1, 2018		**24**	-
	Currency translation differences	-3	-
	Addition from increase of receivables volume	106	-
December 31, 2018		**127**	-

6.7 Deferred tax assets

Breakdown of deferred tax assets

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Loss carryforwards	8,919	10,883
Intangible assets/film assets	316	2,182
Tangible assets	921	1
Trade receivables	18,831	9,904
Contract assets	33	-
Other financial assets	-	-
Inventories	13,896	12,672
Trade and other payables	2,156	4,248
Contract liabilities	1,441	-
Advance payments received	1,426	185
Provisions	1,074	771
Pension liabilities	500	526
Total	**49,513**	**41,372**
Netting with deferred tax liabilities	-48,340	-38,820
Deferred tax assets (net)	**1,173**	**2,552**

Maturities

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Current deferred tax assets	11	168
Non-current deferred tax assets	1,162	2,384

The Group has total loss carryforwards of TCHF 83,604 (previous year: TCHF 65,911) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

2018 (TCHF)	Expiry date			
	< 1 year	1 to 5 years	> 5 years	thereof without expiry
	-	22,715	60,889	16,143

2017 (TCHF)	Expiry date			
	< 1 year	1 to 5 years	> 5 years	thereof without expiry
	-	11,851	54,060	8,281

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

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Changes in deferred tax assets (assets and liabilities)	-16,426	-48,926
thereof:		
Changes in income statement	-1,015	-2,233
Changes in other comprehensive income/loss	-3	-6
Changes in other comprehensive income	-439	-
Changes in consolidated group	-15,562	-46,469
Changes in currency translation	593	-218

6.8 Other financial assets

	Current assets		Non-current assets	
(TCHF)	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Financial assets at fair value through profit or loss				
Preference shares	-	-	-	-
Real estate funds	-	-	-	35
Derivative financial instruments				
Financial assets measured at amortized cost				
Loans				
Bonds				
Financial assets at fair value through other comprehensive income				
Shares			4,794	7,899
Total	**-**	**-**	**4,794**	**7,934**

Other non-current assets also include two equity investments with a share of 1.0% and 5.556% respectively, both of which are allocated to Level 3 of the fair value hierarchy (see Note 8.3).

The investment securities (previous year: TCHF 35) were sold in the reporting year.

For the financial asset, The Native SA, there was a negative value adjustment of TCHF 2,177 through other comprehensive income (OCI) in the reporting period in the context of remeasurement at fair value. For the financial asset, The Native SA, there was a positive value adjustment of TCHF 1,437 through other comprehensive income (OCI) in the previous year in the context of remeasurement at fair value.

6.9 Inventories

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Net balance		
Work in progress	4,508	2,210
Blu-rays/DVDs	1,194	1,803
Other merchandise	13	14
Fixed values	145	-
Total	**5,860**	**4,027**

Work in progress essentially relates to service productions in development that have not yet been ordered by the broadcaster. Impairment losses of TCHF 158 (previous year: TCHF 107) were recognized in the year under review and impairment losses of TCHF 24 (previous year: TCHF 13) were reversed.

6.10 Trade and other receivables

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Trade receivables	60,235	58,866
Other receivables	85,503	76,247
Total	**145,738**	**135,113**

6.10.1 Trade receivables

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Trade receivables (financial assets)		
Current receivables	63,900	49,688
Receivables due from related parties	-	109
Expected lifetime credit losses (Level 2)	-475	-75
Specific loss allowances (Level 3)	-5,376	-4,484
PoC receivables		13,628
Total	**58,049**	**58,866**
Trade receivables (non-financial assets)		
Receivables from barter transactions	2,186	-
Total	**2,186**	**-**
Total trade receivables	**60,235**	**58,866**

Trade receivables included PoC receivables of TCHF 13,628 in the previous year. These were reported separately under contract assets in the fiscal year in accordance with the provisions of IFRS 15.

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

Impairment losses

(TCHF)	Expected lifetime credit losses (Level 2)	Specific loss allowances (Level 3)	Impairments
December 31, 2017	**75**	**4,484**	
Retroactive change of accounting method due to IFRS 9	297	-	
January 1, 2018	**372**	**4,484**	
Change in consolidated group	46	1,078	
Currency translation differences	-12	-199	
Addition from increase of receivables volume	108	-	
Reduction from decrease of receivables volume	-39	-	
Additions	-	760	
Consumption	-	-418	
Reversals	-	-329	
December 31, 2018	**475**	**5,376**	
January 1, 2017			**0**
Change in consolidated group			4,488
Currency translation differences			93
Additions			58
Consumption			-72
Reversals			-8
December 31, 2017			**4,559**

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

Currency profile

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
CHF	1,655	1,490
EUR	17,876	33,145
USD	40,657	24,225
Others	47	6
Total	**60,235**	**58,866**

6.10.2 Other receivables

Other receivables (financial assets)

(TCHF)		Expected credit losses			
Dec. 31, 2018	Gross	Level 1	Level 2	Level 3	Net
Suppliers with debit balances	455	-	-	-	455
Receivables from loans	4,981	-37	-	-964	3,980
Receivables from subsidies	18,163	-	-	-	18,163
Positive fair value of derivative financial instruments in hedges	25	-	-	-	25
Positive fair value of derivative financial instruments not in hedges	1,265	-	-	-	1,265
Receivables due from personnel (financial)	663	-	-	-	663
Other assets (financial)	35,224	-22	-	-1,001	34,201
Other receivables due from related parties	-	-	-	-	-
Total	**60,776**	**-59**	**-**	**-1,965**	**58,752**

Dec. 31, 2017	Net
Suppliers with debit balances	306
Receivables from loans	34,929
Receivables from subsidies	15,203
Positive fair value of derivative financial instruments in hedges	17
Positive fair value of derivative financial instruments not in hedges	2,015
Receivables due from personnel (financial)	579
Other assets (financial)	5,647
Other receivables due from related parties	719
Total	**59,415**

The receivables from loans include primarily a loan in connection with the production “The Silence” to the co-producer. In the previous year, this item included a current loan of TCHF 31,051 in connection with the disposal of the Highlight Communications AG shares.

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

Impairment losses

(TCHF)	Expected 12-month credit losses (Level 1)	Expected lifetime credit losses (Level 2)	Specific loss allowances (Level 3)
December 31, 2017	**-**	**-**	**1,730**
Retroactive change of accounting method due to IFRS 9	20	-	-
January 1, 2018	**20**	**-**	**1,730**
Change in consolidated group	-	-	355
Currency translation differences	-2	-	-46
Addition from increase of receivables volume	41	-	-
Additions	-	-	654
Consumption	-	-	-728
December 31, 2018	**59**	**-**	**1,965**

Past due overview

(TCHF)	Carrying amount	not impaired and not past due	Past due in days: Less than 90	Between 91 and 180	Between 181 and 270	Between 271 and 365	More than 365
December 31, 2017							
Other receivables (financial assets)	59,415	59,415	-	-	-	-	-

Other receivables (non-financial assets)

(TCHF)

Dec. 31, 2018	Net
Deferred income	22,867
Input tax	2,396
Other taxes	40
Advance payments	1,091
Positive fair value of hedged items in hedges	342
Receivables due from personnel (financial)	15
Other assets (financial)	-
Total	**26,751**

31.12.2017	Net
Deferred income	14,826
Input tax	675
Other taxes	134
Advance payments	476
Positive fair value of hedged items in hedges	706
Receivables due from personnel (financial)	15
Other assets (financial)	-
Total	**16,832**

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

Currency profile

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
CHF	4,702	5,400
EUR	54,017	66,649
USD	25,092	810
CAD	1,692	3,386
Others	-	2
Total	**85,503**	**76,247**

6.11 Contract assets

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)	
December 31, 2017	**-**
Initial application of IFRS 15	13,628
Change in consolidated group	3,245
Currency translation differences	-733
Additions	24,002
Impairment	-2
Reclassification to trade receivables	-16,633
December 31, 2018	**23,507**

Impairment losses

(TCHF)		Expected lifetime credit losses (Level 2)	Specific loss allowances (Level 3)
December 31, 2017		**-**	**-**
	Retroactive change of accounting method due to IFRS 9	6	-
January 1, 2018		**6**	**-**
	Currency translation differences	-1	-
	Reduction from decrease of receivables volume	-3	-
December 31, 2018		**2**	**-**

6.12 Income tax receivables

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Income taxes Switzerland	33	-
Income taxes Germany	677	1,907
Income taxes rest of the world	59	156
Total	**769**	**2,063**

6.13 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%).

6.14 Equity

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

Share capital

As of December 31, 2018, the fully paid-up share capital of the parent company, Highlight Event and Entertainment AG, amounted to CHF 77,400,000 (previous year: CHF 77,400,000), divided into 8,600,000 bearer shares with a par value of CHF 9.00 per share (previous year: 8,600,000 bearer shares of CHF 9.00 per share).

No dividend was paid to shareholders in the year under review.

Treasury shares

As of December 31, 2018, the separately reported item “Treasury shares” amounted to TCHF -1,697 (previous year: TCHF -786). The amount reflects the acquisition price of treasury shares. As of December 31, 2018, the number of directly held non-voting treasury shares was 95,382 Highlight Event and Entertainment AG shares (previous year: 51,377).

Non-controlling interests
The changes are essentially attributable to the initial consolidation of Constantin Medien AG and Match IQ GmbH, which resulted in increases in non-controlling interests of TCHF 21,270. The deconsolidation of Nadcon Film GmbH increased non-controlling interests by TCHF 480. Differences from currency translation amounted to TCHF -187 (previous year: TCHF 267). The increase in the equity investment in Highlight Communications AG change non-controlling interests by TCHF -93,549.

The change in non-controlling interests at Comosa AG amounted to TCHF -15,387 (previous year: TCHF -11,835).

Remeasurement reserves and retained earnings
As of the end of the reporting period, other reserves totaled TCHF -24,114 (previous year: TCHF 29,624). As of December 31, 2017, these essentially relate to the translation of the equity of companies that do not use Swiss francs as their functional currency.

Other comprehensive income/loss (OCI)

2018 (TCHF)	Before taxes	Tax effect	After taxes
Currency translation differences	-4,608	-	-4,608
Gains/losses from cash flow hedges	1,845	-247	1,598
Items that may be reclassified to the income statement in future	**-2,763**	**-247**	**-3,010**
Actuarial gains/losses of defined benefit obligation plans	1,443	-195	1,248
Gains/losses from financial assets at fair value through other comprehensive income/loss	-2,177	-	-2,177
Items that will not be reclassified to the income statement in future	**-734**	**-195**	**-929**
Other comprehensive income/loss	**-3,497**	**-442**	**-3,939**

2017 (TCHF)	Before taxes	Tax effect	After taxes
Currency translation differences	7,203	-	7,203
Gains/losses from cash flow hedges	-	-	-
Items that may be reclassified to the income statement in future	**7,203**	**-**	**7,203**
Actuarial gains/losses of defined benefit obligation plans	2,337	-293	2,044
Gains/losses from financial assets at fair value through other comprehensive income/loss	10,960	-	10,960
Items that will not be reclassified to the income statement in future	**13,297**	**-293**	**13,004**
Other comprehensive income/loss	**20,500**	**-293**	**20,207**

The cash flow hedge reserve before taxes developed as follows as of December 31, 2018:

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

(TCHF)	
As of January 1, 2018	**2,043**
Gains or losses from effective hedges	198
Reclassification due to realization of the hedged item	-1,601
Reclassification as the hedged item is not longer anticipated	-442
Other changes	-
As of December 31, 2018	**198**

Information on capital management
In managing capital, the HLEE Group pays particular attention to ensuring that the continuation of the Group's operating activities is guaranteed. Consolidated equity is the most important control parameter in this respect.

The objective of Highlight Event and Entertainment AG to increase the capital provided to the company by the capital market and to generate an appropriate return for shareholders. The parent company uses its equity for this purpose by acquiring equity investments and co-financing the expansion of their operating activities. The HLEE Group can also distribute a dividend, pay back capital to the shareholders or issue new shares. The aim of management in this is to use equity and borrowed capital efficiently in order to ensure financial flexibility on the basis of a solid capital structure and thereby guarantee sufficient liquidity resources.

Liquidity consists of the inflows from operating activities, cash on hand and the borrowings available. The liquidity of the HLEE Group is managed centrally for all segments by Highlight Event and Entertainment AG. This does not include Constantin Film AG and Constantin Medien AG, which manages its own liquidity independently of Highlight Event and Entertainment 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 Event and Entertainment AG comprises all items of equity reported in the statement of financial position. Highlight Event and Entertainment AG also monitors the debt of the Film, Sport and Sport- and Event-Marketing segments in the context of Group management. Debt is monitored non-centrally by Highlight Communications AG, Constantin 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 EBIT (Constantin Film Group: EBITDA), gearing, the economic equity ratio and reported equity including non-controlling interests and the ratio of net financial liabilities to operating earnings. If the conditions on borrowed funds are violated, the interest rate could increase and a termination option could arise. The financial covenants had not been violated as of December 31, 2018. The equity management of Constantin Medien AG comprises all equity items reported in the statement of financial position with the exception of treasury shares. Constantin Medien AG also monitors the debt of the Sport segment and the Others segment in the context of Group management. Constantin Medien AG has not agreed any financial covenants.

6.15 Pension obligations

6.15.1 Defined benefit pension plans
The defined benefit pension plans in place relate to the Swiss companies of the HLEE Group. Practically all employees and pensioners of these companies are insured in various pension plans. These pension plans have ties to various collective facilities. These are independent legal entities in the form of foundations for the purpose of retirement and invalidity pensions for employees and their surviving dependents after their death.

The pension plans grant more than the individual benefits demanded by law in the event of invalidity, death, old age and resignation. The risk benefits are defined on the basis of the insured salary. The retirement pension is calculated on the basis of the projected interest-bearing savings and a conversion rate.

Through these defined benefit pension plans, the Group is exposed to actuarial risks such as longevity, interest rate risk and market and investment risk.

Companies abroad have defined contribution plans only.

Funding agreements for future contributions
The Swiss occupational pension scheme (BVG – Swiss Federal Law on Occupational Retirement, Surviving Dependents' and Disability Pension and related ordinances) stipulates the minimum pension benefits. Legislation prescribes minimum annual amounts for employers. However, an employer can also pay higher contributions than those prescribed by law. These contributions are set out in the pension plan/regulations. In addition, an employer can also pay non-recurring contributions or advances to the scheme. These contributions cannot be paid back to the employer, but they are available to the employer in order to settle future employer contributions (employer contribution reserve).

Even if the pension plan has a statutory excess, the law still demands annual minimum contributions. For active insured parties, both the employer and the employee must pay contributions. The employer contribution must at least equal the employee contributions.

The minimum annual contributions are dependent on the age and insured pay of the insured party. They are set out in the pension plan/regulations.

In the event that an insured party changes employer before reaching pension age, termination benefits (accrued savings) are payable. These are transferred by the pension scheme to the pension scheme 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 2019 amount to TCHF 1,333.

Maturity profile of defined benefit obligation

(TCHF)	2018	2017
Less than 1 year	2,778	1,987
Weighted average maturity of defined benefit obligation (in years)	15.7	15.6

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

Pension liabilities

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Present value of defined benefit obligation	42,641	42,584
Fair value of plan assets	37,928	37,322
Carrying amount	**4,713**	**5,262**

Development of defined benefit obligation

(TCHF)	2018	2017
Present value of defined benefit obligation as of January 1	**42,584**	**5,932**
Change in consolidated group	-	37,291
Current service cost (without employee contributions or administrative expenses)	2,262	2,086
Employee contributions	1,049	993
Interest cost	272	257
Curtailment, settlement	-29	-1,068
Benefits paid	-2,488	-2,012
Actuarial losses/(gains) from experience adjustments	-302	-656
Actuarial losses/(gains) from changes in financial assumptions	-707	-239
Actuarial losses/(gains) from changes in demographic assumptions	-	-
Present value of defined benefit obligation as of December 31	**42,641**	**42,584**
thereof actively insured persons	35,379	35,957
thereof pensioners	7,262	6,627

Development of plan assets

(TCHF)	2018	2017
Fair value of assets as of January 1	**37,322**	**4,767**
Change in consolidated group	-	30,640
Interest income	239	211
Employee contributions	1,049	993
Employer contributions	1,470	1,664
Administrative expenses of the foundation	-95	-90
Benefits paid	-2,488	-2,012
Actuarial (losses)/gains from experience adjustments	431	1,149
Fair value of assets as of December 31	**37,928**	**37,322**

Retirement benefit expenses break down as follows:

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Current service cost (without employee contributions or administrative expenses)	2,262	2,086
Administrative expenses of the foundation	95	90
Effects from curtailments and settlements	-29	-1,068
Net interest cost (income)	33	46
Total income statement	**2,361**	**1,154**

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

(TCHF)	2018	2017
Cash and cash equivalents	352	158
Bonds with quoted market prices on active markets	9,542	10,365
Bonds without quoted market prices	154	174
Shares with quoted market prices on active markets	8,544	8,142
Real estate	12,779	12,101
Insurance surrender values	4,659	4,518
Other	1,898	1,864
Total	**37,928**	**37,322**

The actual return on assets for the year under review amounted to TCHF 597 (previous year: TCHF 1,283).

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

	2018	2017
Discount rate	0.70 to 0.80	0.55 to 0.65
Pension trend	0.00 to 0.70	0.00
Salary trend	1.50	1.50
Average life expectancy after pension men (in years)	22.61	22.50
Average life expectancy after pension women (in years)	25.64	25.53

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 projected		Pension trend		Salary trend		Average life expectation
2018 (TCHF)	+25 bp	-25 bp	+25 bp	-25 bp	+25 bp	-25 bp	+1 year
Impact on defined benefit obligation	-960	1,018	826	-	243	-236	994

	Discount rate (incl. change in projected		Pension trend		Salary trend		Average life expectation
2017 (TCHF)	+25 bp	-25 bp	+25 bp	-25 bp	+25 bp	-25 bp	+1 year
Impact on defined benefit obligation	-1,143	1,204	910	-	277	-269	1,195

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 statement of financial position.

6.15.2 Defined contribution plans

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 6,298 in the year under review (previous year: TCHF 836).

6.16 Deferred tax liabilities

Composition of deferred tax liabilities

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Intangible assets and film assets	84,956	66,653
Inventories	2	17
Trade and other receivables	42	2,529
Contract assets*	5,440	-
Provisions	234	-
Trade payables	8,031	7,196
Other liabilities	-	-
Contract liabilities	275	-
Advance payments received	16,024	13,893
Pension liabilities	-	155
Total	**115,004**	**90,443**
Netting with deferred tax assets	-48,340	-38,820
Deferred tax liabilities (net)	**66,664**	**51,623**

Maturities

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Current deferred tax liabilities	99	15
Non-current deferred tax liabilities	66,565	51,608

6.17 Financial liabilities

6.17.1 Non-current financial liabilities

A convertible loan of TCHF 9,845 bearing interest at a rate of 6% was taken up on May 22, 2017, so that the HLEE Group can meet its financial obligations at all times. The lender has the option to acquire shares in Highlight Event and Entertainment AG within the next five years by converting the loan. The lender is Obotritia Capital KGAA, a related party of the HLEE Group.

The conversion period (conversion right) commenced on June 26, 2017 and ends on April 22, 2022. The convertible loan bears interest at a rate of 6% during its term. If the option were not exercised, the convertible loan would have to be repaid on May 26, 2022. The equity component (call) amounts to TCHF 290 in accordance with IAS 32 as of December 31, 2018.

In addition, on November 27, 2017, Studhalter Investment AG (SIAG) granted the HLEE Group a loan of around EUR 51 million (TCHF 57,815, previous year: TCHF 60,083) bearing interest at a rate of 5%. SIAG is a related party of the HLEE Group. With effect from January 2018, SIAG can convert a portion of this of up to EUR 1,929,600, as a convertible loan, into a maximum of 120,000 bearer shares at a price of EUR 16.08 per share. The equity component (call) amounts to TCHF 223 in accordance with IAS 32 as of December 31, 2018. The first tranche of CHF 25 million must be paid back by the end of November 2019 and the second tranche of CHF 35 million by the end of November 2020. In the reporting period, the first tranche was reclassified to current financial liabilities.

6.17.2 Current financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 165,504 (previous year: TCHF 93,672), TCHF 50,758 (previous year: TCHF 17,172) of which relates to the financing of film projects. The HLEE Group had free short-term credit facilities totaling around TCHF 142,135 (previous year: TCHF 164,197) 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 184,418 (previous year: TCHF 159,300) and the resulting proceeds from exploitation in addition to receivables of TCHF 62,303 (previous year: TCHF 46,102). The security interests of the banks serve as collateral for all current and future receivables of the banks from Constantin Film AG. The banks are entitled to liquidate this collateral if necessary. They will be transferred back to Constantin Film AG by the banks after all secured claims have been satisfied. Highlight Communications AG's credit facility of TCHF 100,000 (previous year: TCHF 60,000) is secured by the shares in Constantin Medien AG and Constantin Film AG. The amounts utilized are all due on demand in 2019. Interest pooling arrangements are available for certain short-term bank overdraft liabilities. As of the end of the reporting period, the Constantin Medien Group has a working capital facility of TCHF 7,884 (previous year: TCHF 0) and guarantee lines of CHF 7,884 (previous year: CHF 23,856). 4,000,000 Highlight Communications AG shares with a carrying amount of TCHF 22,797 (previous year: 3,847,220 Highlight Communications AG shares with a carrying amount of TCHF 22,100) were pledged in total for the two credit facilities as of December 31, 2018. Financial covenants do not have to maintained for the loan.

Furthermore, there were short-term finance lease liabilities of TCHF 230 as of December 31, 2018 (previous year: TCHF 0).

Maturity of finance lease obligations

(TCHF)	Dec. 31, 2018
Due within one year	261
Due between one and five years	987
Due after five years	-
Total minimum lease payments	**1,248**
Future financial expenses	-84
Recognized as liability	**1,164**

Present value of finance lease obligations

(TCHF)	Dec. 31, 2018
Due within one year	230
Due between one and five years	934
Due after five years	-
Total minimum lease payments	**1,164**

Reconciliation of liabilities from finance activities

			Non-cash					
(TCHF)	Dec. 31, 2017	Cash	Change in consolidated group	Currency translation	New liabilities from finance leases	Reclassi-fication	Others	Dec. 31, 2018
Current financial liabilities	**93,672**	-2,096	76,280	-2,587	168	24,301	-	**189,738**
Non-current financial liabilities	**70,257**	-	-	-12	-1,596	-24,301	-	**44,348**
Total financial liabilities	**163,929**	**-2,096**	**76,280**	**-2,599**	**-1,428**	**-**	**-**	**234,086**

			Non-cash			
(TCHF)	Jan. 01, 2017	Cash	Change in consolidated group	Currency translation	Others	Dec. 31, 2017
Current liabilities	**16,500**	-8,054	84,354	872	-	**93,672**
Non-current liabilities	**-**	-	70,770	-	-513	**70,257**
Total financial liabilities	**16,500**	**-8,054**	**155,124**	**872**	**-513**	**163,929**

Currency profile

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
CHF	98,000	76,500
EUR	112,165	81,790
USD	22,607	1,953
CAD	1,314	3,686
Total	**234,086**	**163,929**

6.18 Advances received

Advances received totaling TCHF 72,111 (previous year: TCHF 55,305) essentially include amounts received for productions for which revenue has not yet been recognized and advances from customers of TCHF 16,050 (previous year: TCHF 15,696).

6.19 Overview of provisions and liabilities

Maturities

Dec. 31, 2018 (TCHF)	less than 1 year	1 to 5 years	over 5 years	Total
Non-current liabilities				
Financial liabilities	-	68,582	-	68,582
Advance payments received	-			-
Trade payables	-			-
Other liabilities	-	647	1,311	1,958
Liabilities to related parties	-			-
Liabilities to associated companies and joint ventures	-			-
Pension liabilities	-	-	4,713	4,713
Provisions	-			-
Deferred tax liabilities	99	29,871	36,694	66,664
Total	**99**	**99,100**	**42,718**	**141,917**
Current liabilities				
Financial liabilities	165,504			165,504
Advance payments received	72,111			72,111
Trade payables	63,217			63,217
Other liabilities	110,575			110,575
Liabilities to related parties	59			59
Contract liabilities	8,131			8,131
Provisions	7,856			7,856
Income tax liabilities	4,288			4,288
Total	**431,741**			**431,741**

Dec. 31, 2017 (TCHF)	less than 1 year	1 to 5 years	over 5 years	Total
Non-current liabilities				
Financial liabilities	-	70,257	-	70,257
Advance payments received	-	-	-	-
Other liabilities	-	497	1,427	1,924
Pension liabilities	-	-	5,262	5,262
Deferred tax liabilities	15	15,148	36,460	51,623
Total	**15**	**85,902**	**43,149**	**129,066**
Current liabilities				
Financial liabilities	93,672			93,672
Advance payments received	55,305			55,305
Trade payables	48,664			48,664
Liabilities to related parties	464			464
Other liabilities	70,393			70,393
Deferred income	9,018			9,018
Provisions	5,024			5,024
Income tax liabilities	2,850			2,850
Total	**285,390**			**285,390**

6.20 Non-current liabilities

Other non-current liabilities essentially include deferred long-term subsidies received for rent and construction costs of TCHF 1,788.

6.21 Trade payables and other liabilities

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Trade payables	63,217	48,664
Other liabilities and deferred income	110,575	79,411
Liabilities to related parties	59	464
Total	**173,851**	**128,539**

6.21.1 Trade payables

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Trade payables (financial)		
Current liabilities	40,901	15,002
Receivables due from related parties	-	157
Outstanding invoices	21,999	24,771
Liabilities from PoC		8,734
Total	**62,900**	**48,664**
Trade payables (non-financial)		
Payables from barter transactions	317	-
Total	**317**	**-**
Total trade payables	**63,217**	**48,664**

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

Overall, the trade payables are non-interest-bearing and short-term, which means that the carrying amount of the trade payables relevant under IFRS 7 is approximately their fair value.

Trade payables included PoC liabilities of TCHF 8,734 in the previous year. These are reported separately under contract liabilities in the fiscal year in accordance with the provisions of IFRS 15.

Currency profile

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
CHF	2,588	3,032
EUR	46,237	41,573
USD	14,356	4,024
Others	36	35
Total	**63,217**	**48,664**

6.21.2 Other current liabilities

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Other liabilities (financial)		
Liabilities for conditional loan repayment (subsidies)	18,166	17,907
Current interest liabilities		
Customers with credit balances	733	147
Commission, licenses and overages	30,913	22,642
Other current loans		
Negative fair value of derivative financial instruments in hedges	-	1,775
Negative fair value of derivative financial instruments not in hedges	1,485	2,329
Deferred income (financial)	17,658	5,529
Personnel-related liabilities (financial)	15,212	12,250
Other current liabilities (financial)	2,969	4,851
Total	**87,136**	**67,430**

Other liabilities (non-financial)		
VAT liabilities	807	742
Other taxes	3,826	5,678
Social security	842	361
Deferred income (non-financial)	16,259	4,422
Negative fair value of hedged items in hedges	113	117
Personnel-related liabilities (non-financial)	1,636	457
Other current liabilities (non-financial)	15	204
Total	**23,498**	**11,981**

Currency profile

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
CHF	12,611	17,518
EUR	77,104	46,577
USD	20,818	15,316
Others	101	-
Total	**110,634**	**79,411**

6.22 Contract liabilities

Development of contract liabilities

(TCHF)	
December 31, 2017	-
Initial application of IFRS 15	8,734
Change in consolidated group	2,853
Currency translation differences	-373
Additions	6,711
Consumed due to performance	-9,794
December 31, 2018	**8,131**

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

The line “Amounts consumed due to performance” relates to 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, 2018	Change in consolidated group	Currency translation differences	Utilization	Reversal	Reclassi-fication	Addition	Dec. 31, 2018
Licenses and returns	3,716	-	-4	200	29	-3,483	-	-
Provisions for litigation risks	16	2,382	-89	1,085	206	-	869	1,887
Staff provisions	-	2,562	-112	486	181	-	929	2,712
Provisions for warranty and performance obligations	-	1,153	-50	-	7	-	107	1,203
Other provisions	1,292	4,537	-158	2,441	373	-864	61	2,054
Total	**5,024**	**10,634**	**-413**	**4,212**	**796**	**-4,347**	**1,966**	**7,856**
of which non-current provisions	-	-	-	-	-	-	-	-
of which current provisions	5,024	10,634	-413	4,212	796	-4,347	1,966	7,856

(TCHF)	Jan. 01, 2017	Change in consolidated group	Currency translation differences	Utilization	Reversal	Reclassi-fication	Addition	Dec. 31, 2017
Licenses and returns	-	4,085	80	226	749	-	526	3,716
Provisions for litigation risks	-	7	2	1	-	-	8	16
Other provisions	-	1,514	28	-	250	-	-	1,292
Total	**-**	**5,606**	**110**	**227**	**999**	**-**	**534**	**5,024**
of which non-current provisions	-	-	-	-	-	-	-	-
of which current provisions	-	5,606	110	227	999	-	534	5,024

Refund liabilities for expected returns of merchandise are reported under trade payables and other liabilities in accordance with IFRS 15.

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.

Other provisions include provisions for onerous contracts that will be consumed within the next twelve months. Furthermore, provisions were recognized for outstanding costs for the “Thank You for Your Service” film project.

The reason for the increase in provisions relates to the first-time consolidation of Constantin Medien AG.

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, 2018	Dec. 31, 2017
Income tax Switzerland	2,385	2,020
Income tax Germany	1,822	807
Income tax rest of the world	81	23
Total	**4,288**	**2,850**

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 1,937.

Future revenue from contracts with customers

Revenue expected to be recognized (TCHF)	
Within a year	219,284
Within one to five years	359,613
After five years	36,009
Total	**614,906**

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

In accordance with the transitional provisions of IFRS 15, the previous year's figures have not been restated. Without applying IFRS 15, i.e. applying IAS 18 or IAS 11, revenue would not have changed significantly in the reporting period.

7.2 Capitalized film production costs and other own work capitalized

The capitalized film production costs and the change in TV service productions amount to TCHF 152,258 (previous year: capitalized film production costs of TCHF 28,227). Other own work capitalized of TCHF 2,619 (previous year: TCHF 0) mainly relates to digital internally generated intangible assets.

7.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Income from the reversal of provisions and deferred liabilities	4,980	570
Income relating to other periods	747	21
Reversal of impairment	-	-
Recharges	614	3,266
Price gains	5,590	1,065
Income from rents and leases		2
Negative difference from the acquisition of subsidiaries	23	-
Derecognition of liabilities	310	-
Income from the disposal of non-current assets	180	7
Income for deconsolidation	530	-
Income from the remeasurement of HLC shares	-	28,755
Income from settlements of claims for damages and settlement agreements	3,518	730
Miscellaneous operating income	4,622	991
Total	**21,114**	**35,407**

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

In particular, prior-period income includes withholding tax refunds from previous years.

Income from settlements of claims for damages and settlement agreements primarily consists of income from compensation for copyright violations.

Miscellaneous operating income contains a number of items that cannot be allocated to separate items.

7.4 Cost of materials and licenses

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Licenses and commission	35,602	7,153
Other costs of material	12,899	5,892
Total licenses, commission and material	**48,501**	**13,045**
Production costs	226,772	37,604
Services received	1,823	1,109
Overages in the Film segment	11,096	3,766
Total purchased services	**239,691**	**42,479**

7.5 Other operating expenses

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Rental costs	10,804	1,752
Repair and maintenance costs	787	342
Advertising and travel expenses	11,801	1,187
Legal, consulting and auditing costs	16,296	19,333
Expenses for additions to impairment losses and the write-off of receivables	-	375
IT costs	4,865	661
Administrative costs	2,411	452
Other personnel-related expenses	2,262	325
Insurance, dues and fees	1,551	515
Expenses relating to other periods	114	20
Price losses	3,610	1,952
Vehicle costs	1,499	204
Bank fees	1,338	159
Expenses for WBSS project	55,585	25,177
Losses from the disposal of non-current assets	236	247
Other taxes	130	6
Release and promotion expenses	14,510	17,881
Miscellaneous operating expenses	7,033	1,412
Total	**134,832**	**72,000**

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

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

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

7.6 Impairment and reversals of impairment on financial assets

This item includes impairment losses on financial assets of TCHF 1,667 and reversals of impairment losses on financial assets of TCHF 369.

As the previous year's figures were not restated in accordance with the transitional provisions of IFRS 9, the figures for the previous year have not been shown.

7.7 Financial income

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Interest and similar income	28	165
Gains from changes in the fair value of financial instruments	2,593	1
Currency exchange gains	2,227	2,816
Total	**4,848**	**2,982**

7.8 Financial expenses

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Interest and similar expenses	9,556	1,824
Write-down of financial assets and non-current securities	221	-
Losses from changes in the fair value of financial instruments	2,577	-
Currency exchange losses	4,545	245
Total	**16,899**	**2,069**

As in the previous year, in the reporting year there are numerous derivative financial instruments without a formal hedge in accordance with IFRS 9. However, there are still economic hedges. This results in higher income and expenses from the measurement of derivative finance instruments in the financial result.

7.9 Taxes

Income taxes paid or owed in the individual countries and deferred taxes are recognized as taxes. The expected tax rate of 21% (previous year: 21%) relates to the tax rate applicable at the domicile of Highlight Event and Entertainment AG.

Tax reconciliation

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Current income taxes	-6,220	-547
Deferred taxes (net)	-1,015	-2,234
Total taxes from continuing operations	**-7,235**	**-2,780**
Net income from continuing operations before taxes	-12,940	12,312
Taxes at a net tax rate of 21% (previous year: 8%)	-	-2,586
Effect of recognition of tax loss carryforwards	-	-
Effect of utilization of unrecognized tax loss carryforwards	-	48
Effect of non-recognition of tax loss carryforwards	-5,244	-524
Effect of expenses that are not deductible for tax purposes	-2,335	-225
Effect of different tax rates at subsidiaries	344	508
Total tax expense (income)	**-7,235**	**-2,780**

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 (previous year: IAS 39 and IFRS 9 (2009)).

IFRS 7 disclosures: Classes as of December 31, 2018

				Recognition in accordance with IFRS 9 (assets)/IAS 39 (liabilities)			
ASSETS (TCHF)	Measurement category IFRS 9 (2009) and IAS 39	Carrying amount Dec. 31, 2018	of which not IFRS 7-relevant *	Amortized cost	Fair value through other comprehensive income,	Fair value through profit or loss	Fair value Dec. 31, 2018
Cash and cash equivalents	AC	59,340	-	59,340	-	-	59,340
Trade receivables	AC	60,235	-2,186	58,049	-	-	58,049
Contract assets	Without category	23,507	-23,507	-	-	-	-
Other receivables (current)							
Financial assets at fair value	FVPL	1,265	-	-	-	1,265	1,265
Other receivables	AC	83,871	-26,409	57,462	-	-	57,462
Derivative financial instruments with a hedge	Without category	25	-	-	25	-	25
Other assets (hedge transactions from hedges)	Without category	342	-342	-	-	-	-
Other financial assets (current)							
Financial assets at fair value	FVPL	-	-	-	-	-	-
Financial assets at fair value	FVOCI		-	-	-	-	-
Non-current receivables and other receivables	AC	14,743	-	14,743	-	-	14,743
Other financial assets (non-current)							
Financial assets at fair value	FVPL	-	-	-	-	-	-
Financial assets at fair value	FVOCI	4,794	-	-	4,794	-	4,794
LIABILITIES (TCHF)							
Financial liabilities (current and non-current)	AC	233,863	-84,148	149,715	-	-	149,715
Financial liabilities with hedge (current and non-current)	AC	223	-	223	-	-	223
Trade payables (current and non-current)	AC	63,217	-317	62,900	-	-	62,900
Contract liabilities	Without category	8,131	-8,131	-	-	-	-
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	AC	109,132	-12,296	96,836	-	-	96,836
Non-current liabilities (non cash)	Without category	1,788	-1,788	-	-	-	-
Financial liabilities at fair value	FLPL	1,559	-	-	-	1,559	1,559
Derivative financial instruments with a hedge	Without category	-	-	-	-	-	-
Other liabilities (hedge transactions from hedges)	Without category	113	-113	-	-	-	-
AGGREGATED BY CATEGORY (ASSETS AND LIABILITIES IN TCHF)							
Financial assets at amortized cost	AC	218,189	-28,595	189,594	-	-	189,594
Financial assets at fair value through other comprehensive income	FVOCI	4,794	-	-	4,794	-	4,794
Financial assets at fair value through profit or loss	FVPL	1,265	-	-	-	1,265	1,265
Financial liabilities at amortized cost	OL	283,451	-12,613	270,838	-	-	270,838
Financial liabilities at fair value	FLPL	1,559	-	-	-	1,559	1,559

** Not IFRS 7-relevant: not financial instruments*

AC: Financial assets at amortized cost
FVOCI: Financial assets at fair value through OCI
FVPL: Financial assets at fair value through profit or loss
FLPL: Financial liabilities at fair value through profit or loss
OL: Other liabilities

The class of non-current financial assets measured at fair value through profit or loss comprises only securities that were designated as measured at fair value through profit or loss in previous fiscal years on account of the risk management strategy. This was sold in the reporting year.

IFRS 7 disclosures: Classes as of December 31, 2017

ASSETS (TCHF)	Measurement category IFRS 9 (2009) and IAS 39	Carrying amount Dec. 31, 2017	of which not IFRS 7-relevant *	Recognition in accordance with IFRS 9 (assets)/IAS 39 (liabilities): Amortized cost	Fair value through other comprehensive income,	Fair value through profit or loss	Fair value Dec. 31, 2017
Cash and cash equivalents	AC	197,661	-	197,661	-	-	197,661
Trade receivables	AC	45,238	-	45,238	-	-	45,238
PoC receivables	Without category	13,628	-	13,628	-	-	13,628
Other receivables (current)							
Financial assets at fair value	FVPL	2,015	-	-	-	2,015	2,015
Other receivables	AC	72,121	-11,622	60,499	-	-	60,499
Derivative financial instruments with hedge in accordance with IAS 39	FVPL	17	-	-	-	17	17
Other assets (hedge transactions from hedges in accordance with IAS 39)	FVPL	706	-706	-	-	-	-
Other financial assets (current)							
Financial assets at fair value (equity instruments)	FVPL	-	-	-	-	-	-
Financial assets at fair value (equity instruments)	FVOCI	-	-	-	-	-	-
Non-current receivables and other receivables	AC	6,137	-	6,137	-	-	6,137
Other financial assets (non-current)							
Financial assets at fair value	FVPL	35	-	-	-	35	35
Financial assets at fair value (equity instruments)	FVOCI	6,462	-	-	7,899	-	7,899
LIABILITIES (TCHF)							
Financial liabilities (current and non-current)	OL	93,672	-	93,672	-	-	93,672
Trade payables (current and non-current)	OL	39,930	-	39,930	-	-	39,930
Liabilities from PoC	Without category	8,734	-	8,734	-	-	8,734
Other liabilities (current and non-current)							
Financial liabilities at amortized cost	OL	75,654	-11,864	63,790	-	-	63,790
Non-current liabilities (non cash)	Without category	1,924	-	1,924	-	-	1,924
Financial liabilities at fair value	FLPL	2,329	-	-	-	2,329	2,329
Derivative financial instruments with hedge in accordance with IAS 39	Without category	1,775	-	-	1,530	245	1,775
Other liabilities (hedge transactions from hedges in accordance with IAS 39)	Without category	117	-117	-	-	-	-
AGGREGATED BY CATEGORY (ASSETS AND LIABILITIES IN TCHF)							
Financial assets at amortized cost	AC	321,157	-11,622	309,535	-	-	309,535
Financial assets (equity instruments)	FVOCI	6,462	-	-	7,899	-	7,899
Financial assets at fair value	FVPL	2,050	-	-	-	2,050	2,050
Financial liabilities at amortized cost	OL	209,256	-1,864	197,392	-	-	197,392
Financial liabilities at fair value	FLPL	2,329	-	-	-	2,329	2,329

AC: Financial assets at amortized cost
FVOCI: Financial assets at fair value through OCI
FVPL: Financial assets at fair value through profit or loss
FLPL: Financial liabilities at fair value through profit or loss
OL: Other liabilities

8.2 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 the Highlight Event and Entertainment AG. Financial risks are identified, assessed and hedged in close cooperation with the Group's operating companies.

8.2.1 Liquidity risks

A liquidity risk arises if future payment obligations of the Group cannot be covered by available liquidity or corresponding credit facilities. There are suitable processes in place within the HLEE Group to limit this risk, with which cash inflows or outflows and maturities are monitored and controlled on an ongoing basis. Highlight Event and Entertainment AG and the HLEE Group had sufficient liquidity reserves taking into account the short-term credit facilities available as of the end of the reporting period.

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

Liquidity risk

2018 (TCHF)	Carrying amount Dec. 31, 2018	Cash flows 2019			Cash flows 2020			Cash flows 2021-2023		
		Interest - fixed	Interest - variable	Repayment	Interest - fixed	Interest - variable	Repayment	Interest - fixed	Interest - variable	Repayment
Primary financial liabilities										
Liabilities to banks	232,922	-	6,006	148,774	-	-	-	-	-	-
Liabilities from finance leases	1,164	-	-	261	-	-	261	-	-	726
Other interest-free financial liabilities	120,974	-	-	120,974	-	-	-	-	-	-
Derivative financial liabilities										
Currency derivatives without hedge	1,485	-	-	38,972	-	-	8,120	-	-	1,445
Currency derivatives in connection with fair value/cash flow hedges	-	-	-	-	-	-	-	-	-	-
Derivative financial assets										
Derivatives without hedge	1,265	-	-	29,442	-	-	-	-	-	-
Currency derivatives in connection with fair value / cash flow hedges	25	-	-	435	-	-	-	-	-	-

2017 (TCHF)	Carrying amount Dec. 31, 2017	Cash flows 2018			Cash flows 2019			Cash flows 2020 - 2022		
		Interest - fixed	Interest - variable	Repayment	Interest - fixed	Interest - variable	Repayment	Interest - fixed	Interest - variable	Repayment
Liabilities to banks, schuldscheins and similar	163,929	-	4,016	77,172	-	-	-	-	-	-
Other interest-free financial liabilities	97,485	-	-	97,485	-	-	-	-	-	-
Derivative financial liabilities										
Currency derivatives without hedge	2,329	-	-	8,959	-	-	-	-	-	-
Currency derivatives in connection with fair value / cash flow hedges	1,775	-	-	16,948	-	-	-	-	-	-
Derivative financial assets										
Derivatives without hedge	2,015	-	-	12,011	-	-	-	-	-	-
Currency derivatives in connection with fair value / cash flow hedges	17	-	-	2,876	-	-	-	-	-	-

In general, the Group companies are responsible for the management of cash and cash equivalents on their own, including current deposits of excess liquidity and the procurement of loans to bridge liquidity bottlenecks. In some cases Highlight Event and Entertainment AG supports its subsidiaries and in some cases acts as a coordinator at banks to receive the most economical coverage of financial requirements. In addition, the Group's credit quality enables efficient use of the capital markets for its financing activities. This also includes the ability to issue equity and debt instruments on the capital market. It should be noted that various projects, especially in the film business, and other financing activities such as the purchase of non-controlling interests and the acquisition of treasury shares, can influence liquidity differently over time.

Despite unused working capital facilities, it may be necessary to take up further debt on the capital market or from banks both in order to refinance existing liabilities and to finance new projects. There is therefore the risk that, in the event of a deterioration of the economic situation, funding may not be available to a sufficient extent or could only be available at significantly more disadvantageous terms.

8.2.2 Credit risks

The credit 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 HLEE Group performs transactions must have good credit quality and a good rating. In addition, any risks to cash and cash equivalents are minimized by allocating cash deposits among several banks.

The credit risks of the HLEE Group's key customers are also monitored and assessed on an ongoing basis. Furthermore, in significant cases, the company also protects against the risk of default by a creditor by obtaining credit rating information.

Risks from the international distribution of film licenses are minimized by doing business only with companies of reliable credit quality, by transferring rights to the contractual partner only after payment, or entering into transactions in exchange for corresponding collateral (e.g. letters of credit).

The maximum credit risk of the HLEE Group is equal to the carrying amount of its financial assets.

Please see Note 4.8 for further information on impairment of non-financial assets.

8.2.3 Market risks

Currency risk
The HLEE Group is exposed to currency risks as part of its ordinary operating activities, especially in terms of the euro, the US dollar and the Canadian dollar. Exchange rate movements can lead to undesirable and unforeseen earnings and cash flow volatilities.

Each subsidiary is subject to risks associated with exchange rate fluctuations when it performs transactions with international contractual partners and incurs future cash flows in a currency other than its functional currency. The HLEE Group does not enter into any operating activities in currencies that are otherwise considered to be especially prone to risk.

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, although interest pooling arrangements are available to some extent for bank overdraft liabilities.

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 6.17. If necessary, there is also the option to establish a fixed interest base using interest hedges.

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

Sensitivities
The sensitivity analysis shows the effects of possible changes in market interest rates on earnings before taxes or equity. Changes in market interest rates affect the interest income and expenses of financial instruments with floating interest rates. The interest rate sensitivity analysis was prepared assuming a change in the market interest rate of 100 basis points upwards and downwards.

The Group's currency sensitivities were calculated for the main currency pairings of EUR/CHF, EUR/USD and EUR/CAD (each expressed in Swiss francs) assuming that the underlying exchange rate of the pairing fluctuates by 10% in either direction with all other currency parameters remaining the same. The sensitivity analysis does not include translation risks. The following table shows the effects of a change in the exchange rate of 10%. The closing rate was used for the sensitivity analysis.

Sensitivity analysis

	Interest risk		Currency risk: EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
Dec. 31, 2018 (TCHF)	-1%	+1%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Financial assets												
Cash and cash equivalents	-594	594	-8,260	8,253	-362	444	-2	2	-8,624	8,699	-	-
Receivables from goods and services (current and non-current)	-	-	-17	19	-4,686	5,726	-5	6	-4,708	5,751	-	-
Other receivables (current and non-current)	-	-	-338	338	-2,280	2,787	-	-	-2,618	3,125	-	-
Derivative financial instruments	-	-	-	-	-862	1,053	-	-	-862	1,053	-	-
Other financial assets (current and non-current)	-	-	-	-	-	-	-	-	-	-	-1	1
Financial liabilities												
Trade payables (current and non-current)	-	-	105	-119	1,706	-2,087	-	-	1,811	-2,206	-	-
Other liabilities (current and non-current)	-	-	16	-17	1,893	-2,314	9	-11	1,918	-2,342	-	-
Derivative financial instruments	-	-	-	-	1,144	-1,378	-409	500	735	-878	-	-
Financial liabilities (current and non-current)	2,169	-2,169	-	-	2,056	-2,512	119	-146	2,175	-2,658	-	-
Total increase / decrease	**1,575**	**-1,575**	**-8,494**	**8,474**	**-1,391**	**1,719**	**-288**	**351**	**-10,173**	**10,544**	**-1**	**1**
of which in other comprehensive income (OCI)									-1,557	1,902		
of which in income statement									-8,616	8,642		

	Interest risk		Currency risk: EUR/CHF		EUR/USD		EUR/CAD		Total		Other price risks	
Dec. 31, 2017 (TCHF)	-1%	+1%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%	+10%
Financial assets												
Cash and cash equivalents	-1,882	1,882	-13,987	13,987	-57	70	-2	4	-14,046	14,061	-	-
Trade receivables	-	-	-385	385	-2,025	2,476	-	-	-2,410	2,861	-	-
Other receivables (current and non-current)	-	-	-3,092	3,092	-71	88	-308	375	-3,471	3,555	-	-
Derivative financial instruments	-	-	-	-	1,451	-1,774	-	-	1,451	-1,774	-	-
Other financial assets (current and non-current)	-	-	-	-	-	-	-	-	-	-	-4	4
Financial liabilities												
Trade payables (current and non-current)	-	-	82	-82	542	-643	-	-	624	-725	-	-
Other liabilities (current and non-current)	-	-	406	-406	1,818	-2,108	-	-	2,224	-2,514	-	-
Derivative financial instruments	-	-	1,016	-1,016	-3,556	4,346	-	-	-2,540	3,330	-	-
Financial liabilities (current and non-current)	772	-772	-	-	178	-218	336	-409	514	-627	-	-
Total increase / decrease	**-1,110**	**1,110**	**-15,960**	**15,960**	**-1,720**	**2,237**	**26**	**-30**	**-17,654**	**18,167**	**-4**	**4**
of which in equity									388	-503		
of which in income statement									-18,216	18,844		

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

8.3.1 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

2018 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets carried at fair value					
Derivative financial instruments	FVPL / without category	-	1,290	-	1,290
Financial assets (equity instruments)	FVOCI	2,838	2,457	9	4,794
Financial liabilities carried at fair value					
Financial liabilities with hedge in accordance with IAS 39	AC	-	223	-	223
Derivative financial instruments	FLPL	-	1,485	-	1,485
Financial liabilities	FLPL	-	-	74	74

2017 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets carried at fair value					
Derivative financial instruments	FVPL / without category	-	2,032	-	2,032
Financial assets at fair value through profit or loss	FVPL	35	-	-	35
Financial assets (equity instruments)	FVOCI	5,942	1,957	-	7,899
Financial liabilities carried at fair value					
Financial liabilities with hedge in accordance with IAS 39	Without category	-	-	-	-
Derivative financial instruments	FLPL / without category	-	4,104	-	4,104

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 contained in Level 2 are recognized at current market prices. The discounted cash flow method was used to determine the fair value of Level 2 financial instruments.

In Level 3, for reasons of materiality, other equity instruments totaling TCHF 9 are recognized at historical cost. As of the end of the reporting period, there was an earn-out liability of TCHF 74 recognized as a Level 3 financial instrument. Deviations from the planning of Hager Moss Film GmbH would not give rise to any material changes to this earn-out liability.

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.

8.3.2 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.

8.3.3 Fair value of non-financial assets and liabilities

As of December 31, 2018 and December 31, 2017, there were no non-financial assets or liabilities measured at fair value.

8.4 Use of hedging instruments

In significant transactions, particularly in US dollars, the euro and Canadian dollars in the previous year, 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 film 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 a series of currency forwards and currency swaps for hedging purposes in the current fiscal year. To the extent possible, these are accounted for as fair value or cash flow hedges in accordance with IFRS 9.

The hedged items essentially relate to pending rights purchases and sales in US dollars. Furthermore, currency forwards were bought as a hedge for recognized foreign currency receivables and liabilities and, in the previous year, to hedge the profit distribution of an international subsidiary of Constantin Entertainment GmbH.

8.4.1 Fair values of hedging instruments in hedges

Hedging instruments and derivative financial instruments in hedges

	Dec. 31, 2018		Dec. 31, 2017	
(TCHF)	Assets	Liabilities	Assets	Liabilities
Currencies – Fair value hedges (derivatives as hedging instruments)				
Hedge – Foreign currency forward	-	-	-	123
Currencies – Cash flow hedges (derivatives as hedging instruments)				
Hedge – Foreign currency forward	25	223	17	1,652
Total	**25**	**223**	**17**	**1,775**

Fair value hedges

As of December 31, 2018, no derivatives were designated as hedging instruments in fair value hedges. In the previous year, the hedged items related essentially to pending rights purchases and sales (firm commitments) in US dollars. The net gains and losses from these hedging instruments and the net gains and losses from the associated hedged items are shown in the table below:

Gains and losses from fair value hedges

	Jan. 1 to Dec. 31, 2018		Jan. 1 to Dec. 31, 2017	
(TCHF)	Profit	Loss	Profit	Loss
Currencies – Fair value hedges (derivatives as hedging instruments)				
Hedge	-	-	1,063	569
Hedged item	-	-	569	1,063
Total	**-**	**-**	**1,632**	**1,632**

In effective hedges, the effects of changes in the fair value of hedged items and hedges were reported net in the income statement.

Cash flow hedges

As of December 31, 2018, derivatives and financial liabilities with a nominal amount of TCHF 17,559 (previous year: TCHF 15,913) were designated as hedging instruments in cash flow hedges. The hedged items are essentially forecast transactions that are highly likely to occur.

The unrealized profit before tax from the remeasurement of derivatives recognized in other comprehensive income amounts to TCHF 198 (previous year: TCHF 0). Derivatives included in hedge accounting are only used to hedge currency risks.

The following tables provide details on the use of cash flow hedges:

Derivative financial instruments with a hedge

				Dec. 31, 2018	
(TCHF)	< 1 year	1 to 5 years	> 5 years	Nominal volume	Closing rate
Foreign currency forwards (sale)					
USD	-	17,124	-	17,124	1.14449
Foreign currency forwards (acquisition)					
USD	435	-	-	435	1.14449

Information on hedging instruments

Currency risk

(TCHF)	2018
Fair value changes to determine ineffectiveness	198
Carrying amount of other receivables	25
Carrying amount of financial liabilities	223
Nominal value	17,559

Information on hedged items

Currency risk

(TCHF)	2018
Fair value changes to determine ineffectiveness	198
Reserve for active cash flow hedges	198

Hedging instruments in hedge accounting

Currency risk

(TCHF)	Jan. 1 to Dec. 31, 2018
Unrealized gains and losses from hedging instruments	198
Reclassification in profit and loss of realized gains or losses due to realization of the hedged item	-1,601
Reclassification in profit and loss of realized gains or losses as hedged item not longer anticipated	-442
Reclassification amount	-

Owing to changes in market conditions, the designated projects were canceled and items in other comprehensive income were reclassified to profit or loss.

Please see Note 6.14 for the reconciliation of the reserve for the fair value remeasurement of financial instruments in other comprehensive income.

CCBS ineffectiveness was immaterial in fiscal 2018 and was therefore not recognized in profit or loss.

8.4.2 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, 2018 and 2017 are as follows:

Derivative financial instruments without a hedge

	Dec. 31, 2018		Dec. 31, 2017	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
PLN	-	-	-	-
USD	37,352	-398	33,093	1,948
CAD				
USD/CAD swap	4,776	-226	-	-
ZAR/USD swap	738	24	-	-
thereof credit balance	11,210	278	33,093	1,948
thereof debit balance	31,656	-878	-	-

Foreign currency forwards (acquisition)				
USD	35,114	380	34,154	-2,262
thereof credit balance	18,233	987	1,921	67
thereof debit balance	16,881	-607	32,233	-2,329

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. As the chief operating decision maker, the management of the company makes decisions on the allocation of resources to the segments and assesses their success on the basis of key indicators for sales and segment earnings. The Group's management does not rate the segments on the basis of their assets and liabilities.

The Group consists of the segments Film, Sports and Sports- and Event-Marketing. Group functions of Highlight Event and Entertainment AG are shown under "Other" and do not constitute an operating segment. These include actual Group Management, Corporate Finance, Investor Relations, Controlling, Legal, Group Accounts, Corporate Communications, Internal Audit and Human Resources. 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 investments in Rainbow Home Entertainment and its subsidiaries 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 Sports segment comprises the activities of Comosa AG and Constantin Medien AG. The main project at Comosa AG is the World Boxing Super Series. In the second season (2018/19), in addition to the two existing weight classes of Cruiserweight and Super Middleweight, Bantamweight is being added as the third weight class. Constantin Medien AG 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. Marketing is performed by Sport1 Media GmbH and Magic Sports Media GmbH, which also markets third-party platforms in addition to marketing the SPORT1 platforms. The Sport Segment has also included the services of Match IQ GmbH since the end of August 2018.

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

Segment information 2018

(TCHF)	Film	Sports- and Event-Marketing	Sports (WBSS)	Event Marketing	Other	Reconciliation	Group
External sales	364,362	63,728	133,147	2,934	634	-722	564,083
Inter-company sales							-
Total sales	364,362	63,728	133,147	2,934	634	-722	564,083
Other segment income	166,530	917	8,558	7	16	-37	175,991
Segment expenses	-518,755	-33,096	-176,510	-2,012	-10,989	759	-740,603
of which straight-line amortization	*-143,450*	*-453*	*-7,348*	*-4*	*-*	*-*	*-151,255*
of which impairment	*-9,441*	*-*	*-*	*-*	*-*	*-*	*-9,441*
Segment result	**12,137**	**31,549**	**-34,805**	**929**	**-10,339**	**-**	**-529**
Time reference of sales							
Over time	137,417	-	42,250	-	-	-	179,667
Point in time	226,431	63,728	91,323	2,934	-	-	384,416
	363,848	**63,728**	**133,573**	**2,934**	**-**	**-**	**564,083**
Revenue by product							
Film	226,431	-	-	-	-	-	226,431
Production services	137,417	-	-	-	-	-	137,417
Sports- and Event-Marketing	-	63,728	-	-	-	-	63,728
Platform	-	-	116,366	-	-	-	116,366
Services	-	-	17,207	2,934	-	-	20,141
	363,848	**63,728**	**133,573**	**2,934**	**-**	**-**	**564,083**

Segment information 2017

(TCHF)	Film	Sports- and Event-Marketing	Sports (WBSS)	Event Marketing	Other	Reconciliation	Group
External sales	135,839	15,116	12,803	2,407	1	-	166,166
Other segment income	5,893	365	109	4	29,036	-	35,407
Segment expenses	-139,218	-8,396	-36,416	-1,800	-4,904	-	-190,734
of which straight-line amortization	*-27,066*	*-132*	*-87*	*-3*	*-*	*-*	*-27,288*
of which impairment	*-3,330*	*-*	*-*	*-*	*-*	*-*	*-3,330*
of which reversals of write-downs	*907*	*-*	*-*	*-*	*-*	*-*	*907*
Segment result	**2,514**	**7,085**	**-23,591**	**611**	**24,133**	**-**	**10,839**
Non-allocated result elements							
Result from investments in associates and joint ventures							560
Financial income							2,982
Financial expenses							-2,069
Earnings before taxes							**12,312**

The reconciliation row shows the eliminations of the relationships between segments.

Segment information by region

Jan. 1 to Dec. 31, 2018 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of world	Total
External sales	123,733	281,693	43,682	114,975	564,083
Non-current assets	440,216	289,567	-	-	729,783

Jan. 1 to Dec. 31, 2017 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of world	Total
External sales	31,265	74,449	40,410	20,042	166,166
Non-current assets	414,161	175,240	-	-	589,401

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

10.1 Overview

Financial commitments, contingent liabilities and other unrecognized financial obligations

(TCHF)	Contingent liabilities	Contingent liabilities	Purchase commitments for licenses	Other unrecognized financial obligations	Rental and lease obligations (operating leases)	Total
As of December 31, 2018						
Due within one year	15,205	2,887	45,438	26,162	8,519	98,211
Due between one and five years	-	-	43,724	20,492	23,083	87,299
Due after five years	-	-	-	1,564	11,950	13,514
Total	**15,205**	**2,887**	**89,162**	**48,218**	**43,552**	**199,024**
As of December 31, 2017						
Due within one year	10,525	-	12,752	6,614	5,197	35,088
Due between one and five years	-	-	146	13,869	15,959	29,974
Due after five years	-		-	44	13,683	13,727
Total	**10,525**	**-**	**12,898**	**20,527**	**34,839**	**78,789**

10.2 Contingent liabilities

As of December 31, 2018, there were guarantees to various TV stations for the completion of service productions totaling TCHF 15,205 (previous year: TCHF 10,525). 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.

10.3 Contingent liabilities

The contingent liabilities relate to a special VAT audit at Constantin Medien AG regarding an input tax refund of TCHF 1,971 from 2017. An issue from 2014 in the amount of TCHF 916 is also being audited in this context. Constantin Medien AG has issued written statements in this regard.

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 19,162 (previous year: TCHF 12,898).

Furthermore, the purchase obligations for licenses include TCHF 70,000 (previous year: TCHF 0) for broadcasting and transmission rights of Sport 1 GmbH.

10.5 Other unrecognized financial obligations

Other financial obligations not recognized in the statement of financial position include TCHF 16,809 (previous year: TCHF 20,527) 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 31,409.

10.6 Other rental and lease obligations

The HLEE Group rents and leases offices, warehouses, vehicles and facilities. The total rental and lease expenses for the year under review amounted to TCHF 10,624 (previous year: TCHF 6,081).

The minimum lease obligations as of December 31, 2018 are as shown in the table below.

Rental and lease obligations

(TCHF)	Building and room rental	Vehicle lease	Other rental and lease obligations	Rental and lease obligations (operating leases)
As of December 31, 2018				
Due within one year	7,677	551	291	8,519
Due between one and five years	22,416	473	194	23,083
Due after five years	11,950	-	-	11,950
Total	**42,043**	**1,024**	**485**	**43,552**
As of December 31, 2017				
Due within one year	4,924	208	65	5,197
Due between one and five years	15,845	62	52	15,959
Due after five years	13,683	-	-	13,683
Total	**34,452**	**270**	**117**	**34,839**

11. RELATED PARTY DISCLOSURES

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

Related party disclosures

(TCHF)	Dec. 31, 2018	Dec. 31, 2017
Receivables	-	153
Liabilities	59	464
Current financial liabilities Obotritia Capital KGAA	5,068	-
Current financial liabilities Studhalter Investment AG	30,249	-
Non-current financial liabilities Studhalter Investment AG	35,110	-
Non-current financial liabilities Obotritia Capital KGAA	10,137	-

The financial liabilities of Studhalter Investment AG bear interest at a rate of 5% and the financial liabilities of Obotritia Capital KGAA bear interest at a rate of 6%.

(TCHF)	Jan. 1 to Dec. 31, 2018	Jan. 1 to Dec. 31, 2017
Sales and other income	-	7
Cost of materials and licenses and other expenses	39	117
Financial expenses loan Obotritia Capital KGAA	638	-
Financial expenses loan Studhalter Investment AG	3,248	-

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

Please see the Remuneration Report for information on the remuneration of the Board of Directors and members of the Group's management. There are no deviations between Swiss and international accounting law.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 28, 2019, PLAZAMEDIA GmbH concluded a sale-and-lease-back agreement for the storage system. The sales price is TEUR 408 and the net monthly leasing installment TEUR 7. The lease period is 60 months. In this connection, Constantin Medien AG assumed an absolute guarantee for all PLAZAMEDIA GmbH liabilities resulting from the agreement. The guarantee has no time limit and is capped at TEUR 563.

On January 20, 2019, PLAZAMEDIA GmbH concluded a sale-and-lease-back agreement for part of the new broadcasting center. The sales price is TEUR 3,537 and the net monthly leasing installment TEUR 63. The lease period is 60 months. In this connection, Constantin Medien AG assumed an absolute guarantee for all PLAZAMEDIA GmbH liabilities resulting from the agreement. The guarantee has no time limit and is capped at TEUR 4,930.

In the middle of March 2019, Sport1 GmbH acquired a 5.56% stake in AGF Videoforschung GmbH at a price of TEUR 464.

Tel. +41 62 834 91 91
Fax +41 62 834 91 00
www.bdo.ch

BDO AG
Entfelderstrasse 1
5001 Aarau

REPORT OF THE STATUTORY AUDITOR

At the Annual General Meeting of Highlight Event and Entertainment AG, Pratteln

Report on the audit of the consolidated financial statements

Audit opinion

We have audited the consolidated financial statements of Highlight Event and Entertainment AG and its subsidiaries (the Group) – which comprise the consolidated statement of financial position as of December 31, 2018, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.Highlight Event and Entertainment AG

In our opinion, the consolidated financial statements (pages 11 to 79) give a true and fair view of the consolidated financial position of the Group as of December 31, 2018 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 (ISA) and Swiss Auditing Standards. Our responsibilities under these provisions and standards are described in more detail in the “Responsibilities of the statutory auditor 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 professional regulations in addition to the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and have fulfilled other rules of professional conduct in accordance with these requirements.

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

Key audit matters

Key audit matters are matters that, based on our judgment, were most significant for 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, we do not provide a separate opinion on these matters.

Key audit matters	How key audit matters were addressed in our audit
Recoverability of goodwill from the acquisition of Constantin Medien AG In March 2018, Highlight Communications AG acquired the majority in Constantin Medien AG. We consider the assessment of the recoverability of goodwill totaling CHF 114.7 million resulting from this transaction as particularly significant for our audit for the following reasons: • This was a transaction outside the ordinary course of business. • Goodwill of Constantin Medien AG amounts to 12% of total assets and thus represents a material amount. • In addition, there is significant scope for judgment in determining the assumptions in connection with future business results and the discount rates used for the forecast cash flows. For more information, please refer to "Consolidated group" and "Business combinations 2018" in the notes to the consolidated financial statements.	To assess whether these transactions were recognized and reported appropriately we examined the impairment test implemented by the Group prepared with the assistance of an external specialist and carried out the following audit procedures: • For the forecast cash flows, we assessed the budgeting process, particularly whether the members of the Group's management and the Board of Directors monitored this process and questioned the assumptions made. • We examined if the values used for the impairment-test were consistent with the budget approved by the Board of Directors. • We compared the assumptions relating to revenue and earnings of the previous year with those of the budget year with the objective of identifying retrospectively overly optimistic assumptions in the budgeted revenue and earnings. • We reviewed the plausibility of the discount rates used and the assumptions made. • In addition, on the basis of sensitivity analyses we examined whether goodwill impairment resulted in the case of a material change in the most important assumptions (for the discount rate, EBIT margin and long-term revenue growth). • We discussed the results of these examinations with the members of the Group's management in respect to existing headroom until the goodwill was impaired and the probability of such a change in the assumptions. • We also assessed the objectivity and specialist expertise of the third-party measurement specialist mandated by the management.

BDO

Key audit matters	How key audit matters were addressed in our audit

Revenue recognition

Revenue recognition in the Film segment can differ significantly from the invoice date and the date on which payment is received owing to the different exploitation periods for in-house and third-party productions.

All segment revenue in the Sport- and Event-Marketing segment is based on a single agency agreement with UEFA. This agreement with UEFA comprises the global marketing of the commercial rights relating to the UEFA Champions League and the UEFA Europa League on behalf and account of UEFA. The income of the Highlight Group from this agency agreement consists a fixed element and a variable element, which is based on the revenues from marketing these two competitions. However, the annual accounting period for the competitions does not correspond with the Group's fiscal year.

We consider this matter to be particularly significant for our audit as the two segments account for approximately 91% of external revenue and the timeframe is subject to significant management estimates.

For more information, please refer to "Revenue" and "Segment reporting" in the notes to the consolidated financial statements.

We performed the following audit procedures at Group companies that reported significant revenue in the Film segment and the Sport and Event-Marketing segment:

- We examined the design of the internal controls relating to the measurement and the recognition of sales.
- We assessed the consistency of the sales recognition methods used, taking into account the accounting policies set out in Note 4.15 to the consolidated financial statements.
- In the Film segment, we examined in addition on a sample basis whether sales were recognized correctly and in the correct period.
- In the Sport- and Event-Marketing segment, we examined whether the recognized income from this agency agreement for the 2017/2018 season ending in fiscal 2018 was in line with the contractual terms and conditions.
- Further, we examined whether the underlying definitive financial results of the competitions had been approved by UEFA and the related variable consideration paid.
- For the ongoing 2018/2019 season, we examined whether the accrued income from the agency agreement was correctly booked, taking into account the contractual terms and conditions and the expected financial results of this period. In doing so, we relied on the calculation of the expected marketing revenues of both competitions, which are reconciled periodically with UEFA. We included in our assessment the findings of our interviews with management about the current and the expected financial results of the current season and our experience of the accuracy of deferrals in the previous year.

Key audit matters	How key audit matters were addressed in our audit
Measurement of film assets	
Film assets consist of in-house and third-party productions. There is significant scope for judgment in determining the assumptions used to forecast the revenues and cash flows in the different periods of exploitation and in determining the discount rates. These estimates and the scope for judgment can have a material impact on valuation, units of production amortization and any potential impairments. We consider this matter to be particularly significant for our audit as the measurement of film assets entails significant judgment and the item accounts for around 19% of the assets in the annual financial statements. For more information, please refer to "Film assets" and "Government grants" in the notes to the consolidated financial statements.	In order to assess the correct measurement of film assets, we performed the following audit procedures in particular: • We examined the design of the internal controls relating to the valuation of film assets. • We assessed the consistency of the application of the measurement model for film assets. • In addition, for a number of samples, we examined the units of production amortization and the impairment tests relating to specific film projects. • In doing so, we checked the plausibility of the forecasting assumptions underlying the amortization calculations and impairment tests by comparing them with the contractual terms and conditions and discussing them with Management. • We discussed with Management and the project leaders 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. • We compared the discount rate with the cost of capital of the Group and of comparable enterprises, taking into account country-specific particularities. • For the above samples, we examined also the mathematical accuracy of the calculation of the units of production amortization and of any potential impairments.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. Other information includes all the information included in the annual report, with the exception of the consolidated financial statements, annual financial statements, of the Remuneration Report and our associated reports.

Our opinion on the consolidated financial statements does not cover other information in the Annual Report and we do not make any statements on this information within the context of our audit.

In the context of our audit of the consolidated financial statements, our responsibility is to read other information and consider whether there are material inconsistencies with the consolidated financial statements or the knowledge obtained during our audit, or whether the information otherwise appears to be materially misstated. If, based on our work, we conclude that other information has been materially misstated, we are required to report on this. 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 Directorsdetermines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our aim is 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but provides no guarantee that an audit conducted in accordance with Swiss law, the ISA 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 as a whole, they could reasonably be expected to influence the economic decisions of users on the basis of these consolidated financial statements.

A more detailed account of our responsibilities for the audit of these consolidated financial statements can be found on the EXPERTsuisse website: http://expertsuisse.ch/wirtschaftspruefung-revisionsbericht. This description forms part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a(1) 3 OR and Swiss Auditing Standard 890, we confirm that an internal control system designed for the preparation of consolidated financial statements exists in accordance with the guidelines of the Board of Directors.

We recommend the approval of these consolidated financial statements.

Aarau, 24. April 2019

BDO AG

Thomas Schmid	Philipp Mathys
Head auditor Licensed audit expert	Licensed audit expert

Balance sheet

in CHF thousand	Note	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	6.1	4,168	8,170
Other current receivables	6.2	2,340	1,201
Prepaid expenses		73	73
Current assets		**6,581**	**9,444**
Financial receivables from equity investments	6.3	37,916	20,027
Equity investments	6.4	178,147	178,093
Other financial assets	6.7	2,402	1,902
Financial assets	6.7	4,784	6,462
Tangible assets		0	1
Non-current assets		**223,249**	**206,485**
ASSETS		**229,830**	**215,929**
Trade payables		769	200
Liabilities to corporate bodies		0	0
Current interest-bearing liabilities to equity investments		4,393	2,449
Other current liabilities	6.9	15	22
Financial liabilities to investees and investors		52,818	16,500
Financial liabilities to third parties		4,505	0
Deferred income	6.10	982	1,329
Current liabilities		**63,482**	**20,500**
Financial liabilities to investees and investors	6.8	45,247	70,770
Non-current liabilities		**45,247**	**70,770**
Share capital	1	77,400	77,400
Statutory capital reserves	6.5	50,851	50,610
Statutory retained earnings		3,067	3,067
Accumulated losses	6.6	-8,520	-5,632
Treasury shares	2	-1,697	-786
Equity		**121,101**	**124,659**
EQUITY AND LIABILITIES		**229,830**	**215,929**

INCOME STATEMENT

in CHF thousand	Note	2018	2017
Net sales from goods and services	7.1	334	240
Staff costs		-88	-226
Administrative expenses and selling costs	7.2	-2,860	-3,533
Depreciation, amortization and write-downs of current assets		-1	0
Operating result		**-2,615**	**-3,519**
Currency translation differences	7.3	9	-165
Interest expenses and other financial expenses	6.8	-4,575	-2,176
Other financial income		479	883
Dividend income	7.5	6,233	5,325
Income from securities	7.6	0	9,523
Security expenses	7.6	-2,178	0
Financial result		**-32**	**13,390**
Earnings before taxes		**-2,647**	**9,871**
Direct taxes	7.4	0	0
Net profit/loss for the year		**-2,647**	**9,871**

1 General information on the company

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

Approval of the financial statements
The financial statements approved by the Annual General Meeting are legally binding. The Board of Directors approved these financial statements on April 12, 2019.

Capital structure
Ordinary share capital of CHF 77,400,000 is divided into 8,600,000 bearer shares with a notional interest in the share capital of CHF 9 each. All shares are fully paid up.

The Annual General Meeting on December 8, 2017 resolved to create **authorized capital**. The Board of Directors is authorized to increase the capital by a maximum of CHF 27,591,930 until December 8, 2019 by issuing a maximum of 3,065,770 fully paid-up bearer shares each with a notional interest in the share capital of CHF 9. The Annual General Meeting resolved contingent share capital of CHF 8,100,000 by way of issue of 900,000 bearer shares with a par value of CHF 9. As in the previous year, there were no **preferential rights** or **participation certificates**. No **options** were granted. In the previous year, a **convertible loan** was raised in the year under review (more information can be found under “Financial liabilities” in **Note 6.8**).

Transactions with equity investments
Chameleo AG was founded on March 15, 2018. The HLEE Group holds a 90% stake. The company is at an early stage of development. On May 15, 2018, Chameleo AG founded a wholly owned subsidiary, Chameleo GmbH based in Munich, Germany. Chameleo AG and its holding Chameleo GmbH, accompany companies in optimizing their operating business in the context of digital transformation and provide the relevant consultancy services, management support and project implementation. As the company is in an early stage of development, and is currently immaterial, it is recognized in the Other segment.

At the end of March, the entire 29.99% equity investment in Constantin Medien AG was sold to Highlight Communications AG. At the same time, a further investment of 19.71% in Highlight Communications AG was acquired. At the end of December 2018 a further investment of 0.01% was acquired, increasing the equity investment in Highlight Communications AG to 44.72%.

Shares outstanding		**Dec. 31, 2018**	**Dec. 31, 2017**
Bearer shares outstanding each with a nominal value of CHF 9	Number	8,504,618	8,548,623
Share price as of December 31	CHF	21.60	17.45
Market capitalization as of December 31	CHF thousand	183,700	149,173

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

	2018	**2017**
Shares at beginning of year	51,377	51,377
Acquisition of treasury shares	44,005	0
Shares at end of year	**95,382**	**51,377**

There are still 214 treasury shares in the custody account from fiscal 2012 that have not yet been converted.

The individual transactions in the reporting year for the purchases were as follows:

Date	**Number of shares**	**Currency**	**Value**
Oct. 24, 2018	24,000	CHF	511,311
Nov. 14, 2018	20,000	CHF	400,000
Dec. 28, 2018	5	CHF	133

The average price was CHF 17.79 as of December 31, 2018.

3 Principal shareholders

	Dec. 31, 2018	Dec. 31, 2017
Bernhard Burgener	21.08%	21.66%
Miralco Holding AG	7.36%	7.36%
Stella Finanz AG	5.35%	5.35%
René Camenzind	5.47%	5.47%
Victorinox AG	12.44%	12.44%
Obotritita Capital KGAA	8.15%	8.76%
Studhalter Investment AG	28.70%	28.70%

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

	Dec. 31, 2018	Dec. 31, 2017
Number of shares held personally (Highlight Event & Entertainment AG CH0003583256)		
Bernhard Burgener, President of the Board of Directors	1,812,814	1,862,814
Martin Wagner, member of the Board of Directors	0	10,000
Peter von Büren, member of the Board of Directors	0	0
Aline Studhalter, member of the Board of Directors	2,468,459	0
Rolf Elgeti,member of the Board of Directors	701,200	0
Sven Heller,member of the Board of Directors	897	0
Number of shares (total)	4,983,370	1,872,814
Shares as a percentage of total share capital	57.95%	21.77%

The members of the management team and the Board of Directors hold **no** (previous year: no) **conversion or option rights**. Bernhard Burgener is the President of the Board of Directors of Highlight Communications AG (HLC).

5 Significant accounting policies

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

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

Currency translation
The functional currency of HLEE is the Swiss franc (CHF). Transactions in foreign currencies are translated into the functional currency (CHF) at the exchange rate as of the transaction date.

Monetary assets and liabilities in foreign currency are translated into CHF at the closing rate as of the end of the reporting period. The resulting currency losses are recognized in the income statement and currency gains are deferred.

Tangible assets
Items of property, plant and equipment are capitalized if they have a value of CHF 5,000 or greater. Smaller items and investments that do not exceed this threshold are expensed. Vehicles are depreciated on a straight-line basis over a useful life of four years.

Income recognition
Income received for services which are provided over a certain time period and for which the customer is periodically charged are recognized over the period in which the service is provided. Revenue is recognized net of invoiced VAT, trade discounts and volume rebates.

New marketing projects are continually examined, developed and realized. As soon as the projects are found to be sustainable, they are assigned to a subsidiary and allocated to the corresponding business segment. The income generated by the holding company is reported in EBIT as “Net income from goods and services”.

Dividend income is reported in the financial result.

6 Disclosures on items of the statement of financial position

6.1 Cash and cash equivalents

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents in CHF	1,282	5,356
Cash and cash equivalents in EUR at the closing exchange rate of 1.12633 (1.169454)	2,886	2,814
Total	**4,168**	**8,170**

6.2 Other current receivables

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Receivables from Group companies	1,261	632
Receivables from third parties	577	67
Receivables from Lighthouse Finance Corp.	502	502
Total	**2,340**	**1,201**

6.3 Financial receivables from equity investments

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Financial receivable from Escor Automaten AG *	16,500	16,500
Impairment	-14,500	-14,500
Financial receivable from Comosa AG **	35,916	18,027
Impairment	0	0
Total	**37,916**	**20,027**
* of which subordinated	16,500	16,500
** of which subordinated	35,916	18,027

6.4 Equity investments

in CHF thousand	Share capital Dec. 31, 2018	Shareholding Dec. 31, 2018	Share of voting rights Dec. 31, 2018	Share capital Dec. 31, 2017	Share of capital Dec. 31, 2017	Share of voting rights Dec. 31, 2017
Highlight Event AG, Emmen, Switzerland	500	100%	100%	500	100%	100%
Escor Automaten AG, Pratteln, Switzerland	3,000	100%	100%	3,000	100%	100%
Comosa AG, Zürich, Switzerland	150	51%	51%	150	51%	51%
Constantin Medien AG, Ismaning, Germany	109,461	0.00%	0.00%	109,461	29.99%	29.99%
Chameleo AG, CH-Pratteln	100	90.00%	90.00%	0	0.00%	0.00%
Highlight Communications AG, Pratteln, Switzerland	63,000	45%	45%	63,000	25%	25%

6.5 Statutory capital reserves

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Statutory reserves from capital contributions confirmed by the Swiss Federal Tax Administration	50,851	10,196
Statutory reserves from capital contributions not yet confirmed by the Swiss Federal Tax Administration	0	40,414
Total	**50,851**	**50,610**

6.6 Accumulated losses

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Losses carried forward	-5,632	-15,503
Reclassification legal reserves from capital contribution	-241	0
Net profit/loss for the year	-2,647	9,871
Total	**-8,520**	**-5,632**

6.7.1 Other financial assets

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Loans granted to Highlight Ventures Corp.	1,867	1,867
Loans granted to third parties	535	35
Total	**2,402**	**1,902**

The loan receivable from Highlight Ventures Corp. will be repaid in installments within two years. Other financial assets are measured at amortized cost.

6.7.2 Financial assets
In the previous year, financial assets included shares in The Native SA and Lighthouse Finance Corp. Shares in The Native SA are recognized at fair value.

The remaining financial assets are recognized at cost as the free float is very low and there is no active market. In the reporting period, a 2% investment in the SP Group (Europe) was acquired. The purchase price was TCHF 500.

6.8 Financial liabilities
In the previous year, a convertible loan of TCHF 9,845 was taken up so that the HLEE Group can meet its financial obligations at all times. The lender has the option to acquire shares in Highlight Event and Entertainment AG within the next five years by converting the loan. The conversion period (conversion right) commenced on June 26, 2017 and ends on April 22, 2022. The convertible loan bears interest at a rate of 6% during its term. If the option were not exercised, the convertible loan would have to be repaid on May 26, 2022.

Also in the previous year, the HLEE Group took up a financial loan of TCHF 60,083. The loan attracts interest of 5%. EUR 1.9 million of this loan can be converted into shares in HLEE. The financial loan must be paid back in two tranches. The first tranche of CHF 25 million must be paid back by the end of November 2019 and the second tranche of CHF 35 million by the end of November 2020. In the reporting period, the first tranche was reclassified to current financial liabilities to investees and investors.

6.9 Other current liabilities

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Other current liabilities	15	22
Total	**15**	**22**

6.10 Deferred income

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Financial statement and audit costs	106	106
Deferred loan interest	368	723
Other deferred income	508	500
Total	**982**	**1,329**

7 Disclosures on items of the statement of comprehensive income

7.1 Gross profit

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Net sales from goods and services for third parties	0	1
Net sales from goods and services for Group companies	334	239
Total	**334**	**240**

7.2 Administrative expenses and selling costs

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Administrative and consulting expenses for the holding company, stock exchange listing, internal audit	2,496	3,409
Goods and services equity investments	364	124
Total	**2,860**	**3,533**

Higher legal and consulting costs were incurred in the period under review due to new strategic and structural changes.

7.3 Exchange rate differences

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Exchange rate differences on cash and cash equivalents	-9	165
Total	**-9**	**165**

7.4 Tax loss carryforwards

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Expiring in 2018 (gross amounts)	0	0
Expiring in 2019 (gross amounts)	0	0
Expiring in 2023 (gross amounts)	10,129	10,129
Expiring in 2024 (gross amounts)	2,647	0
Total	**12,776**	**10,129**

7.5 Investment income

in CHF thousand	Dec. 31, 2018	Dec. 31, 2017
Dividends from subsidiaries	6,233	5,325
Total	**6,233**	**5,325**

7.6.1 Securities expenses

An impairment of TCHF 2,178 was taken on the financial asset The Native SA. as the shares are measured at fair value.

7.6.2 Securities income

In the previous year, the stock exchange price and the current rate was adjusted for the Constantin Medien investment. One equity investment was sold in the reporting period.

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

8.1 Average number of FTEs for the year	**Dec. 31, 2018**	**Dec. 31, 2017**
up to 10 FTEs	yes	yes

8.2 Residual amount of liabilities from leases with the characteristics of purchase agreements and other lease commitments not expiring or terminable within twelve months of the end of the reporting period	**Dec. 31, 2018**	**Dec. 31, 2017**
Lease commitments not expiring or terminable within twelve months of the end of the reporting period		
	none	none

8.3 Liabilities to pension schemes	**Dec. 31, 2018**	**Dec. 31, 2017**
	none	none

8.4 Security pledged for third-party liabilities	**Dec. 31, 2018**	**Dec. 31, 2017**
	none	none

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

28.17 million shares in Highlight Communications AG were pledged as security for own liabilities.

8.6 Contingent liabilities	**Dec. 31, 2018**	**Dec. 31, 2017**
The HLEE VAT group was discontinued as of January 1, 2017.		
No other contingent liabilities	yes	yes

8.7 Extraordinary, non-recurring or prior-period items of the statement of comprehensive income	**Dec. 31, 2018**	**Dec. 31, 2017**
	none	none

8.8 Additional disclosures, cash flow statement and management report

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

8.9 Significant events after the end of the reporting period

On January 28, 2019, PLAZAMEDIA GmbH concluded a sale-and-lease-back agreement for the storage system. The sales price is TEUR 408 and the net monthly leasing installment TEUR 7. The lease period is 60 months. In this connection, Constantin Medien AG assumed an absolute guarantee for all PLAZAMEDIA GmbH liabilities resulting from the agreement. The guarantee has no time limit and is capped at TEUR 563.

On January 20, 2019, PLAZAMEDIA GmbH concluded a sale-and-lease-back agreement for part of the new broadcasting center. The sales price is TEUR 3,537 and the net monthly leasing installment TEUR 63. The lease period is 60 months. In this connection, Constantin Medien AG assumed an absolute guarantee for all PLAZAMEDIA GmbH liabilities resulting from the agreement. The guarantee has no time limit and is capped at TEUR 4,930.

In the middle of March 2019, Sport1 GmbH acquired a 5.56% stake in AGF Videoforschung GmbH at a price of TEUR 464.

Tel. +41 62 834 91 91
Fax +41 62 834 91 00
www.bdo.ch

BDO AG
Entfelderstrasse 1
5001 Aarau

REPORT OF THE STATUTORY AUDITOR

To the Annual General Meeting of Highlight Event and Entertainment AG, Pratteln

Report on the audit of the financial statements

Audit opinion

We have audited the annual financial statements of Highlight Event – and Entertainment AG – consisting of the balance sheet as of the statement of comprehensive income December 31, 2018 and the statement of comprehensive income for the year then ending and the the notes, including a summary of significant accounting policies.

In our opinion, the financial statements for the period ended December 31, 2018 (pages 85 to 92) comply with Swiss law and the Articles of Association.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under these provisions and standards are described in more detail in the “Responsibilities of the statutory auditor for the audit of the annual financial statements” section of our report.

We are independent of the company in accordance with Swiss law and professional regulations, and we have fulfilled other rules of professional conduct 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.

Reporting on key audit matters as a result of Circular 1/2015 of the Swiss Audit Oversight Authority

Key audit matters are matters that, based on our judgment, were most significant for 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, we do not provide a separate opinion on these matters.

Key audit matters	How key audit matters were addressed in our audit
Recoverability of equity investments	
Equity investments of CHF 178.1 million account for around 78% of total assets. Equity investments are recognized at historical cost less necessary impairments. No impairment was recognized as of December 31, 2018. This item predominantly consists of the equity investment in Highlight Communications AG (CHF 171 million). The recoverability of the equity investment is dependent on the future performance of the company. We consider this matter to be particularly significant for our audit as it is the largest item in the balance sheet and its measurement entails significant management judgment and estimates of the management and the mandated measurement specialist. For more information, please refer to the general information on the company and Note 6.4 in the notes to the financial statements.	In order to assess the measurement of equity investments, we performed the following audit procedures in particular: • We had the impairment test for the equity investment carrying value of Highlight Communications AG prepared by a measurement specialist mandated by the management assessed by an internal measurement specialist. This involved checking whether the measurement methods used are appropriate and whether the calculations are mathematically correct. It was also assessed whether the discount rates used were derived correctly and are plausible. • Furthermore, we reviewed the plausibility of the assumptions and forecasts made by management regarding future earnings performance. • We also assessed the objectivity and specialist expertise of the third-party measurement specialist mandated by the management.

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 Swiss law and the Articles of Association, and is also responsible for internal controls that the Board of Directors deems necessary in order to allow for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the statutory auditor for the audit of the annual financial statements

Our aim is 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 a report that includes our opinion. Reasonable assurance is a high level of assurance, but provides no 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 as a whole, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

A more detailed account of our responsibilities for the audit of these annual financial statements can be found on the EXPERTsuisse website: http://expertsuisse.ch/wirtschaftspruefung-revisionsbericht. This description forms part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a(1) 3 OR and Swiss Auditing Standard 890, we confirm that an internal control system designed for the preparation of consolidated financial statements exists in accordance with the guidelines of the Board of Directors.

We recommend the approval of these financial statements.

Aarau, April 24, 2019

BDO AG

Thomas Schmid	Philipp Mathys
Head auditor Licensed audit expert	Licensed audit expert

REMUNERATION REPORT

This Remuneration Report for fiscal 2018 illustrates the remuneration system and remuneration paid to members of the Board of Directors and the management team of Highlight Event and Entertainment AG. The content and scope of the disclosures comply with the provisions of the *Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften* (**VegüV – Swiss Ordinance against Excessive Compensation in Listed Stock Corporations**), enacted by the Swiss Bundesrat and effective from January 1, 2014, and the **Corporate Governance Directive** of SIX Swiss Exchange.

1 Remuneration responsibilities and authority

The Board of Directors as a whole is responsible for ensuring that the remuneration process is fair, transparent and monitored effectively. The chosen remuneration process is intended to provide adequate compensation for services rendered and a suitable incentive for the individual members of the Board of Directors and the management team, taking into account the longer-term interests of shareholders.
In particular, the Board of Directors as a whole performs the following tasks:

a. Determining the principles of the remuneration strategy
b. Determining the amount and composition of total remuneration for the President and other members of the Board of Directors
c. Determining the amount and composition of total and individual remuneration for committee members
d. Determining the amount and composition of total remuneration and individual remuneration for individual members of the management team

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

2 Remuneration paid to members of the Board of Directors

2.1 Principles

The amount of remuneration paid to members of the Board of Directors is determined in accordance with Article 31 of the Articles of Association and item 2.6 of the company's organizational and operational rules.
Total remuneration paid to the Board of Directors comprises the following elements:

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

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

2.1.1 Fixed fees paid to members of the Board of Directors

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

The members of the Board of Directors of the Group company Highlight Communications AG were paid membership remuneration for fiscal 2018 (as members of the Board of Directors or its committees).

	2018 In TCHF	2017 In TCHF
President of the Board of Directors, Bernhard Burgener	10.6	0
Member of the Board of Directors, Peter von Büren	10.6	0
Member of the Board of Directors, Rolf Elgeti	0	0
Member of the Board of Directors, Sven Heller	0	0
Member of the Board of Directors, Aline Studhalter	0	0
Total	**21.2**	**0**

As in the previous year, no fees were paid to the Board of Directors at the level of HLEE. Rolf Elgeti, Aline Studhalter and Sven Heller are not members of the Board of Directors of Highlight Communications AG.

2.1.2 Variable remuneration

No variable remuneration was paid in the current fiscal year.

2.1.3 Pension benefits

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

2.2 Remuneration paid to individual members of the Board of Directors

Fiscal 2018

The members of the Board of Directors received the following remuneration in the 2018 reporting year:

verified [1]	Compensation Committee	Period	Fixed fees paid to members of the Board of Directors	Variable compensation	Pension benefits	Total in TCHF
Bernhard Burgener, Chairman		Jan. 1, 2018 to Dec. 31, 2018	0	0	0	0
Peter von Büren, member	--	Jan. 1, 2018 to Dec. 31, 2018	0	0	0	0
Rolf Elgeti, member	X	Jun. 29, 2018 to Dec. 31, 2018	0	0	0	0
Sven Heller, member	--	Jun. 29, 2018 to Dec. 31, 2018	0	0	0	0
Aline Studhalter, member	X	Jun. 29, 2018 to Dec. 31, 2018	0	0	0	0
Total			**0**	**0**	**0**	**0**

As in the previous year, no fees were paid to the Board of Directors at the level of HLEE. Rolf Elgeti, Sven Heller and Aline Studhalter are not members of the Board of Directors of Highlight Communications AG.

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

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

Fiscal 2017

Each member of the Board of Directors received the following remuneration in fiscal 2017:

verified [1]	Compensation Committee	Period	Fixed fees paid to members of the Board of Directors	Variable remuneration	Pension benefits	Total in TCHF
Bernhard Burgener, Chairman	X	Jan. 1, 2017 to Dec. 31, 2017	0	0	0	0
Martin Wagner, Vice President	X	Jan. 1, 2017 to Dec. 31, 2017	0	0	0	0
Peter von Büren, Member	--	Jan. 1, 2017 to Dec. 31, 2017	0	0	0	0
Total			**0**	**0**	**0**	**0**

3. Remuneration paid to members of the management team

3.1 Principles

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

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

3.1.1 Basic remuneration

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

3.1.2 Variable remuneration

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

3.1.3 Pension benefits

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

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

3.2 Remuneration paid to individual members of the management team

Fiscal 2018

The following remuneration was paid to the members of management at the Group company Highlight Communications AG in the 2018 reporting year. No remuneration was paid at the level of HLEE.

verified[1]	Period	Fixed remuneration (gross)	Variable remuneration	Pension benefits	Indirect remuneration for activities at subsidiaries	**Total TCHF**
Bernhard Burgener, member of the Board of Directors	Jan. 1, 2018 to Dec. 31, 2018	0	0	0	1,689	**1,689**
Peter von Büren, CFO	Jan. 1, 2018 to Dec. 31, 2018	0	0	0	816	**816**
Total		**0**	**0**	**0**	**2,505**	**2,505**

The details of remuneration can be found in the annual report of Highlight Communications AG.
No loans or borrowings were granted, and no shares, option rights or similar participation rights were allocated in the year under review or in the previous year.

Fiscal 2017

Members of the management team received the following remuneration for fiscal 2017:

verified [1]	Period	Fixed remuneration (gross)	Variable remuneration	Pension benefits	Indirect remuneration for activities at subsidiaries	Total CHF
Bernhard Burgener, member of the Board of Directors	Jan. 1, 2017 to Dec. 31, 2017	0	0	0	1,691	1,691
Peter von Büren, CFO	Jan. 1, 2018 to Dec. 31, 2018	0	0	0	812	812
Total		**0**	**0**	**0**	**2,503**	**2,503**

4 Advisory Board

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

5 Contract terms and benefits payable to departing employees at Highlight Event and Entertainment AG

No members of the Board of Directors or the management team have a contract with Highlight Event and Entertainment AG which grants them severance pay if they leave Highlight Event and Entertainment AG.
Statutory notice periods apply to members of the management team.
Non-compete clauses were not agreed with any members of the Board of Directors or the management team.

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

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

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

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

7 Statutory provisions regarding votes on remuneration at the Annual General Meeting.

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

8 Loans and borrowings to corporate bodies[1]

As of December 31, 2018 and December 31, 2017 respectively, there were no outstanding loans or borrowings granted by Highlight Event and Entertainment AG to current or former members of the Board of Directors or the management team.

9 Related-party transactions[1]

9.1 Loans to related parties

All loans and borrowings are concluded on an arm's length basis.

9.2 Other related-party transactions not at arm's length

As of December 31, 2018 and December 31, 2017 respectively, the company was not involved in any related-party transactions that were not at arm's length.

10 Remuneration paid to former members of corporate bodies[1]

In fiscal 2018 and in the previous year, no compensation was paid to former members of corporate bodies.

11 Management contracts

There are no management contracts.

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

12 Equity investments in Highlight Event and Entertainment AG

As of December 31, 2018, the members of the Board of Directors and the management team (including related parties) held a total of 57.94% of outstanding bearer shares in Highlight Event and Entertainment AG (previous year: 21.77%).
The individual members of the Board of Directors and the management team (including related parties) held the following equity investments:

a. Bernhard Burgener: 1,812,814 or 21.08%
b. Peter von Büren: none
c. Related party: Obotritita Capital KGAA 701,200 equivalent to 8.15%
d. Related party: Studhalter Investment AG 2,468,459 equivalent to 28.70%
e. Related party: Sven Heller 897 equivalent to 0.01%

Tel. +41 62 834 91 91
Fax +41 62 834 91 00
www.bdo.ch

BDO AG
Entfelderstrasse 1
5001 Aarau

REPORT OF THE STATUTORY AUDITOR
At the Annual General Meeting of
Highlight Event and Entertainment AG, Pratteln

We have audited the Remuneration Report reproduced on pages 96 to 101 for the fiscal year of Highlight Event and Entertainment AG ended December 31, 2018.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the Remuneration Report in accordance with Swiss law and the Swiss Ordinance Against Excessive Compensation in Listed Stock Corporations (VegüV). The Board of Directors is also in charge of structuring the remuneration system and defining individual remuneration amounts.

Responsibility of the auditor

Our responsibility is to express an opinion on the accompanying Remuneration Report based on our audit. 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 to 16 VegüV.

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 to 16 of the Ordinance. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the Remuneration Report, whether due to fraud or error. This audit also includes an evaluation of the appropriateness of the methods applied to measure remuneration components and an evaluation of 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.

Audit opinion

In our opinion, the Remuneration Report of Highlight Event & Entertainment AG for the fiscal year ended December 31, 2018 complies with Swiss law and articles 14 to 16 VegüV.

Aarau, April 24, 2019

BDO AG

Thomas Schmid	Philipp Mathys
Head auditor Licensed audit expert	Licensed audit expert

CORPORATE GOVERNANCE

Highlight Event & Entertainment AG strives for transparency at all times and pursues an open communication policy. Pursuing these efforts is important to us.
Highlight Event & Entertainment AG aligns its activities with the general guidelines of the Swiss Code of Best Practice of economiesuisse and complies with the Corporate Governance Directive (RLCG) of SIX Swiss Exchange. The corporate governance rules of Highlight Event & Entertainment AG are determined by law and set forth in the company's Articles of Association and organizational and operational rules.

The disclosures in this Corporate Governance report relates to the company's organization, regulations and Articles of Association effective as of December 31, 2018.

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

1.1.1 Operating Group structure

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

The company owns 100% of the share capital of Highlight Event AG, Emmen, with share capital of CHF 500,000 divided into 500 registered shares each with a nominal value of CHF 1,000. Highlight Event AG handles its operating business in the Event Marketing segment.

In addition, the company holds 100% of the share capital of Escor Automaten AG, Pratteln, with share capital of CHF 3,000,000, divided into 3,000 bearer shares each with a nominal value of CHF 1,000. Escor Automaten AG has no operating activities and is reported in the Other segment.

The HLEE Group holds 51% of the share capital of Comosa AG, Pratteln.
The share capital of CHF 150,000 is divided into 114,361 registered shares and 35,639 preference shares (registered shares) with a nominal value of CHF 1 each.
Comosa AG produces the World Boxing Super Series in the Sport segment.

On March 15, 2018, Chameleo AG was founded in Pratteln with share capital of CHF 100,000 divided into 100,000 registered shares each with a nominal value of CHF 1. The HLEE Group holds a 90% stake. The company is at an early stage of development and is reported in the Other segment.

In the 2018 reporting period, the equity investment in Highlight Communications AG was increased to 44.72%. The share capital of Highlight Communications AG amounts to CHF 63,000,000 and is divided into 63 million bearer shares with a nominal value of CHF 1 each. As a strategic and financial holding company, Highlight Communications AG comprises the Film and Sport and Sport- and Event-Marketing segments.

Information on segment reporting can be found on pages 75 and 76.

1.1.2 Listed companies

Highlight Event & Entertainment AG's shares (bearer shares) are quoted on the SIX Swiss Exchange (ticker symbol: HLEE; securities number 358 325; ISIN no.: CH0003583256). Its nominal share capital amounts to CHF 77,400,000. The company is based in Pratteln. For information on market capitalization, please refer to the figures on page 4. The consolidated group of the HLEE Group includes Highlight Communications AG, domiciled in Pratteln, which is a listed media company. Its shares are listed in the Prime Standard of the Frankfurt Stock Exchange (ISIN: CH 000 653 9198, German securities number: 920 299, stock market symbol: HLG). As of March 31, 2018, as a result of a takeover offer Highlight Communications AG obtained control at Constantin Medien AG. At the end of the year, the equity investment in Constantin Medien AG was 79.18%. Its shares are listed in the Prime Standard of the Frankfurt Stock Exchange (ISIN: German securities number: 914720 7, stock market symbol: EV4).

1.1.3 Non-listed companies

In addition, the non-listed companies Highlight Event AG, Emmen, and Chameleo AG, Escor Automaten AG and Comosa AG in Pratteln. are included in the consolidated group of Highlight Event & Entertainment AG.

1.2 Principal shareholders

The company is aware of the following shareholders with a share of voting rights of more than 3% of the share capital entered into the Commercial Register as of December 31, 2018 in accordance with Article 20 of the *Börsengesetz* (BEHG – Swiss Stock Exchange Act):

Shareholder	Share of voting rights as disclosed
Studhalter Investment AG, Lucerne	28.70%
Bernhard and Rosmarie Burgener, Zeiningen	21.08%
Victorinox AG, Ibach	12.44%
Obotritia Capital KGAA, DE-Potsdam	8.76%
Miralco Holding AG, Muttenz	7.36%
René Camenzind, Brunnen	5.47%
Stella Finanz AG, Glarus	5.35%

The following disclosures were made in fiscal 2018:

- Bernhard and Rosmarie Burgener, reduction of shareholding to 21.08% (previous year: 21.66%)

1.3 Cross-holdings

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

2. CAPITAL STRUCTURE

2.1 Capital (ordinary, authorized and contingent capital)

Please see page 87 of the notes to the financial statements of Highlight Event & Entertainment AG.

2.2 Ordinary capital as of December 31, 2018

Ordinary share capital: HLEE has share capital of CHF 77,400,000, divided into 8,600,000 bearer shares each with a nominal value of CHF 9.

2.3 Authorized and contingent capital in particular

The authorized capital was renewed and increased at the Annual General Meeting on December 8, 2017. Contingent capital was also created. For this reason, the following was added to Article 3 of the Articles of Association:

Article 3a: Authorized capital
The Board of Directors is authorized to increase the capital by a maximum of CHF 27,591,930 until December 8, 2019 by issuing a maximum of 3,065,770 fully paid-up bearer shares each with a notional interest in the share capital of CHF 9.

Article 3b: Contingent capital
The share capital of the company is increased by not more than CHF 8,100,000 by issuing not more than 900,000 fully paid in bearer shares with a notional value of CHF 9 each, in the event and to the extent that option or conversion rights granted in connection with new or existing convertible loans, bonds or similar obligations of the company are exercised.

Shareholders' pre-emption rights are disapplied for these shares. Shareholders' pre-emption rights in relation to new convertible loans, bonds or similar obligations can be restricted or disapplied by way of resolution of the Board of Directors for the following purposes: (i) financing and refinancing of the acquisition of companies, parts of companies, equity investments or new investment projects; or (ii) if issued on international capital markets or in the context of private placements.

Pre-emption rights can be disapplied if all the following conditions are met: (i) the instruments must be issued at market conditions; (ii) from the issue date of the respective instrument, the period within which the option and conversion rights can be exercised must not exceed 10 years for option rights or 20 years for conversion rights; and (iii) the conversion or exercise price of the new shares must be at least equal to the market price at the instrument in question is issued.

2.4 Changes in capitalover the past three reporting periods

Information in CHF as of Dec. 31	**2016**	**2017**	**2018**
Share capital	15,592,500	77,400,000	77,400,000
General reserves	3,066,685	3,066,685	3,066,685
Reserve from capital contributions	10,196,500	50,610,064	50,610,064
Treasury shares	-785,545	-785,545	-1,696,990
Net accumulated losses	-15,503,058	-5,632,460	-8,278,896
Equity	12,567,082	124,658,744	121,100,863

Changes in equity in 2018
There were no changes in ordinary share capital in 2018.

Changes in equity in 2017
There were two capital increases in 2017. Authorized capital under Article 3a of the Articles of Association was resolved at the Annual General Meeting on December 8, 2017. Contingent capital was also created in accordance with Article 3b of the Articles of Association.

Changes in equity in 2016
There were no changes in ordinary share capital in 2016. Authorized capital under Article 3a of the articles of incorporation was resolved at the Annual General Meeting on June 13, 2016.

2.5 Shares and participation certificates

A total of 1,732,500 bearer shares with a nominal value of CHF 9 each have been issued. All shares are fully paid up. Each share entitles the holder to one vote. All shares entitle the holder to dividends.
There are no preferential rights or participation certificates.

2.6 Profit-sharing certificates

No profit-sharing certificates were issued.

2.7 Restrictions on transferability and nominee registrations

The company has issued bearer shares. There are no registered shares, which is why there are also no restrictions regarding transferability or nominee registrations.
The conversion of bearer shares into registered shares and the introduction of restrictions on transferability and registrations are permitted in accordance with statutory quorum requirements.

2.8 Convertible bonds and options

No options were granted. In the reporting year, a convertible loan was raised in the year under review (more information can be found under “Financial liabilities” in Note 6.9).

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors

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

- Swiss citizen from Mund (VS), born in 1957. Businessman. 1976: Graduated from the Kaufmännischer Verein Basel. Bernhard Burgener has been working as an entrepreneur in the film industry and the area of sports and event management for 35 years. He has been a member of the Board of Directors of Highlight Communications AG, Pratteln, since 1994 and has been the President of the Board of Directors and CEO since 2011.
- Bernhard Burgener was elected as the President of the Board of Directors of HLEE by the Annual General Meeting on May 11, 2012. Mr. Burgener was elected as the CEO at the Annual General Meeting on June 13, 2016.

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

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

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

- German citizen, born in 1976 in Locarno. He studied in Mannheim and Paris and graduated in business administration. Started his career as an analyst and equity strategist in Great Britain. From 2009 to 2014, he was CEO of TAG Immobilien AG, Hamburg. Today Rolf Elgeti is an independent real estate manager with Obotritia, which holds approx. 8.8% in the company.
- He was elected as non-executive member of the Board of Directors by the Annual General Meeting on June 29, 2018.
- In the last three reporting periods, Rolf Elgeti had no function in the management team of the HLEE Group. There are also no significant business relations.

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

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

Aline Studhalter, non-executive member of the Board of Directors

- French citizen, born in 1977 in Nice.
- Aline Studhalter has legal and notarial training with experience in investment management and investment development. She is an active entrepreneur in the areas of private equity and international real estate transactions. In addition, she is involved in various charitable and philanthropic projects. She is shareholder (with 50%) and member of the Board of Directors of Studhalter Investment AG, which holds approx. 28.7% in the company.
- She was elected as non-executive member of the Board of Directors by the Annual General Meeting on June 29, 2018.
- In the last three reporting periods, Aline Studhalter had no function in the management team of the HLEE Group. There are also no significant business relations.

3.2 Other activities and interests

Bernhard Burgener

Highlight Communications AG, Pratteln	President and CEO
Constantin Film AG, Munich, Germany	Chairman of the Supervisory Board
Constantin Film und Entertainment AG, Zürich	President
Team Holding AG, Lucerne	President
Team Football Marketing AG, Lucerne	President
T.E.A.M. Television Event And Media Marketing AG, Lucerne	President
T.E.A.M. Pension fund, Lucerne	President of the Foundation
Rainbow Home Entertainment AG, Pratteln	President
Highlight Event AG, Emmen	President
Lechner Marmor AG, Laas, Italy	President
Club de Bâle SA, Basel	President
Comosa AG, Zürich	President
Cineprotect Stiftung, Pratteln	President of the Foundation
FC Basel 1893, Basel	President
FC Basel Holding AG, Basel	President
FC Basel 1893 AG	President
Stadiondienst AG, Basel	President
Skywall Dr Stiftung	Member of the board of trustees
EurAsia Heart – A Swiss Medical Foundation, Zürich	Member of the board of trustees

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

Peter von Büren

Highlight Communications AG, Pratteln	Member
Constantin Film AG, Munich, Germany	Supervisory Board
Escor Automaten AG, Pratteln	Member
Constantin Film und Entertainment AG, Zürich	Member
Highlight Event AG, Emmen	Member
CBE Marmor & Handels AG, Ibach	President
Comosa AG, Zürich	Member
Rainbow Home Entertainment AG, Pratteln	Vice President
Cineprotect Stiftung, Pratteln	Member
Plazamedia Swiss AG	Member
FC Basel Holding AG, Basel	Member
Stadiondienst AG, Basel	Member
Team Holding AG, Lucerne	Member
Team Football Marketing AG, Lucerne	Member
T.E.A.M. Television Event And Media Marketing AG, Lucerne	Member
T.E.A.M. Pension fund, Lucerne	Member

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

Rolf Elgeti

TAG Immobilien AG, Hamburg	Chairman of the Supervisory Board
Deutsche Leibrenten Grundbesitz AG, Frankfurt am Main	Chairman of the Supervisory Board
creditshelf Aktiengesellschaft, Frankfurt am Main	Chairman of the Supervisory Board
Staramba SE, Berlin	Member
Laurus Property Partner, Munich	Member of the Advisory Board
Deutsche Konsum REIT-AG, Potsdam	Chairman
Deutsche Industrie REIT-AG, Potsdam	Chairman
Obotritia Capital KGaA, Potsdam	General Partner

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

Sven Heller

Heller Anwaltskanzlei AG, Lucerne	President
Peak One AG, Lucerne	President
Fumibe AG, Lucerne	President
Daniel Gresch & Partner AG, Lucerne	Member
Tellco AG, Schwyz	Member
Tellco Holding AG, Schwyz	President
Tellco Freizügigkeitsstiftung, Schwyz	Member of the Foundation Board
Brixel AG, Zurich	Member
MJN Projects AG, Zug	President
MySlide GmbH	Partner
Heller & Co., Lucerne	Partner
Great4Image GmbH, Küssnacht	Partner
Brixel Realestate AG, Lucerne	Member

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

Aline Studhalter

Studhalter Investment AG, Lucerne	Member
Studhalter Immobilien AG, Lucerne	Member
Stuurman Holding AG, Lucerne	Member
Stuurman Estates AG, Lucerne	Member
Stuurman Properties AG, Lucerne	Member
swiss international investment portfolio ag, Lucerne	President
swiss international advisory group ag, Lucerne	Member
Swiru Holding AG, Lucerne	Member
Swiss international real estate ag, Lucerne	Member
Bellina Investment AG, Lucerne	President
Employee Assistance Foundation of swiss International advisory group ag, Lucerne	Member
PMS Property Management Services AG, Lucerne	Member
Rogast Immobilien AG, Lucerne	President

Board member Aline Studhalter does not act in an official or political capacity.

3.3 Number of activities permitted outside the Highlight Event and Entertainment Group

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

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

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

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

3.4 Election and term of office

3.4.1 General

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

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

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

The following members of the Board of Directors were elected at the Annual General Meeting on June 29, 2018. Bernhard Burgener was re-elected as the President of the Board of Directors. Rolf Elgeti and Aline Studhalter were elected as members of the Compensation Committee.

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

Members of the Board of Directors	Member since	Last election / elected to
Bernhard Burgener	1995	AGM 2018 / AGM 2019
Peter von Büren	2012	AGM 2018 / AGM 2019
Rolf Elgeti	2018	AGM 2018 / AGM 2019
Sven Heller	2018	AGM 2018 / AGM 2019
Aline Studhalter	2018	AGM 2018 / AGM 2019

3.5 Internal organization

3.5.1 Division of responsibilities of the Board of Directors

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

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

3.5.2 Composition and responsibilities of the Compensation Committee

The Compensation Committee is made up of at least two members of the Board of Directors. At the Annual General Meeting of June 29, 2018, Rolf Elgeti and Aline Studhalter were elected as members of the Compensation Committee. For more information about the tasks of the Compensation Committee, please refer to Article 23 of the Articles of Association and the Remuneration Report (pages 96 to 101).

3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors meets as a whole. The Board of Directors holds board meetings at least twice a year. Beyond this, the Board meets as often as necessary. Board meetings last an average of two hours, although the duration of individual meetings may differ from this average depending on the respective agenda or workload. Three board meetings took place in fiscal 2018. The individual items on the agenda can be found in the table below:

Board meetings in 2018

March 21, 2018
June 07, 2018
August 23, 2018

The Compensation Committee holds meetings at least twice a year. Beyond this, the Board meets as often as necessary. The duration of the meetings of the Compensation Committee depends on the issues discussed in each case.

3.6 Allocation of duties

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

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

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

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

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

- Granting loans of more than CHF 10,000 on a case-by-case basis
- Acquiring sureties, guarantees, letters of comfort and similar obligations.

3.7 Management information and monitoring tools

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

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

Furthermore, the CEO informed the Board of Directors of news within the management team in writing at least four times. At board meetings, he provided written and oral information on the respective quarterly reports with the statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity.
The Board of Directors conducted periodic risk assessments to an adequate extent and, where applicable, derived the resulting measures in order to ensure that the risk of material misstatements affecting the consolidated financial statements in the Annual Report is low.

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

4 MANAGEMENT TEAM

4.1 Members of the management team

Bernhard Burgener, President of the Board of Directors and CEO since June 13, 2016
Detailed information about Bernhard Burgener can be found in section 3.1 "Members of the Board of Directors" in this Annual Report.

Peter von Büren, CFO and member of the Board of Directors since June 13, 2016
Detailed information about Peter von Büren can be found in section 3.1 "Members of the Board of Directors" in this Annual Report.

4.2 Other activities and interests

Bernhard Burgener
Detailed information about Bernhard Burgener can be found in section 3.1. A description of his other activities and interests can be found on page 107 of the Annual Report.

4.3 Number of activities permitted outside the Highlight Event & Entertainment Group

The wording of Article 29 of the Articles of Association regarding the number of activities permitted outside the Highlight Event & Entertainment Group can be found in the information concerning the Board of Directors on page 109.

4.4 Management contracts

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

5 COMPENSATION, EQUITY INVESTMENTS AND LOANS

Detailed information on compensation, equity investments and loans granted to current and former members of the Board of Directors and the management team in addition to responsibilities and procedures can be found in the remuneration report (pages 96 to 101).

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

5.1 Contract terms and benefits payable to departing employees at the company

Members of the Board of Directors and the management team do not have contracts with special severance pay clauses or contracts with unusually long terms.

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

Highlight Event and Entertainment AG does not pay any variable remuneration to members of the Board of Directors or members of the management team.

5.2 Loans and borrowings to corporate bodies

As of December 31, 2018 and December 31, 2017, there were no outstanding loans or borrowings granted by Highlight Communications AG to current or former members of the Board of Directors, the management team or related parties.

5.3 Pension benefits

Post-employment pension benefits include all pension and risk insurance contributions made by the employer in addition to the employer contributions for social insurance, unemployment and the family compensation fund, to Swiss old age/disability/family insurance and the accident and health insurance (occupational, non-occupational and hospital benefits).

6 STATUTORY PROVISIONS REGARDING LOANS, LENDING AND RETIREMENT BENEFITS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT TEAM

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

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

7 STATUTORY PROVISIONS REGARDING VOTES ON REMUNERATION AT THE ANNUAL GENERAL MEETING

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

8 PARTICIPATION RIGHTS OF SHAREHOLDERS

8.1 Restriction on voting rights and proxy voting

8.1.1 Restrictions on voting rights

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

8.1.2 Proxy voting

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

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

The Annual General Meeting on June 29, 2018 elected Ms. Silvia Margraf, lawyer and notary, as the independent proxy until the end of the 2019 Annual General Meeting. Ms. Margraf is independent and has no other mandates for the company.

Statutory provisions regarding independent proxies are specified in Article 14 of the Articles of Association.

8.2 Statutory quorums

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

8.3 Convening the Annual General Meeting

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

8.4 Addition of an item to the agenda

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

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

8.5 Stock ledger entries/authentication

There are no registered shares and thus no stock ledger.
Owners of stock certificates or relevant custody accounts are considered to be shareholders by the company. The company recognizes only one beneficiary per share.

9 CHANGE OF CONTROL AND PROTECTIVE MEASURES

9.1 Duty to make an offer

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

9.2 Change-of-control clauses

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

10 AUDITORS

10.1 Mandate term of the head auditor

10.1.1 Appointment date of the current auditor

BDO AG, Aarau, has been the statutory auditor of Highlight Event and Entertainment AG since fiscal 2016.

10.1.2 Appointment of the head auditor

As head auditor, Mr. Thomas Schmid at BDO AG is in charge of the audit mandate. As head auditor, Mr. Thomas Schmid can and will remain in office for a maximum term of seven years. He has served as the head auditor for the company since 2016.

10.2 Auditor’s fees

The total audit fees invoiced by the audit firm (BDO AG) for the audit of the annual financial statements of Highlight Event and Entertainment AG and the Group companies, in addition to the consolidated financial statements of the HLEE Group, in the year under review amount to CHF 162,000. This figure has been deferred by HLEE.

10.3 Additional fees

An additional CHF 20,820 was paid to the statutory auditor in the year under review. This related to special audit services in connection with a prospectus review.

10.4 Information tools of external auditors

The Board of Directors communicates directly with the external statutory auditor to discuss the audit work on the annual and semi-annual financial statements. After completing the audit, the statutory auditor reports on their findings to the Board of Directors and prepares an extensive report for the Board of Directors. The Board of Directors supervises and monitors external auditors and held a meeting with these auditors for fiscal 2018. The Board of Directors periodically assesses the ability, independence, work and invoicing of external statutory auditors.

11 CHANGES RESULTING FROM THE SWISS ORDINANCE ON COMPENSATION IN LISTED STOCK CORPORATIONS

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

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

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

- Bans on termination pay, advance payments, provisions for the acquisition or transfer of companies and parts thereof (adopted as of January 1, 2014).
- Transfer of management to natural persons only (applied as of January 1, 2014). HLEE has allocated operational management to the CEO and management team (natural persons) in the past.

- Obligation for pension funds to exercise their voting rights (adopted as of January 1, 2015). These provisions relate to pension funds and pension schemes that are subject to the *Freizügigkeitsgesetz* (Swiss Vested Benefits Act) of December 17, 1993.

12 INFORMATION POLICY

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

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

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

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

Highlight Event and Entertainment AG
Netzibodenstrasse 23b
4133 Pratteln, Switzerland
Tel: +41 41 226 05 97
Fax: +41 41 226 05 98

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