ANNUAL REPORT 2019

Highlight Event and Entertainment AG, CH-4133 Pratteln

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KEY FIGURES

in CHF thousand		2019	2018
Consolidated total assets	as of December 31	973,469	964,997
Consolidated equity	as of December 31	360,431	391,339
Market capitalization	as of December 31	216,719	183,700
Consolidated net income		17,887	-20,175
Consolidated net income attributable to shareholders		7,164	-14,518
Shares outstanding at beginning of fiscal year	Number	8,504,618	8,548,623
Shares outstanding at end of fiscal year	Number	8,599,979	8,504,618
Treasury shares at beginning of reporting period	Number	95,382	51,377
Treasury shares at end of reporting period	Number	21	95,382
Weighted average number of shares outstanding	Number	8,492,988	8,544,787
Earnings per outstanding share	CHF	0.84	-1.70
Share price of bearer shares each with a nominal value of CHF 9 as of December 31	CHF	25.20	21.60
Dividend per bearer share with a nominal value of CHF 9 (proposal by the Board of Directors for 2019)	CHF	-	-
Number of employees (FTEs)	as of December 31	1,374	1,558
Number of employees (FTEs)	Average for the year	1,444.0	1,566.3

Dear shareholders

The HLEE Group has had an eventful and successful fiscal year 2019, 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.

One organizational priority in the past year was undoubtedly the streamlining of our Group structure, which we continued to advance together. The main focus was on the publication of a public delisting tender offer to the remaining shareholders of Constantin Medien AG (CMAG) on July 31, 2019. By the end of the acceptance period, this had been accepted by 14.25 % of Constantin Medien's share capital. CMAG then applied in mid-August to have its admission to the regulated market of the Frankfurt Stock Exchange withdrawn. This application was approved in September, with the effect that trading in CMAG shares ended on September 20, 2019.

Course of business and earnings

We succeeded in increasing the consolidated net profit attributable to shareholders from CHF -14.5 million to CHF 7.2 million and are in a position to consider the year a positive one. EBIT saw a pleasing increase from CHF -0.5 million to CHF 32.5 million. Earnings per share for our shareholders rose significantly year-on-year from CHF -1.69 to CHF 0.84.

Event Marketing segment

Vienna Philharmonic Orchestra

The New Year's Day Concert and the Summer Night Concert – still the biggest annual TV events in the classical music world – were implemented to the great satisfaction of the orchestra, the sponsors, and the media partners in 2019. Once again, 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. Additional events were successfully organized in London (The Barbican), Amsterdam (The Royal Concertgebouw), Milan (La Scala) and Macau. The concerts in Milan and Macau were recorded by television (RAI and CCTV) and were each broadcast in more than 20 countries. The concert in Milan (La Scala) was a particularly unique experience for the TV partners and sponsors as well as for the guests, as many outstanding soloists performed with the orchestra.

In addition, the cooperation with the audio-visual streaming platforms Fidelio and Medici to broadcast the subscription concerts from Vienna was continued. Another important partner in the audio streaming area was acquired with Idagio, which will also broadcast the subscription concerts over the next three years. With a focus on the three main partners (Fidelio, Medici, and Idagio), a future-oriented streaming plan for the orchestra was established that takes account of the technical developments while also meeting the high quality standards of the Vienna Philharmonic Orchestra.

For 2020, alongside the two major events in Vienna, the two special concerts in Barcelona (Sagrada Familia) and Beijing (NCPA) are planned. TV recordings are planned for both events (by TVE and CCTV respectively). The extremely technically challenging preparations for the concert in the Sagrada Familia cathedral for Spanish television (TVE) involve a great deal of work but promise to be an absolute highlight for the guests.

Eurovision Song Contest

The Eurovision Song Contest 2019 in Tel Aviv also went ahead very successfully. As in the previous years, the semi-finals and the grand finale were watched on television by more than 100 million viewers. More than 100,000 fans also attended the events in person, which were once again broadcast to over 40 countries.

The main sponsor of the event was the online genealogy company MyHeritage, which contributed to its success for visitors with very innovative marketing concepts in relation to the event. OSRAM, Bank Hapoalim, The Native, and the Israeli Ministry of Tourism also signed on as additional partners. As well as the technically impressive TV production by the public broadcaster KAN, another highlight was the activities in the Eurovision Village (Fan Zone) in the center of Tel Aviv, which was visited by more than 50,000 guests on some days. The exclusive local hospitality arrangements and merchandising activities were also a huge success for both EBU and the sponsors.

The Eurovision Song Contest 2019 was won by the Dutch singer Duncan Laurence.

Given the long-term agency agreements with the Vienna Philharmonic Orchestra and the EBU , the order situation can be described as stable.

Sport segment

The semi-finals and finals of the second season of the World Boxing Super Series were held successfully in 2019. Once again, the best boxers in each weight class competed for the coveted Muhammad Ali Trophy. The field of participants was increased from two to three weight classes, with the very attractive cruiserweight class being selected again as well as bantamweight and super lightweight.

After the quarter-finals at the end of 2018, the semi-finals were held in Lafayette, Glasgow and Riga between April and June 2019. They were followed by the super lightweight final in London in October and the bantamweight final in Tokyo in November, in which Naoya Inoue defeated Nonito Donaire. This bout was named the Fight of the Year 2019 by many experts and specialist magazines.

In the Sports segment, we were pleased to see that our online sports portal SPORT1 was still the Number 1 in Germany in the past fiscal year.

In free TV, it was also confirmed that the live broadcasts of the DFB Cup matches (one per round) bring in much higher market shares than the broadcaster’s average, i.e. it pays off to purchase these rights.

Sports- and Event-Marketing segment

In our Sports- and Event-Marketing segment, preparations got underway for marketing the UEFA club competitions for the 2021/22 to 2023/24 seasons. In addition to the media, sponsorship and licensing rights to the UEFA Champions League and the UEFA Europa League, the corresponding rights to the UEFA Europa Conference League – a new competition that will kick off for the first time in the 2021/22 season – will also be marketed now.

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).

"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 1,444 full-time employees on average over fiscal 2019. Specifically, Highlight Communications AG employed 1,428 full-time employees, Highlight Event AG six full-time employees, Chameleo AG two 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 66).

Outlook and acknowledgments

As things currently stand, the Constantin Film Group plans to bring out at least ten new theatrical releases in the current fiscal year. These will comprise two licensed titles and eight own and co-productions, including "Ostwind – Der große Orkan," "Kaiserschmarrndrama," "Dragon Rider," "Monster Hunter," and "Contra." In home entertainment exploitation, the Constantin Film Group will also particularly benefit from the release of the hit comedy "Das perfekte Geheimnis" in 2020.

Activities in Sports- and Event-Marketing will continue to focus on the best possible marketing of the UEFA club competitions for the 2021/22 to 2023/24 seasons.

SPORT1 will continue to focus on the systematic use, distribution, and capitalization of multimedia content in fiscal year 2020 as well. In addition to augmenting the portfolio by acquiring attractive new rights, extending existing partnerships, and developing new content cooperations and business areas, cross-platform exploitation and production of established pillars of programming also remain central.

On November 7, 2019, we had to say farewell to our highly regarded Board member Aline Studhalter, who passed away unexpectedly and far too early.

Aline Studhalter had been a member of the Board of Directors of Highlight Event and Entertainment AG since 2018. We want to honor her memory in gratitude for the time we shared together.

Finally, on behalf of the entire Board of Directors, I would like to thank all employees of our Group for their successful work in 2019, which was performed – as always – with energy, commitment and expertise. I would also like to thank you, our shareholders, for your continued trust in the HLEE Group, which we intend to continue to justify in the new fiscal year.

On behalf of the Board of Directors:

Bernhard Burgener

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in CHF thousand	Note	Dec. 31, 19	Dec. 31, 18
Cash and cash equivalents	4.2, 6.14	55,266	59,340
Receivables	6.11	124,770	146,507
Contract assets	6.12	18,626	23,507
Other financial assets	6.9	14	0
Inventories	6.10	7,187	5,860
Current assets		**205,863**	**235,214**
Film assets	6.1	174,673	185,451
Property, plant and equipment	6.3	14,691	17,563
Right-of-use assets	6.4	38,236	0
Intangible assets	6.2	384,586	388,676
Goodwill	6.2	117,566	117,329
Other financial assets	6.9	6,945	4,794
Investments in associated companies	6.6	54	54
Non-current receivables	6.7	17,321	14,743
Deferred tax assets	6.8	13,534	1,173
Non-current assets		**767,606**	**729,783**
ASSETS		**973,469**	**964,997**
Current liabilities	6.21	151,503	173,851
Contract liabilities	6.22	7,401	8,131
Financial liabilities	6.18	139,086	189,738
Lease liabilities	2.1, 6.4	8,046	0
Current tax liabilities	6.24	5,818	4,288
Advance payments received	6.19	57,487	72,111
Provisions	6.23	4,572	7,856
Current liabilities		**373,913**	**455,975**
Non-current liabilities	6.20	311	1,958
Financial liabilities	6.18	130,314	44,348
Lease liabilities	2.1, 6.4	31,904	0
Benefit plan liabilities	6.16	6,609	4,713
Deferred tax liabilities	6.17	69,987	66,664
Non-current liabilities		**239,125**	**117,683**
Debt		**613,038**	**573,658**
Share capital	6.15	77,400	77,400
Treasury shares	6.15	0	-1,697
Reserves	6.15	16,398	61,241
Equity attributable to the shareholders of HLEE		**93,798**	**136,944**
Non-controlling interests	6.15	266,633	254,395
HLEE		**360,431**	**391,339**
EQUITY AND LIABILITIES		**973,469**	**964,997**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF thousand	Note	2019	2018
Revenue	7.1	504,606	564,083
Capitalized film production costs and other own work capitalized	7.2	95,857	154,877
Gross revenue		**600,463**	**718,960**
Other operating income	7.3	**57,636**	**21,114**
Costs for licenses, commissions and materials		-50,590	-48,501
Cost of purchased services		-173,969	-239,691
Cost of materials and licenses	7.4	**-224,559**	**-288,192**
Salaries		-152,954	-135,984
Social security, pension costs		-21,277	-19,554
Staff costs		**-174,231**	**-155,538**
Other operating expenses	7.5	-109,771	-134,832
Amortization, depreciation and impairment		-116,401	-160,696
Impairment/reversal on financial assets	7.6	-645	-1,298
Losses/gains on the derecognition of financial assets (AC)		-2	-47
Operating result		**32,490**	**-529**
Net income from associates		**7**	**-360**
Interest income and other financial income	7.7	2,145	4,848
Interest expense and other finance cost	7.8	-19,239	-16,899
Earnings before taxes		**15,403**	**-12,940**
Current taxes	7.9	-5,718	-6,220
Deferred taxes	7.9	8,202	-1,015
Net income from continuing operations		**17,887**	**-20,175**
Net income from discontinued operations		0	0
Consolidated net income		**17,887**	**-20,175**
Other comprehensive income/loss not reclassified to profit or loss			
Gains/losses from financial assets at fair value	6.15	101	-2,177
Pension plan remeasurement	6.15	-1,207	1,248
Other comprehensive income/loss reclassified to profit or loss			
Currency translation differences	6.15	-6,750	-4,608
Gains/losses from cash flow hedges	6.15	-251	1,598
Other comprehensive income including taxes		**-8,108**	**-3,939**
Total comprehensive income		**9,779**	**-24,114**
Consolidated net income attributable to:			
Shareholders of Highlight Event & Entertainment AG		7,164	-14,518
Non-controlling interests		10,723	-5,657
Total comprehensive income attributable to:			
Shareholders of Highlight Event & Entertainment AG		2,139	-17,945
Non-controlling interests		7,640	-6,169
Basic earnings per share (CHF)		0.84	-1.70
Diluted earnings per share (CHF)		0.84	-1.70
Weighted number of shares outstanding		8,492,988	8,544,787

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

CONSOLIDATED STATEMENT OF CASH FLOWS

in CHF thousand	Note	2019	2018
Consolidated net income		17,887	-20,175
Deferred taxes	7.9	-8,202	1,015
Income tax	7.9	5,718	6,220
Net finance cost	7.7, 7.8	16,074	9,648
Amortization and depreciation	6.1, 6.2, 6.3	116,401	160,696
Other non-cash income and expenses		-1,920	2,489
Gain (-)/loss (+) from disposal of non-current assets		-275	56
Net income from associates		-7	360
Interest paid and other finance cost	6.18	-9,112	-12,591
Interest received and other financial income		974	506
Taxes paid		-5,186	-5,506
Taxes received		505	1,731
Increase (-)/decrease (+) in assets attributable to operating activities		1,501	-15,592
Decrease (-)/increase (+) in liabilities attributable to operating activities		-25,519	26,412
Cash flow from operating activities		**108,839**	**155,269**
Acquisition of property, plant and equipment	6.3	-6,602	-12,230
Acquisition of intangible assets	6.2	-3,697	-3,274
Acquisition of film assets	6.1	-93,730	-177,184
Disposal of property, plant and equipment		97	277
Disposal of intangible assets		0	125
Change in cash and cash equivalents due to acquisitions		859	-107,829
Disposal of associates		0	6
Acquisition of shares in subsidiaries		-199	-170
Disposal of shares in subsidiaries		0	12,221
Acquisition of financial assets	3.1	-620	-76,013
Disposal of financial assets	3.1	0	75,548
Cash flow from investing activities		**-103,892**	**-288,523**
Acquisition of treasury shares	6.15	-406	-911
Sale of treasury shares		1,375	0
Payments for purchase of non-controlling interests		-35,080	-1,744
Borrowing of non-current financial liabilities	6.18	120,756	125,067
Repayment of current financial liabilities	6.18	-80,268	-117,026
Repayment of lease liabilities		-8,372	0
Proceeds from sale/leaseback		3,936	0
Dividend payments	6.15	-8,164	-7,369
Cash flow from financing activities		**-6,223**	**-1,983**
Net change in cash and cash equivalents		**-1,276**	**-135,237**
Cash and cash equivalents as of January 1		59,340	197,661
Effect of exchange rate differences		-2,798	-3,084
Cash and cash equivalents as of December 31		**55,266**	**59,340**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity in 2019 in CHF thousand	Share capital	Reserves	Treasury shares	**Equity attributable to the shareholders of HLEE**	Non-controlling interests	**Total HLEE**
January 1, 2019	**77,400**	**61,241**	**-1,697**	**136,944**	**254,395**	**391,339**
Consolidated net income in 2019		7,164		7,164	10,723	17,887
Other comprehensive income/loss in 2019		-5,025		-5,025	-3,083	-8,108
Total comprehensive income		**2,139**	**0**	**2,139**	**7,640**	**9,779**
Acquisition of treasury shares		0	-406	-406	0	-406
Sale of treasury shares		0	2,103	2,103	0	2,103
Change in consolidated group		-46,982		-46,982	12,762	-34,220
Dividend payments		0		0	-8,164	-8,164
December 31, 2019	**77,400**	**16,398**	**0**	**93,798**	**266,633**	**360,431**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity in 2018 in CHF thousand	Share capital	Reserves	Treasury shares	**Equity attributable to the shareholders of HLEE**	Non-controlling interests	**Total HLEE**
December 31, 2017	**77,400**	**79,341**	**-786**	**155,955**	**355,791**	**511,746**
Retroactive change of accounting method due to IFRS 9 and IFRS 15		**-155**		**-155**	**-192**	**-347**
January 1, 2018	**77,400**	**79,186**	**-786**	**155,800**	**355,599**	**511,399**
Consolidated net income in 2018		-14,518		-14,518	-5,657	-20,175
Other comprehensive income/loss in 2018		-3,427		-3,427	-512	-3,939
Total comprehensive income		**-17,945**	**0**	**-17,945**	**-6,169**	**-24,114**
Acquisition of treasury shares			-911	-911	0	-911
Change in consolidated group		0		0	-87,666	-87,666
Dividend payments		0		0	-7,369	-7,369
December 31, 2018	**77,400**	**61,241**	**-1,697**	**136,944**	**254,395**	**391,339**

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 17, 2020 and require the approval of the Annual General Meeting in June 2020.

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, Sports- and Event-Marketing, Sport and Event Marketing segment. 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, 2019, 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 reported in thousands of Swiss francs (TCHF) unless stated otherwise. For calculation reasons, rounding differences of +/- one unit (TCHF) can arise and the percentages shown may not precisely reflect the absolute figures to which they relate.

2. ACCOUNTING

2.1 Relevant standards and interpretations applied for the first time

Adoption of IFRS 16 "Leases"

The IASB published the final version of IFRS 16 "Leases" in January 2016. The Standard replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides for a single accounting model for lessees. All assets and liabilities under leases are recognized in the balance sheet unless the lease has a term of twelve months or less or the lease is for a low-value asset (see also note 4.8). The lessor still distinguishes between finance and operating leases for accounting purposes. There are no leases within the Group for which the HLEE Group is the lessor.

IFRS 16 is effective for the first time for annual periods beginning on or after January 1, 2019. The HLEE Group has chosen modified retrospective application with the recognition of the cumulative amount of adjustments in equity. As the right-of-use assets corresponded to the value of the lease liabilities on initial recognition, there were no cumulative adjustments. In accordance with IFRS 16.C7, comparative information for earlier periods is not restated. Its adoption essentially affects the leases previously classified as operating leases.

In accordance with the option provided by IFRS 16.5, short-term leases with a term of not more than twelve months (and without a purchase option) and leases for low-value assets (i.e. typically less than TEUR 5 per asset) were not accounted for in accordance with

IFRS 16, but rather recognized as other operating expenses on a straight-line basis over the term of the lease. 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 also applied the practical expedients of IFRS 16.C3(b) and did not review contracts that were not classified as leases under IAS 17 "Leases" in conjunction with IFRIC 4 "Determining whether an Arrangement contains a Lease" according to the definition of a lease in IFRS 16. Contracts classified as leases in accordance with IAS 17 continue to be treated as such. The Highlight Group does not exercise the option provided by IFRS 16.4 for intangible assets, and still accounts for right-of-use assets for intangible assets in accordance with the principles of IAS 38.

The Group has leases for various items of property, vehicles, technical equipment, and other leased assets. When adopting IFRS 16, the right-of-use asset for the lease asset was measured at the value of the lease liability, adjusted for prepaid or deferred lease payments. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate was between 0.16 % and 3.23 %. In accordance with IFRS 16.C10(d), the initial direct costs were not taken into account when measuring the right-of-use asset at the date of initial application.

For leases previously classified as finance leases, the carrying amount of the lease asset in accordance with IAS 17 immediately before the adoption of IFRS 16 and the carrying amount of the lease liability in accordance with IAS 17 were recognized as the initial carrying amount of the right-of-use asset and the lease liability in accordance with IFRS 16. The measurement principles of IFRS 16 are only applied thereafter.

The reconciliation of the rental and lease obligations not shown in the balance sheet as of December 31, 2018 to the lease liabilities recognized as of January 1, 2019 is as follows:

(TCHF)	Building and room rental	Vehicles	Other	Total
Lease and rental obligations not shown in the balance sheet as of December 31, 2018	**42,043**	**1,024**	**485**	**43,552**
Rental and lease obligations reported under other financial liabilities as of December 31, 2018	242	-	973	1,215
Discounting	-2,811	-25	-35	-2,871
Short-term leases	-1,689	-116	-2	-1,807
Leases for low-value assets	-	-	-72	-72
Variable lease payments	-3,569	-	-	-3,569
Reasonably certain extension and termination options	5,633	-	-	5,633
Non-lease components	-769	-	-	-769
Intangible assets	-	-	-250	-250
Other	714	-16	-	698
Lease liabilities due to the first-time adoption of IFRS 16 as of January 1, 2019	**39,794**	**867**	**1,099**	**41,760**
Lease liabilities from finance leases as of January 1, 2019	-	-	1,164	1,164
Total lease liabilities as of January 1, 2019	**39,794**	**867**	**2,263**	**42,924**

Please see note 5.2.9 for further disclosures on the treatment of judgments.

The quantitative impact of the adoption of IFRS 16 on the consolidated balance sheet as of January 1, 2019 is shown by the table below:

(TCHF)	Dec. 31, 2018	Adjustments IFRS 16	Reclassifications IFRS 16	Jan. 1, 2019
Non-current assets				
In-house productions	151,364	-	-	151,364
Third-party productions	34,087	-	-	34,087
Film assets	185,451	-	-	185,451
Other intangible assets	62,220	-	-	62,220
Goodwill	133,531	-	-	133,531
Property, plant and equipment	17,555	-	-1,340	16,215
Right-of-use assets	-	39,902	1,340	41,242
Investments in associated companies	54	-	-	54
Non-current receivables	13,343	-	-	13,343
Other financial assets	9	-	-	9
Deferred tax assets	1,141	-	-	1,141
	413,304	**39,902**	**-**	**453,206**
Current assets				
Inventories	5,860	-	-	5,860
Trade accounts receivable and other receivables	142,709	-	-	142,709
Contract assets	23,507	-	-	23,507
Income tax receivables	736	-	-	736
Cash and cash equivalents	52,530	-	-	52,530
	225,342	**-**	**-**	**225,342**
Total assets	**638,646**	**39,902**	**-**	**678,548**
HLEE				
Subscribed capital	63,000	-	-	63,000
Treasury shares	- 6,258	-	-	-6,258
Capital reserves	- 67,203	-	-	-67,203
Other reserves	- 34,356	-	-	-34,356
Retained earnings	244,287	-	-	244,287
Equity attributable to shareholders	199,470	-	-	199,470

Non-controlling interests	26,112	-	-	26,112
	225,582	**-**	**-**	**225,582**
Non-current liabilities				
Financial liabilities	934	-	-934	-
Lease liabilities	-	34,324	934	35,258
Other liabilities	1,958	-1,788	-	170
Pension liabilities	3,563	-	-	3,563
Deferred tax liabilities	30,204	-	-	30,204
	36,659	**32,536**	**-**	**69,195**
Current liabilities				
Financial liabilities	149,004	-	-230	148,774
Lease liabilities	-	7,436	230	7,666
Advance payments received	72,111	-	-	72,111
Trade payables and other liabilities	135,015	-70	-	134,945
Contract liabilities	8,131	-	-	8,131
Provisions	7,856	-	-	7,856
Income tax liabilities	4,288	-	-	4,288
	376,405	**7,366**	**-**	**383,771**
Total equity and liabilities	**638,646**	**39,902**	**-**	**678,548**

The adoption of IFRS 16 resulted in a reduction in other operating expenses of TCHF 7,792 in the reporting period. Total depreciation and amortization increased by TCHF 7,506 as a result of the amortization of right-of-use assets, while total financial expense rose by TCHF 661 due to the interest effect. In the statement of cash flows, the principal payments for the lease installments in the amount of TCHF 7,612 were reclassified from cash flow from operating activities to cash flow from financing activities. Leases that would have been classified as finance leases under the old IAS 17 are not included in the above figures.

There were no onerous leases as of the adoption date of IFRS 16, hence there was no impairment on right-of-use assets.

The difference between the right-of-use assets from leases and the current and non-current lease liabilities of TCHF 1,858 relates to reclassifications of deferred lease liabilities as a result of the adoption of IFRS 16.

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

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

3. CONSOLIDATED GROUP

3.1 Acquisitions

In the first half of 2019, the Group company Highlight Communications AG increased its shareholding in Constantin Medien AG, which was already fully consolidated, from 79.18 % to 79.44 %. The shareholding increased to 93.92 % in the third quarter of 2019 as a result of the public delisting tender offer. The shareholding increased to 94.18 % in the fourth quarter of 2019 as a result of further acquisitions (stock exchange trading). This involved a transaction between equity providers. The total transaction volume was TCHF -35,080.

In the second quarter of 2019, the 90 % investment in Chameleo AG was reduced to 80 % for TCHF 10.

On May 16, 2019, a 100 % investment in the non-operational company HLEE Finance S.à r.l. was acquired for TCHF 17. On November 14, 2019, the 100% investment in HLEE Finance S.à r.l. was sold in full at cost.

The investment in Comosa AG was increased from 51 % to 90 % on June 17, 2019. CHF 3 million was transferred for this transaction and CHF 33 million was paid by way of loan settlement. On September 24, 2019, the investment in Comosa AG was reduced from 90 % to 60 % for EUR 9.4 million. The related parties Obotritia Capital KGAA and Swiss International Investment Portfolio AG each acquired a 15 % stake in Comosa AG from Highlight Event and Entertainment AG by way of loan settlements in the amount of EUR 4.7 million each.

In accordance with the memorandum of association dated and with economic effect from July 4, 2019, Constantin Television GmbH, Munich, together with Maren Lüthje and Florian Schneider founded "lüthje schneider Film GmbH" by way of a cash contribution together with a non-cash contribution. Maren Lüthje and Florian Schneider contributed their entire shareholding in "lüthje schneider hörl Film OHG" to the company as a premium. By way of a supplementary agreement in July 2019, this was then renamed "PSSST! Film GmbH". The contribution agreement results in goodwill non-deductible for tax purposes of TCHF 275, which primarily represents the strategic synergy and development potential of the productions.

The purpose of the company is the development, production and exploitation of primarily but not exclusively national fictional film and TV productions for the purposes of global exploitation and the licensing of exploitation rights in such products. The Group founded the company in order to further expand its production activities. A cash contribution of TCHF 97 was made in the form of a premium and proportionate share capital of TCHF 14 was contributed.

Constantin Television GmbH holds 51 % of the shares in the company. Maren Lüthje and Florian Schneider jointly hold 49 % of the shares in the amount of TCHF 107. The company is fully consolidated.

The effective date of first-time consolidation is July 4, 2019. As there are no significant reconciling items to be taken into account, the closing balance sheet of Lüthje Schneider Hörl Film OHG as of June 30, 2019 is applied for the non-cash contribution for reasons of materiality.

The assets included in the consolidated financial statements at fair value comprise property, plant and equipment of TCHF 3, goodwill of TCHF 275, and current assets comprising receivables and other assets of TCHF 360 and cash and cash equivalents of TCHF 873. These are offset by liabilities assumed at fair value totaling TCHF 1,293.

As a result of the first-time consolidation of the company as of July 4, 2019, revenue of TCHF 4,381 and profit after tax of TCHF 135 were included in the consolidated financial statements.

On November 14, 2019, a 2.43 % investment in Facebank Group Inc. was acquired in a share swap of CHF 6,671 million. The company is listed on the US stock exchange. Conversely, the equity investments in HLEE Finance S.à r.l. (TCHF 17), The Native (TCHF 2,327) and Lighthouse (TCHF 1,957) and the Highlight Venture loan (TCHF 1,87) and the Lighthouse receivable (TCHF 503) were offset.

In the past year, a further investment of 0.46 % in Highlight Communications AG was acquired. As of December 31, 2019, the equity investment in Highlight Communications AG came to 45.19 %.

3.2 Other changes

Sport1 Media GmbH was merged into Sport1 GmbH effective September 30, 2019.

The consolidated company Rainbow Home Entertainment Ges.m.b.H., Vienna, was liquidated on October 9, 2019. At the liquidation date, TCHF 630 in negative currency translation differences were reclassified from other comprehensive income (OCI) to profit or loss.

The consolidated company Gesellschaft Constantin Entertainment Hungary Kft., Budapest, was liquidated on December 31, 2019. The effect of this transaction on these consolidated financial statements is immaterial.

3.3 Overview of fully 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 currentl y has the ability to control key activities of this investee. Constantin Film AG is also exposed to the variable returns from this company, and can significantly influence their amount through the two managing directors.

Fully consolidated companies as of December 31, 2019

	Activity	Country	Currency	Share capital	Share in capital*	Voting rights of the respective parent company
Highlight Event AG, Emmen, Switzerland	Event Marketing	CH	CHF	500,000	100 %	100 %
Escor Automaten AG, Pratteln, Switzerland	No operating activities	CH	CHF	3,000,000	100 %	100 %
Comosa AG, Zürich, Switzerland	Sports and entertainment events	CH	CHF	3,000,000	60 %	60 %
Chameleo AG	Business and digital transformation consulting	CH	CHF	100,000	80 %	80 %
Chameleo GmbH	Business and digital transformation consulting	DE	EUR	25,000	100 %	100 %
Highlight Communications AG	**Holding company**	**CH**	**CHF**	**63,000,000**	**45.19 %**	**45.19 %**
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.	Acquisition and development of content	US	USD	530,000	100 %	100 %
Mythos Film GmbH	Administration	DE	EUR	37,500	100 %	100 %
Mythos Film Verwaltungs-GmbH	Administration	DE	EUR	25,000	100 %	100 %
Mythos Film Produktions-GmbH & Co. KG**	Film and TV production	DE	EUR	12,000	100 %	100 %
Constantin Film International GmbH	International film production	DE	EUR	105,000	100 %	100 %
Constantin Pictures GmbH	International film and TV production	DE	EUR	25,000	100 %	100 %
Constantin Entertainment GmbH	TV entertainment production	DE	EUR	200,000	100 %	100 %
Constantin Entertainment Polska Sp z.o.o.	TV entertainment production	PL	PLN	54,000	100 %	100 %
Constantin Entertainment SRB d.o.o.	TV entertainment production	RS	RSD	526,944	100 %	100 %

Constantin Entertainment Israel Ltd.	TV entertainment production	IL	ILS	50,000	56.25 %	56.25 %
Constantin Entertainment RO SRL***	TV entertainment production	RO	RON	10,000	100 %	100 %
Constantin Entertainment Bulgarien EOOD	TV entertainment production	BG	BGN	5,000	100 %	100 %
Constantin Entertainment CZ s.r.o.	TV entertainment production	CZ	CZK	200,000	100 %	100 %
Constantin Entertainment Slovakia s.r.o.****	TV entertainment production	SK	EUR	25,000	100 %	100 %
Olga Film GmbH	Film and TV production	DE	EUR	603,000	95.52 %	95.52 %
Moovie GmbH	Film and TV production	DE	EUR	104,000	100 %	100 %
Rat Pack Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Westside Filmproduktion GmbH	Film and TV production	DE	EUR	103,000	51 %	51 %
Constantin Film Verleih GmbH	License trading and theatrical distribution	DE	EUR	250,000	100 %	100 %
Constantin Film Licensing, Unipessoal Lda*****	License trading	PT	EUR	5,000	100 %	100 %
Constantin Music Verlags-GmbH	Exploitation of music rights	DE	EUR	70,000	100 %	100 %
Constantin Music GmbH	Exploitation of music rights	DE	EUR	25,000	90 %	90 %
Königskinder Music GmbH	Record label and music consulting	DE	EUR	50,000	50 %	50 %
Constantin Film Production Services GmbH	Film and TV production	DE	EUR	100,000	100 %	100 %
Constantin Television GmbH	TV entertainment production	DE	EUR	100,000	100 %	100 %
Hager Moss Film GmbH	TV entertainment production	DE	EUR	102,300	100 %	100 %
PSSST! Film GmbH	Film and TV production	DE	EUR	25,000	51 %	51 %
Constantin Medien AG	Holding company	DE	EUR	93,600,000	94.18 %	94.18 %
Sport1 Holding GmbH (formerly: Constantin Sport Holding GmbH)	Holding company	DE	EUR	55,000	100 %	100 %
Sport1 GmbH	Platform operator	DE	EUR	500,000	100 %	100 %
Sport1 Gaming GmbH	Inactive	DE	EUR	25,000	100 %	100 %
PLAZAMEDIA GmbH	Production service provider	DE	EUR	150,000	100 %	100 %
PLAZAMEDIA Austria Ges.m.b.H. in liquidation	Production service provider	AT	EUR	35,000	100 %	100 %
PLAZAMEDIA Swiss AG in liquidation	Production service provider	CH	CHF	100,000	100 %	100 %
LEitMOTiF Creators GmbH	Consulting	DE	EUR	25,000	100 %	100 %
Magic Sports Media GmbH	Marketing	DE	EUR	25,000	100 %	100 %
Match IQ GmbH	Consulting	DE	EUR	30,000	50.1 %	50.1 %
Event IQ GmbH	Consulting	DE	EUR	25,000	100 %	100 %

** 33.33 % are held by Mythos Film Verwaltungs-GmbH
*** 0.1 % are held by Constantin Film Produktion GmbH
**** 3 % are held by Constantin Film Produktion GmbH
***** 50 % are held by Constantin Film AG

3.4 Overview of companies not included in consolidation

Owing to a lack of business activities, 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, 2019

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

	Share of capital	Period included in the consolidated financial statements	Currency	Share capital
BECO Musikverlag GmbH	50 %	Jan. 1 - Dec. 31, 2019	EUR	25,565

The annual financial statements of BECO Musikverlag GmbH as of December 31, 2018 were used for reporting as the annual financial statements as of December 31, 2019 have not yet been prepared.

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

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. After reassessment, any negative difference resulting from capital consolidation is reported in income in full in the year it arises. For each acquisition, the acquirer can elect to measure non-controlling interests either at fair value (full goodwill method) or at the pro rata identifiable net assets (partial goodwill method).

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

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

Associated companies and joint ventures are measured using the equity method. Equity 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 rate		Annual average rate	
		Dec. 31, 2019	Dec. 31, 2018	Jan. 1 – Dec. 31, 2019	Jan. 1 – Dec. 31, 2018
Euro	(EUR)	1.08538	1.12633	1.11261	1.15135
US dollar	(USD)	0.96754	0.98405	0.99373	0.97685
Pound sterling	(GBP)	1.27591	1.25329	1.26928	1.29918
Canadian dollar	(CAD)	0.74330	0.72191	0.74901	0.75202

4.3 Fair value measurement

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

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

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

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

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

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

All 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 revenue. The maximum period for estimating revenue is ten years for films as recognized in the film assets of the Highlight Group.

The estimate of the total revenue 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 revenue. 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 sale of the rights cannot be specifically determined or are no longer considered likely, the costs are written off in full. Any indications of early impairment are recognized accordingly.

4.5 Other intangible assets

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

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

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

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

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

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

As a result of initial consolidation of 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 onl y at the percentage share of the acquirer in the goodwill.

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

4.7 Property, plant and equipment

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

Leasehold improvements are measured at cost less depreciation and impairment. Depreciation is usually recognized over the term of the respective rental agreement lease (of up to 27.5 years). Technical equipment and other equipment, operating and office equipment are measured at cost less depreciation and impairment. Depreciation is recognized on a straight-line basis over the standard useful life of three to 25 years. Repairs and maintenance expenses are expensed as and when incurred. More extensive renovation work or improvements are capitalized. Renovation work is also depreciated over the expected useful life specified above Costs and the associated cumulative depreciation are derecognized on disposal. Any resulting gains or losses are recognized i n 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 Leases

As discussed in note 2.1, the Group is changing the way in which it accounts for leases in which the Group is the lessee.

Until December 31, 2018, the HLEE Group recognized its existing leases in accordance with IAS 17 "Leases". This required the Group to classify them (as a lessee) as either finance or operating leases at the inception of the lease.

A lease was classified as a finance lease when substantially all the risks and opportunities of ownership to the Group; other wise, it was classified as an operating lease. On the inception of the lease, finance leases were carried at the lower of the fair value of the leased asset and the present value of the minimum lease payment. Lease payments were broken down into interest (reported as financing costs) and principal components. In the case of operating leases, the leased asset was not capitalized and the lease payments were recognized as rental expenses in the income statement on a straight-line basis over the term of the lease. Any rent prepayments and deferrals were reported in deferred income/prepaid expenses or trade accounts payable and other liabilities.

The Group applied IFRS 16 "Leases" for the first time from the start of fiscal year 2019 (see note 2.1). In accordance with IFRS 16, a lease is a contract under which the lessor grants the lessee the right to use an asset for a period of time in exchange for a payment or a series of payments.

4.8.1 Lease liabilities

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

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

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

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

The Group exercises the option of not recognizing short-term leases (i.e. leases with a term of 12 months or less from the inception date and without a purchase option).

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

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

4.8.3 Leases for intangible assets

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

4.8.4 Additional lease components

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

4.8.5 Right-of-use assets

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

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

4.9 Impairment of non-financial assets

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

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

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

4.10 Inventories

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

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

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

4.11 Financial instruments

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

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

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

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

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

4.11.1 Financial assets at amortized cost

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

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

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

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

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

4.11.2 Financial assets at fair value

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

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

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

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

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

4.11.3 Financial liabilities

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

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

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

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

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

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

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

Evidence of significant increases in credit risk includes:

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

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

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

Objective evidence of impairment includes:

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

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

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

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

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

Cash and cash equivalents are also subject to the impairment provisions of IFRS 9. As long as the counterparties – banks and financial institutions – have a good rating and do not have any going concern problems, no impairment losses are recognized on account of immateriality.

For long-term financial debt instruments, expected losses are discounted to the reporting date using the effective interest rate of the instrument determined at initial recognition to reflect the time value of money. The remaining term is the maximum term of the contract taking possible extension options into account.

4.11.5 Hedging instruments

As an international enterprise, the Group is exposed to currency fluctuations. Both derivative and primary financial instruments are used to hedge foreign currency fluctuations. Hedge accounting means hedging against changes in the fair value of assets, liabilities or unrecognized firm commitments under contracts for sale or purchase (fair value hedges). Currency forwards, currency swaps and non-derivative financial assets and liabilities are designated as hedging instruments, either in full or in part. Non-derivative financial assets and liabilities are used to hedge unrecognized contracts for sale and license agreements in foreign currency. Furthermore, the Group uses cash flow hedges to hedge against the currency risk on future cash flows.

If all relevant criteria are met, hedge accounting is used to eliminate the accounting mismatch between the hedging instrument and the hedged item. This results in the reporting of the following items in the income statement and in other comprehensive income:

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. When hedging foreign currency transactions, ineffectiveness may arise when the timing of the planned transaction differs from the original estimate, there is CCBS ineffectiveness or when changes occur in the probability of default of the Group or the derivative's counterparty.

Cumulative amounts recognized in other comprehensive income (OCI) as part of a cash flow hedge or assets or liabilities recognized as part of a fair value hedge are reclassified as follows in the periods in which the hedged item is recognized in profit or loss:

- If the hedged item results in the recognition of a non-financial asset (e.g. film assets), the deferred hedging gains and losses are included in the original cost of the asset. The deferred amounts are ultimately recognized in the income statement when the hedged item is recognized in profit or loss.
- If the hedging instrument expires or is sold or terminated, or when the hedge no longer meets the criteria for hedge accounting, any cumulative deferred hedging gains and losses previously recognized in other comprehensive income remains in equity, or in the recognized asset or liability, until the forecast transaction occurs and results in the recognition of a non-financial asset, such as film assets. If the transaction is no longer expected to occur, the cumulative deferred hedging gains and losses are reclassified to profit or loss.

The hedges are considered highly effective in terms of compensating the risks of changes in the fair value of the hedged item and the hedging instrument. The effectiveness of the hedge is reviewed on the basis of prospective effectiveness tests to ensure that there is an economic relationship between the hedged item and the hedging instrument. The prospective effectiveness test uses the critical terms match method. The hedged item and the hedging instrument are therefore subject to the same risk and the resulting changes in value largely offset each other.

At the inception of the hedge, both the hedge and the risk management goals and strategies of the Group for hedging are formally stipulated and documented.

Derivatives are solely used for hedging purposes and not as speculative investments. However, if derivatives do not meet the criteria for hedge accounting, they are recognized at fair value through profit or loss for accounting purposes. They therefore constitute current assets or liabilities expected to be settled within twelve months of the end of the reporting period.

4.12 Pension obligations

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

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

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

Actuarial gains and losses arise from changes in the assumptions made, deviations between the actual and forecast return on plan assets and differences between benefits acquired and those calculated using actuarial assumptions. These are recognized in other comprehensive income (OCI) under "Items that will not be reclassified to the income statement". 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.

4.13 Other provisions, contingent liabilities and contingent assets

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

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

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

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

4.14 Income taxes

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

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

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

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

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

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

4.15 Equity

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

4.16 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 licenses for TV (pay/free) rights is recognized at a point in time on which the license takes effect, generally 18 to 32 months after the commencement of movie exploitation. With these forms of exploitation of film rights, revenue is realized on expiry of the contractual holdback period. 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 revenue recognized at a point in time as follows: movie revenue on theatrical release, home entertainment revenue six months after theatrical release, TV revenue 24 months after theatrical release. Revenue from global distribution without any minimum guarantee is recognized on the royalty settlements being received from the licensees.

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

Revenue from service productions is recognized over time in the amount of the share of total revenue for the reporting period. Total contract revenue 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.

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

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

In the Sports segment, TV advertising revenue is recognized when the corresponding advertisement is broadcast for consumers. Discounts and commission for advertising agencies are deducted directly from revenue. There are no financing components as the contracts with the advertising agencies are concluded for one year. The normal payment period is 30 days.

The marketing and settlement of advertising revenue for digital platforms are largely outsourced to a third-party company. 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.

4.17 Government grants

Project promotion

Project promotion as a contingently repayable loan

Project film promotions are provided in the form of a contingently repayable interest-free loan in accordance with the requirements of the Film Promotion Act and the relevant regional promotions (rules of the Bavarian Film Promotion Fund (“FFF Bayern”) for example). These are repayable as soon as or if the producer’s income from a film exceeds a certain amount. These are government grants for assets. In the 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 4.11.4 for further disclosures.

5.2.4 Service productions

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.

5.2.9 Leases

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

In the initial measurement of the lease liability and the right-of-use asset from the sale/leaseback transactions for the broadcasting center and the expansion of the broadcasting center, it was deemed reasonably certain that the purchase option would be exercised on termination of the lease. Accordingly, the right-of-use asset is written down over its economic life, which is longer than the fixed duration of the lease.

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 in 2019			
January 1, 2019	38,063	313,655	351,718
Currency translation differences	-786	-5,839	-6,625
Additions	12,923	79,560	92,483
Disposals	1,432	633	2,065
Balance on December 31, 2019	**48,768**	**386,743**	**435,511**
Accumulated amortization/value adjustments 2019			
January 1, 2019	3,976	162,291	166,267
Currency translation differences	-	-	-
Depreciation for the year	29,894	61,449	91,343
Impairment	1,559	4,062	5,621
Reversals of write-downs	285	43	328
Disposals	1,432	633	2,065
Balance on December 31, 2019	**33,712**	**227,126**	**260,838**
Cost in 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
Balance on 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

Balance on December 31, 2018	**3,976**	**162,291**	**166,267**
Net carrying amounts on December 31, 2019	**15,056**	**159,617**	**174,673**
Net carrying amounts on December 31, 2018	**34,087**	**151,364**	**185,451**

Impairment losses of TCHF 5,621 (previous year's period: TCHF 9,441) were recognized in the year under review as the value in use no longer covers the acquisition costs or the carrying amount of certain films due to a lack of market acceptance. The pre-tax discount rates used for determination of impairment are between 1.61 % and 3.08 % (previous year: between 1.89 % and 4.45 %). The disposals relate to co-productions and third-party productions to which the distribution rights expired in the year under review. Write-ups are recognized for projects for which a write-down has been recognized in the past and whose forecast revenues for the remaining exploitation period are considerably higher than the previous year's estimates.

During the year under review, the HLLE Group received project subsidies and project promotion loans of TCHF 19,114 (previous year: TCHF 15,687) which were deducted from the capitalized costs.

Deferred project promotion loans amounted to TCHF 5,986 as of December 31, 2019 (previous year: TCHF 4,054). Project promotions of TCHF 902 were repaid in the year under review (previous year's period: TCHF 1,151).

In addition, sales subsidies and distribution loans of TCHF 4,437 (previous year's period: TCHF 2,378) were recognized in the consolidated income statement in the year under review as a reduction of release costs. These grants are recognized in the periods in which the corresponding release costs are incurred.

Deferred distribution loans amounted to TCHF 0 (previous year: TCHF 0) as of December 31, 2019. Distribution loans of TCHF 1,166 (previous year's period: TCHF 709) were repaid over the year under review. As of December 31, 2019, there were receivables for subsidies and grants of TCHF 20,357 (previous year: TCHF 18,163).

Directly attributable financing costs of TCHF 1,722 (previous year's period: TCHF 1,094) 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: 1.2 % to 7.8 %).

6.2 Other intangible assets and goodwill

(TCHF)	Purchased intangible assets	Purchased software	Internally developed intangible assets	Advance payments	Total intangible assets	Goodwill
Cost in 2019						
January 1, 2019	387,500	2,360	1,142	2,370	393,372	117,329
Change in consolidated group					-	269
Currency translation differences	-12	-193	-75	-115	-395	-32
Additions	78	1,034	1,396	1,189	3,697	-
Disposals	-	1,034	-	-	1,034	-
Reclassifications	7	-7	-	-	-	-
Balance on December 31, 2019	**387,573**	**2,160**	**2,463**	**3,444**	**395,640**	**117,566**
Accumulated amortization/ value adjustments in 2019						
January 1, 2019	3,795	419	482	-	4,696	-
Currency translation differences	-5	-138	-38	-	-181	-
Depreciation for the year	5,060	622	879	-	6,561	-
Impairment	9	-	-	-	9	-
Disposals	-	31	-	-	31	-
Reclassifications	6	-6	-	-	-	-
Balance on December 31, 2019	**8,865**	**866**	**1,323**	**-**	**11,054**	**-**

Cost in 2018						
January 1, 2018	326,741	-	-	-	326,741	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	-
Balance on December 31, 2018	**387,500**	**2,360**	**1,142**	**2,370**	**393,372**	**117,329**
Accumulated amortization/ value adjustments in 2018						
January 1, 2018	-	-	-	-	-	-
Currency translation differences	-2	-121	-12	-	-135	-
Depreciation for the year	3,797	540	494	-	4,831	-
Balance on December 31, 2018	**3,795**	**419**	**482**	**-**	**4,696**	**-**
Net carrying amounts on December 31, 2019	**378,708**	**1,294**	**1,140**	**3,444**	**384,586**	**117,566**
Net carrying amounts on December 31, 2018	**383,705**	**1,941**	**660**	**2,370**	**388,676**	**117,329**

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

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Highlight Communications AG	1,579	1,579
Constantin Medien AG	114,747	114,743
Hager Moss Film GmbH	511	530
Mythos Film GmbH	460	477
PSSST! Film GmbH	269	-
Total	**117,566**	**117,329**

Goodwill and purchased intangible assets with indefinite useful lives were tested for impairment at the level of the cash-generating units in the respective segment. The use of the discounted cash flow method in the Highlight Group is based on future cash flows derived from detailed three- to five-year earnings planning. For the impairment test of Constantin Film Verleih GmbH and Constantin Medien AG, the growth rate beyond the detailed planning period was set at 1 % (previous year: 1 %), for other items this was set at between 0 % and 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, 2019, the CAPM-based discount factor before taxes was set at 7.72 % (previous year: 7.84 %) for the impairment test of Constantin Film Verleih GmbH, at 7.23 % for Constantin Medien AG (previous year: 7.55 %) and at 7.64 % for other items (previous year: between 7.91 % and 8.03 %). Of the purchased intangible assets with indefinite useful lives, CHF 50 million relates to the Film segment and CHF 275.8 million to the Sports- and Event-Marketing segment.

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 revenue growth, the discount factor and the EBIT margin, no further goodwill impairment was required.

Results and sensitivity of impairment testing

Goodwill Sport1 Medien AG
At the measurement date, the recoverable amount, which is based on the value in use, exceeded the relevant carrying amount for impairment testing for all cash-generating units. Highlight believes that none of the changes in the assumptions made that can be expected from a rational perspective would lead to the carrying amount of the cash-generating units exceeding the recoverable amount.

At the measurement date, impairment testing did not result in any reduction in goodwill. The recoverable amount exceeded the net carrying amount by CHF 18.5 million (previous year: CHF 47.0 million). The following changes in the significant assumptions would lead to the value in use corresponding to the net carrying amount:

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

6.3 Property, plant and equipment

(TCHF)	Leasehold improvements	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total property, plant and equipment
Cost in 2019					
January 1, 2019	1,108	10,067	7,330	1,871	20,376
Change in consolidated group	-	-	3	-	3
Currency translation differences	-52	-374	-431	-25	-882
Additions	1,404	1,670	3,599	24	6,697
Disposals	3,027	2,865	1,493	95	7,480
Reclassifications	-	-1,399	1,713	-1,713	-1,399
Balance on December 31, 2019	**-567**	**7,099**	**10,721**	**62**	**17,315**
Accumulated depreciation 2019					
January 1, 2019	273	1,074	1,466	-	2,813
Currency translation differences	-31	-171	-223	-	-425
Depreciation for the year	360	1,991	2,574	-	4,925
Disposals	3,027	184	1,419	-	4,630
Reclassifications	-	-59	-	-	-59
Balance on December 31, 2019	**-2,425**	**2,651**	**2,398**	**-**	**2,624**
Cost in 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	-
Balance on December 31, 2018	**1,108**	**10,067**	**7,330**	**1,871**	**20,376**
Accumulated 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
Balance on December 31, 2018	**273**	**1,074**	**1,466**	**-**	**2,813**
Net carrying amounts on December 31, 2019	**1,858**	**4,448**	**8,323**	**62**	**14,691**
Net carrying amounts on December 31, 2018	**835**	**8,993**	**5,864**	**1,871**	**17,563**

With the adoption of IFRS 16, lease assets are presented as a separate balance sheet item (see note 6.4). This resulted in reclassifications of lease assets previously reported in technical equipment and machinery for which the HLEE Group was the lessee under a finance lease in the net amount of TCHF 1,340.

The disposals of technical equipment and machinery are primarily attributable to the sale/leaseback agreement for the broadcasting center.

6.4 Leases

The HLEE Group has applied the new IFRS 16 "Leases" since January 1, 2019. The impact of the adoption of IFRS 16 on the net assets, financial position and results of operations of the Group is discussed in note 2.1.

Right-of-use assets

(TCHF)	Real estate	Vehicles	Technical equipment	Operating and office equipment	Total right-of-use assets
Cost in 2019					
December 31, 2018	**-**	**-**	**-**	**-**	**-**
Adjustments from first-time adoption of IFRS 16	37,936	867	713	386	39,902
January 1, 2019	**37,936**	**867**	**713**	**386**	**39,902**
Currency translation differences	-1,055	-35	-218	-16	-1,324
Additions	643	168	5,767	78	6,656
Disposals	248	-	-	-	248
Reclassifications	-	-	1,399	-	1,399
Balance on December 31, 2019	**37,276**	**1,000**	**7,661**	**448**	**46,385**
Accumulated depreciation 2019					
December 31, 2018	**-**	**-**	**-**	**-**	**-**
Adjustments from first-time adoption of IFRS 16	-	-	-	-	-
January 1, 2019	**-**	**-**	**-**	**-**	**-**
Currency translation differences	-131	-12	-37	-2	-182
Depreciation for the year	6,310	442	1,415	105	8,272
Reclassifications	-	-	59	-	59
Balance on December 31, 2019	**6,179**	**430**	**1,437**	**103**	**8,149**
Net carrying amounts on December 31, 2019	**31,097**	**570**	**6,224**	**345**	**38,236**
Net carrying amounts on December 31, 2018	**-**	**-**	**-**	**-**	**-**

Reconciliation of liabilities arising from financial liabilities

(TCHF)	
Balance on December 31, 2018	**-**
Adjustments from first-time adoption of IFRS 16	41,760
Reclassification from first-time adoption of IFRS 16	1,164
Balance on January 1, 2019	**42,924**
Additions	2,743
Interest cost	798
Payments	-5,234
Currency translation	-1,202
Other	-79
Balance on December 31, 2019	**39,950**
thereof non-current lease liabilities	31,904
thereof current lease liabilities	8,046

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

Lease payments in the consolidated income statement

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Income from the disposal of right-of-use assets	1	-
Expenses from short-term leases	1,749	-
Expenses from leases of low-value assets (if not already short-term)	1	-
Expenses from variable lease payments (not included in lease liabilities)	587	-
Amortization on right-of-use assets from leases	8,272	-
Interest expenses from lease liabilities	798	-
Total	**11,408**	**-**

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

Lease payments in the consolidated cash flow statement

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Short-term leases	1,749	-
Leases for low-value assets	1	-
Variable lease payments	587	-
Repayment and interest on lease liabilities	9,170	-
Total	**11,507**	**-**

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

Future unrecognized lease payments

(TCHF)	Future payments from short-term leases	Future payments from leases for low-value assets	Future variable lease payments	Future payments from contractually agreed leases that have not yet begun	Future payments from unrecognized residual value guarantees	Future payments from uncertain extension options	Future payments from uncertain termination options	Total
As of December 31, 2019								
Due within one year	603	1	1,266	457	-	151	-	2,478
Due between one and five years	-	-	6,156	2,463	120	9,470	340	18,549
Due after five years	-	-	4,058	528	-	5,969	-	10,555
Total	**603**	**1**	**11,480**	**3,448**	**120**	**15,590**	**340**	**31,582**

6.5 Financial information of subsidiaries with material non-controlling interests

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

Subsidiaries with material non-controlling interests

Subsidiary	Dec. 31, 2019	Dec. 31, 2018
Constantin Medien AG, Ismaning, Germany	5.82 %	20.82 %

Disclosures on financial information (after elimination of internal transactions)

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Share in equity of non-controlling interests	5,361	21,695

(TCHF)	Jan. 1 to Dec. 31, 2019	April 1 to Dec. 31, 2018
Share of earnings of non-controlling interests	-1,587	-747

Disclosures on financial information (before elimination of internal transactions)

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Current assets	42,027	41,110
Non-current assets	62,203	73,233
Total assets	**104,229**	**114,343**
Current liabilities	36,770	32,036
Non-current liabilities	8,249	15,528
Total liabilities	**45,018**	**47,564**
Net assets	**59,211**	**66,779**

(TCHF)	Jan. 1 to Dec. 31, 2019	April 1 to Dec. 31, 2018
Revenue	119,013	104,242
Net income from continuing operations before taxes	-1,842	-3,335
Other comprehensive income after taxes	-4,384	-353
Annual result	**-6,227**	**-3,688**
Cash flow from operating activities	4,207	-3,616
Cash flow from investing activities	-1,192	2,793
Cash flow from financing activities	-5,302	-73,936
Cash flow of the reporting period	**-2,288**	**-74,759**

This is the consolidated financial information of the Highlight Group.
The other non-controlling interests are immaterial.

6.6 Investments in associated companies

As of December 31, 2019 – as in the previous year – the Group has investments in one associated company that is included in the consolidated financial statements using the equity method.

Carrying amounts

(TCHF)	
Balance on December 31, 2017	**57**
Disposals	-6
Dividends/repayments of capital	-6
Share of earnings	6
Disposal gains	6
Currency translation	-3
Balance on December 31, 2018	**54**
Dividends/repayments of capital	-5
Share of earnings	7
Currency translation	-2
Balance on December 31, 2019	**54**

Financial information

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Earnings after taxes	14	12
Other comprehensive income/loss (OCI)	-	-
Total comprehensive income	**14**	**12**

	Dec. 31, 2019	Dec. 31, 2018
Contingent liabilities (proportional)	-	-

For updating reasons, the annual financial statements of BECO Musikverlag GmbH as of December 31, 2018 were used for reporting on associated companies as the annual financial statements as of December 31, 2019 have not yet been prepared. No circumstances arose in the current fiscal year that would have necessitated an adjustment to the annual financial statements used as a basis.

6.7 Non-current receivables

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Non-current trade receivables (financial assets)		
Non-current trade receivables	16,026	14,743
Expected lifetime credit losses (Level 2)	-66	-127
Total	**15,960**	**14,616**
Non-current other receivables (financial assets)		
Non-current other receivables	1,361	127
Total non-current receivables	**17,321**	**14,743**

Non-current receivables primarily relate to the transfer of rights. Non-current receivables also 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.

Write-downs on non-current trade accounts receivable

(TCHF)	Expected lifetime credit losses (Level 2)	Specific loss allowances (Level 3)
Balance on January 01, 2018	**24**	**-**
Currency translation differences	-3	-
Addition from increase of receivables volume	106	-
Balance on December 31, 2018	**127**	**-**
Currency translation differences	-4	-
Reduction from decrease in receivables volume	-57	-
Balance on December 31, 2019	**66**	**-**

6.8 Deferred tax assets

Breakdown of deferred tax assets

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Loss carryforwards	8,671	8,919
Intangible assets/film assets	5,300	316
Property, plant and equipment	867	921
Trade accounts receivable and other receivables	19,258	18,831
Contract assets	2	33
Inventories	14,041	13,896
Lease liabilities	8,349	-
Trade payables and other liabilities	1,952	2,156
Contract liabilities	1,007	1,441
Advance payments received	1,121	1,426
Provisions	296	1,074
Pension liabilities	686	500
Total	**61,550**	**49,513**
Netting with deferred tax liabilities	-48,016	-48,340
Deferred tax assets (net)	**13,534**	**1,173**

Maturities

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Current deferred tax assets	983	11
Non-current deferred tax assets	12,551	1,162

The Group has total loss carryforwards of TCHF 144,854 (previous year: TCHF 83,604) for which no deferred tax assets were recognized. These are scheduled to expire as follows:

2019 (TCHF)	Expiry date			
	< 1 year	1 to 5 years	> 5 years	thereof without expiry
	654	47,809	96,391	8,582

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

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, 2019	Jan. 1 to Dec. 31, 2018
Changes in deferred taxes (assets and liabilities)	9,072	-16,426
thereof:		
Changes in income statement	8,202	-1,015
Change in other comprehensive income/loss	185	-3
Change in other comprehensive income	-	-439
Change in consolidated group	-	-15,562
Change in currency translation	685	593

6.9 Other financial assets

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Other non-current financial assets		
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in The Native SA	-	2,328
Investment in Facebank Group Inc.	6,035	-
Investment in AGF Videoforschung GmbH	504	-
Investment in Summacum GmbH	329	-
Investments in the leAD SPORT1 Accelerator Program	54	-
Investment in Lighthouse	-	1,957
Investment in SP Group (Europe) AG	-	500
Other investments	9	9
Equity instruments at fair value through profit or loss (FVTPL)		
Convertible loans	14	-
Total	**6,945**	**4,794**
Other current financial assets		
Equity instruments at fair value through other comprehensive income (FVTOCI)		
Investment in Highlight Event and Entertainment AG	-	-
Equity instruments at fair value through profit or loss (FVTPL)		
Convertible loans	14	-
Total	**14**	**-**

Sport1 GmbH acquired 5.56 % of the shares in AGF Videoforschung GmbH at a price of TCHF 518 in mid-March 2019. The purchase price was paid in cash. Sport1 GmbH also acquired 10 % of the shares in Summacum GmbH on June 28, 2019. The purchase price was paid in the form of a cash contribution of TCHF 3 and a media-for-equity contribution of TCHF 333. In summer 2019, Sport1 GmbH entered into a partnership with leAD Sports Accelerator Management GmbH and launched the leAD SPORT1 Accelerator Program. As part of this strategic program, Sport1 GmbH acquired shares in start-ups with a total purchase price of TCHF 54. All of the new equity investments are irrevocably recognized at fair value through other comprehensive income (FVTOCI). These equity investments are allocated to level 3 of the fair value hierarchy (see note 8.4). They are strategic financial investments of Constantin Medien AG.

The remaining 5 % equity investment in Mister Smith Entertainment Ltd., London, is measured at fair value through other comprehensive income (FVTOCI). The carrying amount is TCHF 0 (previous year: TCHF 0). As there is no active market for these shares and their fair value cannot be reliably determined, this equity investment is carried at cost, which corresponds to the carrying amount at the reclassification date, and allocated to level 3 of the fair value hierarchy (see note 8.4).

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 8.4).

As part of the leAD SPORT1 Accelerator Program, Sport1 GmbH has also extended a long-term convertible loan and a short-term convertible loan each with a volume of TCHF 14, both of which are measured at fair value through profit or loss.

On November 14, 2019, a 2.43 % investment in Facebank Group Inc. was acquired in a share swap. The company is listed on the US stock exchange. Conversely, the equity investments in HLEE Finance S.à r.l. (TCHF 17), The Native (TCHF 2,327) and Lighthouse (TCHF 1,957) and the Highlight Venture loan (TCHF 1,87) and the Lighthouse receivable (TCHF 503) were offset.

6.10 Inventories

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Net balance		
Work in progress	6,388	4,508
Blu-rays/DVDs	647	1,194
Other merchandise	12	13
Fixed values	140	145
Total	**7,187**	**5,860**

Work in progress essentially relates to service productions in development that have not yet been ordered by the broadcaster. In the year under review, impairment losses were recognized in the amount of TCHF 431 (previous year's period: TCHF 158) and reversed in the amount of TCHF 50 (previous year's period: TCHF 24).

6.11 Trade receivables and other receivables

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	52,395	60,235
Other receivables	72,375	86,272
Total	**124,770**	**146,507**

6.11.1 Trade accounts receivable

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Trade receivables (financial assets)		
Current receivables	53,464	63,900
Receivables due from related parties	5	-
Expected lifetime credit losses (Level 2)	-278	-475
Specific loss allowances (Level 3)	-5,230	-5,376
Total	**47,961**	**58,049**
Trade receivables (non-financial assets)		
Receivables from barter transactions	4,434	2,186
Total	**4,434**	**2,186**
Total trade receivables	**52,395**	**60,235**

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

Impairment losses

(TCHF)	Expected lifetime credit losses (Level 2)	Specific loss allowances (Level 3)
Balance on January 01, 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 in receivables volume	-39	-
Additions	-	760
Consumption	-	-418
Reversals	-	-329
Balance on December 31, 2018	**475**	**5,376**
Currency translation differences	-11	-191
Addition from increase of receivables volume	9	-
Reduction from decrease in receivables volume	-195	-
Additions	-	680
Consumption	-	-101
Reversals	-	-534
Balance on December 31, 2019	**278**	**5,230**

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

Currency profile

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
CHF	1,990	1,655
EUR	33,439	17,876
USD	16,966	40,657
Other	-	47
Total	**52,395**	**60,235**

6.11.2 Other receivables

Other receivables (financial assets)

(TCHF)		Expected credit losses			
Dec. 31, 2019	Gross	Level 1	Level 2	Level 3	Net
Suppliers with debit balances	701	-	-	-	701
Receivables from loans	11,576	-25	-	-929	10,622
Receivables from subsidies	20,357	-	-	-	20,357
Positive fair value of derivative financial instruments not in hedges	287	-	-	-	287
Receivables due from personnel (financial)	310	-	-	-	310
Other assets (financial)	12,565	-	-	-1,773	10,792
Total	**45,796**	**-25**	**-**	**-2,702**	**43,069**

(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
Total	**60,776**	**-59**	**-**	**-1,965**	**58,752**

The receivables from loans include primarily a loan in connection with the production "The Silence" to the co-producer.

The carrying amount for all current financial assets is approximately their 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)
Balance on January 01, 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
Balance on December 31, 2018	**59**	**-**	**1,965**
Currency translation differences	-23	-	-25
Reduction from decrease in receivables volume	-11	-	-
Additions	-	-	762
Balance on December 31, 2019	**25**	**-**	**2,702**

Other receivables (non-financial assets)

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Prepaid expenses	27,082	22,867
Input tax	990	2,396
Other taxes	674	40
Advance payments	513	1,091
Positive fair value of hedged items in hedges	-	342
Receivables due from personnel (financial)	-	15
Other assets (financial)	47	-
Total	**29,306**	**26,751**

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

Currency profile

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
CHF	8,309	4,702
EUR	57,517	54,017
USD	6,183	25,092
CAD	366	1,692
Total	**72,375**	**85,503**

6.12 Contract assets

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Contract assets	18,632	23,509
Expected lifetime credit losses (Level 2)	-6	-2
Total	**18,626**	**23,507**

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

Development of contract assets

(TCHF)	
Balance on December 31, 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
Balance on December 31, 2018	**23,507**
Currency translation differences	-756
Additions	19,101
Impairment	-6
Reclassification to trade receivables	-23,220
Balance on December 31, 2019	**18,626**

Impairment losses

(TCHF)	Expected lifetime credit losses (Level 2)	Specific loss allowances (Level 3)
Balance on January 01, 2018	**6**	**-**
Currency translation differences	-1	-
Reduction from decrease in receivables volume	-3	-
Balance on December 31, 2018	**2**	**-**
Addition from increase of receivables volume	4	-
Balance on December 31, 2019	**6**	**-**

6.13 Income tax receivables

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Income taxes Switzerland	33	33
Income taxes Germany	715	677
Income taxes rest of the world	99	59
Total	**847**	**769**

6.14 Cash and cash equivalents

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

6.15 Equity

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

Share capital

As of December 31, 2019, 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, 2019, the separately reported item "Treasury stock" amounted to TCHF 0 (previous year: TCHF -1,697). The amount reflects the purchase price of the treasury shares held. As of December 31, 2019, the number of directly held non-voting treasury shares was 21 Highlight Event and Entertainment AG shares (previous year: 95,382).

Non-controlling interests

The 15.0 % increase in the equity investment in Constantin Medien AG led to a reduction in non-controlling interests of TCHF 14,663. The initial consolidation of PSSST! Film GmbH led to an increase in non-controlling interests of TCHF 107.

The initial consolidation of Constantin Medien AG and Match IQ GmbH resulted in a total increase in non-controlling interests of TCHF 22,496 in the previous year. Non-controlling interests also increased by TCHF 480 as a result of the deconsolidation of Nadcon Film GmbH.

The change in non-controlling interests at Comosa AG amounted to TCHF 32,787 (previous year: TCHF -15,387).

Remeasurement reserves and retained earnings

As of the end of the reporting period, other reserves totaled TCHF 9,233 (previous year: TCHF -24,114). As of December 31, 2018, these essentially relate to the translation of the equity of companies that do not use Swiss francs as their functional curre ncy.

The cash flow hedge reserve before taxes developed as follows as of December 31, 2019:

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**
Gains or losses from effective hedges	332
Reclassification as the hedged item is not longer anticipated	26
As of December 31, 2019	**556**

The changes in other components of equity in fiscal years 2019 and 2018 were as follows:

Other comprehensive income/loss (OCI)

2019 (TCHF)		Before taxes	Tax effect	After taxes
	Unrealized gains/losses from currency translation	-7,381	-	-7,381
	Reclassification of realized gains/losses through profit or loss	630	-	630
Currency translation differences		-6,750	-	-6,750
Gains/losses from cash flow hedges		-358	107	-251
Items that may be reclassified to the income statement in future		**-7,109**	**107**	**-7,002**
Actuarial gains/losses of defined benefit obligation plans		-1,250	43	-1,207
Gains/losses from financial assets at fair value through other comprehensive income/loss		101	-	101
Items that will not be reclassified to the income statement in future		**-1,149**	**43**	**-1,106**
Other comprehensive income/loss		**-8,258**	**150**	**-8,108**

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**

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. 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 Event and Entertainment AG essentially uses its gearing and net debt ratios, defined as current and non-current financial liabilities less cash and cash equivalents, to monitor its liquidity resources.

The equity management of Highlight Event and Entertainment AG comprises all items of equity reported in the statement of financial position. Highlight Event and Entertainment AG also monitors the debt of the Film, Sport and Sports- and Event-Marketing segments in the context of Group management. Debt capital is monitored non-centrally by Highlight Event and Entertainment AG, 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 EBITDA, gearing, the economic equity ratio and reported equity including non-controlling interests, as well as the ratio of net financial liabilities to profit from operations. If the conditions on borrowed funds are violated, the interest rate could increase and a termination option could arise. The financial covenants had not been violated as of December 31, 2019. The equity management of Constantin Medien AG comprises all items of equity reported in the balance sheet. Constantin Medien AG also monitors the borrowed capital of the Sports segment and the Others segment in the context of Group management. Constantin Medien AG has not agreed any financial covenants.

6.16 Pension obligations

6.16.1 Defined benefit pension plans

The defined benefit pension plans in place relate to the Swiss companies of the 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 year 2020 amount to TCHF 1,435 (previous year: TCHF 1,333).

Maturity profile of defined benefit obligation

(TCHF)	2019	2018
Less than 1 year	2,979	2,778
Weighted average maturity of defined benefit obligation (in years)	15.9	15.7

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, 2019	Dec. 31, 2018
Present value of defined benefit obligation	47,368	42,641
Fair value of plan assets	40,759	37,928
Amount reported on balance sheet	**6,609**	**4,713**

Development of defined benefit obligation

(TCHF)	2019	2018
Present value of defined benefit obligation as of January 1	**42,641**	**42,584**
Current service cost (without employee contributions and administrative expenses)	2,174	2,262
Employee contributions	1,148	1,049
Interest cost	306	272
Curtailment, settlement	-170	-29
Benefits paid	-1,428	-2,488
Actuarial losses/(gains) from experience adjustments	-346	-302
Actuarial losses/(gains) from changes in financial assumptions	3,043	-707
Present value of defined benefit obligation as of December 31	**47,368**	**42,641**
thereof actively insured persons	39,785	35,379
thereof pensioners	7,583	7,262

Development of plan assets

(TCHF)	2019	2018
Fair value of assets as of January 1	**37,928**	**37,322**
Interest income	269	239
Employee contributions	1,148	1,049
Employer contributions	1,506	1,470
Administrative expenses of the foundation	-111	-95
Benefits paid	-1,428	-2,488
Actuarial (losses)/gains from experience adjustments	1,447	431
Fair value of assets as of December 31	**40,759**	**37,928**

Retirement benefit expenses break down as follows:

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Current service cost (without employee contributions and administrative expenses)	2,174	2,262
Administrative expenses of the foundation	111	95
Effects from curtailments and settlements	-170	-29
Net interest cost (income)	37	33
Total income statement	**2,152**	**2,361**

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

(TCHF)	2019	2018
Cash and cash equivalents	148	352
Bonds with quoted market prices on active markets	11,246	9,542
Bonds without quoted market prices	844	154
Shares with quoted market prices on active markets	9,157	8,544
Real estate	13,060	12,779
Insurance surrender values	4,741	4,659
Other	1,563	1,898
Total	**40,759**	**37,928**

The actual return on plan assets in the year under review amounted to TCHF 1,678 (previous year's period: TCHF 597).

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

	2019	2018
Discount rate	0.15 to 0.20	0.70 to 0.80
Pension trend	0.00	0.00
Salary trend	1.50	1.50
Average life expectancy after retirement – men (in years)	22.72	22.61
Average life expectancy after retirement – women (in years)	25.75	25.64

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 interest rate)		Pension trend		Salary trend		Average life expectation
2019 (TCHF)	+25 bp	-25 bp	+25 bp	-25 bp	+25 bp	-25 bp	+1 year
Impact on defined benefit obligation	1,324	1,523	1,062	-	321	-311	1,324

	Discount rate (incl. change in projected interest rate)		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

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.

6.16.2 Defined contribution plans

The expenses recognized in profit or loss for defined contribution plans (including state plans) amounted to TCHF 8,830 in the year under review (previous year's period: TCHF 6,298).

6.17 Deferred tax liabilities

Composition of deferred tax liabilities

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Intangible assets and film assets	87,322	84,956
Right-of-use assets	7,803	-
Inventories	2	2
Trade accounts receivable and other receivables	2,158	42
Contract assets	4,484	5,440
Provisions	307	234
Trade payables and other liabilities	5,086	8,031
Contract liabilities	264	275
Advance payments received	10,577	16,024
Total	**118,003**	**115,004**
Netting with deferred tax assets	-48,016	-48,340
Deferred tax liabilities (net)	**69,987**	**66,664**

Maturities

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Current deferred tax liabilities	-	99
Non-current deferred tax liabilities	69,987	66,565

6.18 Financial liabilities

6.18.1 Non-current financial liabilities

On July 17, 2019, a new credit agreement was concluded by Highlight Communications AG to replace the existing credit agreement. The new credit agreement provides for three facilities. Facility A amounts to EUR 40.6 million (nominal value EUR 45 million) and Facility B amounts to CHF 49.4 million (nominal value CHF 50 million); both are required to be repaid in the amount of 20 % per year. Facility C amounts to CHF 49.3 million (nominal value CHF 50 million) and is due in five years. Accordingly, Highlight Communications AG now classifies financial liabilities as current and non-current for the first time. The repayment amounts due for Facility A and Facility B in the 2020 reporting period are reported as current in note 6.18.2. Highlight Communications AG's credit facility of TCHF 100,000 and TEUR 45,000 (previous year: TCHF 100,000) is secured by the shares in Constantin Medien AG and Constantin Film AG.

The second tranche of the loan from Swiss International Investment Portfolio AG (SWIIP), formerly Studhalter Investment AG (SIAG), in the amount of EUR 30 million is due on November 27, 2020, and was therefore reclassified to current financial liabilities. SWIIP is a related party of the HLEE Group. With effect from January 2018, SWIIP 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, 2019.

6.18.2 Current financial liabilities

As of the end of the reporting period, there were current liabilities to banks of TCHF 130,683 (previous year: TCHF 165,504), TCHF 48,438 (previous year: TCHF 50,758) of which relates to the financing of film projects. The HLEE Group had free short-term credit facilities totaling around TCHF 172,067 (previous year: TCHF 142,135) 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 174,633 (previous year: TCHF 184,418) and the resulting proceeds from exploitation in addition to receivables of TCHF 51,655 (previous year: TCHF 62,303). 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. It will be transferred back to Constantin Film AG by the banks after all secured claims have been satisfied. In late June 2020, Highlight Communications AG

was required to make repayments of TEUR 7,574 for Facility A and TCHF 10,000 for Facility B. These repayments are reported by Highlight Communications AG. 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 7,598 (previous year: TCHF 7,884) and guarantee lines of TCHF 7,598 (previous year: 7,884). 4,000,000 Highlight Communications AG shares with a carrying amount of TCHF 18,148 (previous year: 4,000,000 Highlight Communications AG shares with a carrying amount of TCHF 22,797) were pledged in total for the two credit facilities as of December 31, 2019. Financial covenants do not have to maintained for the borrowed capital.
As in the previous year, at Highlight Event and Entertainment AG, 19.25 million Highlight Communications AG shares were pledged as collateral.
Furthermore, there were current finance lease liabilities of TCHF 230 in the previous year. As part of the adoption of IFRS 16, these were reclassified and are reported as lease liabilities (see note 2.1).

Reconciliation of liabilities arising from financial liabilities

(TCHF)	Dec. 31, 2018	Cash changes	Non-cash changes: Redassifications from first-time adoption of IFRS 16	Adjustments from first-time adoption of IFRS 16	Accrual of interest	Change in consolidated group	Additions from new leases	Currency translation	Reclassification	Other	Dec. 31, 2019
Non-current financial liabilities	**44,348**	120,756	-934	-	2,117		-	-139	-33,790	-2,044	**130,314**
Current financial liabilities	**189,738**	-80,268	-230	-	-		-	-1,834	33,790	-2,110	**139,086**
Total financial liabilities	**234,086**	**40,488**	**-1,164**	**-**	**2,117**	**-**	**-**	**-1,973**	**-**	**-4,154**	**269,400**

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

Currency profile

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
CHF	26,500	98,000
EUR	226,894	112,165
USD	16,006	22,607
CAD	-	1,314
Other		
Total	**269,400**	**234,086**

6.19 Advance payments received

Advance payments received totaling TCHF 57,487 (previous year: TCHF 72,111) essentially include amounts received for productions for which revenue has not yet been recognized and advance payments from customers of TCHF 15,467 (previous year: TCHF 16,050).

6.20 Non-current liabilities

Other non-current liabilities include a contingent purchase price component of TCHF 231 (previous year: TCHF 74) from the acquisition of Hager Moss Film GmbH in the previous year.

In the previous year, this item also included deferred long-term subsidies received for rent and construction costs in the amount of TCHF 1,788. As part of the adoption of IFRS 16, these were reclassified and reported in lease liabilities as of January 1, 2019 (see note 2.1).

6.21 Trade accounts payable and other liabilities

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Trade payables	52,914	63,217
Other liabilities	98,589	110,575
Liabilities to related parties	-	59
Total	**151,503**	**173,851**

6.21.1 Trade payables

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Trade payables (financial)		
Current liabilities	27,176	40,901
Outstanding invoices	25,176	21,999
Total	**52,352**	**62,900**
Trade payables (non-financial)		
Payables from barter transactions	562	317
Total	**562**	**317**
Total trade payables	**52,914**	**63,217**

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.

Currency profile

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
CHF	1,166	2,588
EUR	28,574	46,237
USD	23,046	14,356
Other	128	36
Total	**52,914**	**63,217**

6.21.2 Other current liabilities

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
Other liabilities (financial)		
Liabilities for conditional loan repayment (subsidies)	18,382	18,166
Customers with credit balances	197	733
Commission, licenses and overages	29,888	30,913
Other current loans	222	-
Negative fair value of derivative financial instruments not in hedges	855	1,485
Personnel-related liabilities (financial)	16,556	15,212
Deferred income (financial)	11,650	17,658
Other current liabilities (financial)	3,636	2,969
Total	**81,386**	**87,136**

Other liabilities (non-financial)		
VAT liabilities	2,077	807
Other taxes	5,261	3,826
Social security	740	842
Prepaid expenses	7,570	16,259
Negative fair value of hedged items in hedges	-	113
Personnel-related liabilities (non-financial)	1,555	1,636
Other current liabilities (non-financial)	-	15
Total	**17,203**	**23,498**

Currency profile

(TCHF)	Dec. 31, 2019	Dec. 31, 2018
CHF	19,129	12,611
EUR	70,989	77,104
USD	7,144	20,818
Other	1,327	101
Total	**98,589**	**110,634**

6.22 Contract liabilities

Development of contract liabilities

(TCHF)	
Balance on 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
Balance on December 31, 2018	**8,131**
Currency translation differences	-283
Additions	6,021
Consumed due to performance	-6,468
Balance on December 31, 2019	**7,401**

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 ne t contract liabilities at the beginning of the period.

6.23 Provisions

(TCHF)	Dec. 31, 2019	Change in consolidated group	Currency translation differences	Utilization	Reversal	Reclassification	Addition	Dec. 31, 2019
Provisions for litigation risks	1,887		-61	1,386	115	-	1,167	1,492
Staff provisions	2,712		-88	1,057	913	362	1,043	2,059
Provisions for warranty and performance obligations	1,203		-33	7	373	-	2	792
Other provisions	2,054		-30	1,739	217	-	161	229
Total	**7,856**	**-**	**-212**	**4,189**	**1,618**	**362**	**2,373**	**4,572**
of which non-current provisions	-		-	-	-	-	-	-
of which current provisions	7,856		-212	4,189	1,618	362	2,373	4,572

(TCHF)	Dec. 31, 2018	Change in consolidated group	Currency translation differences	Utilization	Reversal	Reclassification	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 current provisions	5,024	10,634	-413	4,212	796	-4,347	1,966	7,856

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 and utilized in the year under review.

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, 2019	Dec. 31, 2018
Income tax Switzerland	2,224	2,385
Income tax Germany	3,373	1,822
Income tax rest of the world	221	81
Total	**5,818**	**4,288**

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 1,053 (previous year: TCHF 1,937).

Future revenue from contracts with customers

Revenue expected to be recognized (TCHF)	Dec. 31, 2019	Dec. 31, 2018
Within one year	160,975	219,284
Within one to five years	338,790	359,613
After five years	295	36,009
Total	**500,060**	**614,906**

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

7.2 Capitalized film production costs and other own work capitalized

The capitalized film production costs and the TV service productions amount to TCHF 92,850 (previous year's period: TCHF 152, 258). Other own work capitalized of TCHF 3,007 (previous year's period: TCHF 2,619) mainly relates to digital internally generated intangible assets.

7.3 Other operating income

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Income from the reversal of provisions and deferred liabilities	4,713	4,980
Income relating to other periods	1,180	747
Recharges	699	614
Price gains	8,849	5,590
Income from rents and leases	24	-
Negative difference from the acquisition of subsidiaries	-	23
Derecognition of liabilities	673	310
Income from the disposal of non-current assets	31	180
Income for deconsolidation	-	530
Income from settlements of claims for damages and settlement agreements	5,780	3,518
Income from the disposal of right-of-use assets from leases	1	-
Miscellaneous operating income	35,686	4,622
Total	**57,636**	**21,114**

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.

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

Miscellaneous operating income includes TCHF 22,165 in income from the transfer of rights of use.

7.4 Cost of materials and licenses

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Licenses and commission	36,833	35,602
Other costs of material	13,757	12,899
Total licenses, commission and material	**50,590**	**48,501**
Production costs	166,065	226,772
Services received	1,199	1,823
Overages in the Film segment	6,705	11,096
Total purchased services	**173,969**	**239,691**

7.5 Other operating expenses

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Rental costs	2,937	10,804
Repair and maintenance costs	1,067	787
Advertising and travel expenses	10,111	11,801
Legal, consulting and auditing costs	17,853	16,296
IT costs	5,849	4,865
Administrative costs	2,169	2,411
Other personnel-related expenses	2,289	2,262
Insurance, dues and fees	2,282	1,551
Expenses relating to other periods	61	114
Price losses	3,268	3,610
Vehicle costs	719	1,499
Bank fees	187	1,338
Expenses for WBSS project	22,681	55,585
Losses from the disposal of non-current assets	27	236
Expenses from deconsolidation	630	-
Other taxes	100	130
Release and promotion expenses	29,128	14,510
Expenses from short-term leases	1,749	-
Expenses from leases of low-value assets (if not already short-term)	1	-
Expenses from variable lease payments (not included in lease liabilities)	587	-
Miscellaneous operating expenses	6,076	7,033
Total	**109,771**	**134,832**

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 can not be allocated to separate items.

7.6 Impairment/reversals of impairment on financial assets

This item includes impairment losses on financial assets of TCHF 1,442 (previous year's period: TCHF 1,667) and reversals of impairment losses on financial assets totaling TCHF 797 (previous year's period: TCHF 369).

7.7 Financial income

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Interest and similar income	295	28
Gains from changes in the fair value of financial instruments	307	2,593
Currency exchange gains	1,543	2,227
Total	**2,145**	**4,848**

7.8 Financial expenses

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Interest and similar expenses	11,048	9,556
Write-down of financial assets and non-current securities	4,037	221
Losses from changes in the fair value of financial instruments	699	2,577
Currency exchange losses	2,621	4,545
Interest expenses from lease liabilities	798	-
Total	**19,239**	**16,899**

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.

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, 2019	Jan. 1 to Dec. 31, 2018
Current income taxes	-5,718	-6,220
Deferred taxes (net)	8,202	-1,015
Total taxes from continuing operations	**2,484**	**-7,235**
Net income from continuing operations before taxes	15,570	-12,940
Unrecognized deferred taxes	-2,470	-
Effects from changes in tax laws in Switzerland	10,963	-
Effect of non-recognition of tax loss carryforwards	-1,174	-5,244
Effect of expenses that are not deductible for tax purposes	-1,294	-2,335
Effect of different tax rates at subsidiaries	-3,541	344
Total tax expense (income)	**2,484**	**-7,235**

8. DISCLOSURES ON FINANCIAL RISK MANAGEMENT

8.1 Financial instruments by class

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

IFRS 7 disclosures: Classes as of December 31, 2019

				Valuation in the balance sheet under IFRS 9			
ASSETS (TCHF)	Classification category IFRS 9	**Carrying amount Dec. 31, 2019**	thereof not relevant under IFRS 7	Amortized cost	Fair value through OCI	Fair value through profit or loss	**Fair value Dec. 31, 2019**
Cash and cash equivalents	AC	**55,266**	-	55,266	-	-	**55,266**
Trade receivables	AC	**52,395**	-4,434	47,961	-	-	**47,961**
Contract assets	Without category	**18,626**	-18,626	-	-	-	**-**
Other receivables (current)							
Financial assets at fair value	FVTPL	**287**	-	-	-	287	**287**
Other receivables	AC	**71,241**	-27,674	43,567	-	-	**43,567**
Other financial assets (current)							
Financial assets at fair value	FVTPL	**14**	-	-	-	14	**14**
Non-current receivables and other receivables	AC	**17,321**	-	17,321	-	-	**17,321**
Other financial assets (non-current)							
Financial assets at fair value	FVTPL	**14**	-	-	-	14	**14**
Financial assets at fair value	FVTOCI	**6,931**	-	-	6,931	-	**6,931**
EQUITY AND LIABILITIES (TCHF)							
Financial liabilities (current and non-current)	AC	**268,844**	-	268,844	-	-	**268,844**
Financial liabilities with hedge (current and non-current)	AC	**556**	-	556	-	-	**556**
Lease liabilities (current and non-current) **	Without category	**39,950**	-	-	-	-	-
Trade payables (current and non-current)	AC	**52,914**	-562	52,352	-	-	**52,352**
Contract liabilities	Without category	**7,401**	-7,401	-	-	-	**-**
Other liabilities (current and non-current)							
Financial liabilities at amortized cost					-	-	**88,569**
Financial liabilities at fai value	FLTPL	**1,086**	-	-	-	1,086	**1,086**
AGGREGATED BY CATEGORY							
Assets (TCHF)							
Financial assets at amortized cost	AC	196,223	-32,108	164,115	-	-	164,115
Financial assets at fair value through profit or loss	FVTPL	315	-	-	-	315	315
Financial assets at fair value through OCI	FVTOCI	6,931	-	-	6,931	-	6,931

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Equity and liabilities (TCHF)							
Financial liabilities at amortized cost	AC	427,817	-17,496	410,321	-	-	410,321
Financial liabilities at fair value	FLTPL	1,086	-	-	-	1,086	1,086

** In accordance with IFRS 7.29(d), no fair value disclosures are required for lease liabilities

AC: Financial assets at amortized cost

FVTOCI: Financial assets at fair value through OCI

FVTPL: Financial assets at fair value through profit or loss

FLTPL: Financial liabilities at fair value through profit or loss

IFRS 7 disclosures: Classes as of December 31, 2018

				Valuation in the balance sheet under IFRS 9			
ASSETS (TCHF)	Classification category IFRS 9	**Carrying amount Dec. 31, 2018**	thereof not relevant under IFRS 7	Amortized cost	Fair value through OCI	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	FVTPL	**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 (underlying transactions from hedges)	Without category	**342**	-342	-	-	-	**-**
Other financial assets (current)							
Financial assets at fair value	FVTPL	**-**	-	-	-	-	**-**
Non-current receivables and other receivables	AC	**14,743**	-	14,743	-	-	**14,743**
Other financial assets (non-current)							
Financial assets at fair value	FVTPL	**-**	-	-	-	-	**-**
Financial assets at fair value	FVTOCI	**4,794**	-	-	4,794	-	**4,794**
EQUITY AND 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	FLTPL	**1,559**	-	-	-	1,559	**1,559**
Derivative financial instruments with a hedge	Without category	**-**	-	-	-	-	**-**
Other liabilities (underlying transactions from hedges)	Without category	**113**	-113	-	-	-	**-**
AGGREGATED BY CATEGORY							
Assets (TCHF)							
Financial assets at amortized cost	AC	218,189	-28,595	189,594	-	-	189,594
Financial assets at fair value through profit or loss	FVTPL	1,265	-	-	-	1,265	1,265
Financial assets at fair value through OCI	FVTOCI	4,794	-	-	4,794	-	4,794
Equity and liabilities (TCHF)							
Financial liabilities at amortized cost	AC	283,451	-12,613	270,838	-	-	270,838
Financial liabilities at fair value	FLTPL	1,559	-	-	-	1,559	1,559

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

8.2 Offsetting

For derivative financial instruments, according to the contractual agreements in the event of insolvency, all asset and liabi lity derivatives with the counterparty in question are offset and only the net amount of the receivable or liability remains. As offsetting is only legally enforceable in the event of insolvency and the Group neither has a legal right to offset amounts at the current time nor does it intend to settle on a net basis, the derivative financial instruments are reported in the consolidated balance sheet on a gross basis.

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

Offsetting as of December 31, 2019
Offsetting of financial assets

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	287	-	287	-60	227

Offsetting of financial liabilities

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	855	-	855	-60	795

Offsetting as of December 31, 2018
Offsetting of financial assets

(TCHF)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial assets at fair value through profit or loss	1,265	-	1,265	-60	1,205
Derivative financial instruments with a hedge	25	-	25	-	25

Offsetting of financial liabilities

(TCHF)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities shown in the balance sheet	Related amounts not offset in the balance sheet	Net amount
Financial liabilities at fair value through profit or loss	1,485	-	1,485	-60	1,425
Derivative financial instruments with a hedge	-	-	-	-	-

8.3 Management of financial risks

The Group is exposed to various financial risks resulting from its operating and financing activities. Financial risks can be broken down into the categories liquidity risks, credit risks and market risks (including currency risks, interest rate risks and price risks). These risks are monitored centrally within the HLEE Group. The risk situation is tracked by the risk manager on the basis of a risk management directive that applies to the whole Group using standardized risk reports and reported to the Board of Directors of the Highlight Event and Entertainment AG. Financial risks are identified, assessed and hedged in close cooperation with the Group's operating companies.

8.3.1 Liquidity risks

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

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

Liquidity risk

		Due within one year			Due within one to five years			Due after five years		
2019 (TCHF)	Carrying amount Dec. 31, 2019	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment
Primary financial liabilities										
Liabilities to banks	270,282	-	6,142	139,086	-	7,461	133,020	-	-	-
Lease liabilities	39,950	-	119	8,314	-	387	21,309	-	56	12,237
Other interest-free financial liabilities	116,381	-	-	116,381	-	-	-	-	-	-
Derivative financial liabilities										
Currency derivatives without hedge	855	-	-	12,634	-	-	2,753	-	-	-
Currency derivatives in connection with fair value/cash flow hedges	-	-	-	-	-	-	-	-	-	-
Derivative financial assets										
Derivatives without hedge	287	-	-	5,052	-	-	2,343	-	-	-
Currency derivatives in connection with fair value/cash flow hedges	-	-	-	-	-	-	-	-	-	-

		Due within one year			Due within one to five years			Due after five years		
2018 (TCHF)	Carrying amount Dec. 31, 2018	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	Repayment	Fixed interest	Variable interest	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	-	-	-	-	-	-

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

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

8.3.2 Credit risks

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 4.9 for further information on impairment of non-financial assets.

8.3.3 Market risks

Currency risk

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

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

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

Interest risk

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

The risk of change in interest rates to which the Group is exposed primarily relates to financial liabilities. The Group currently does not utilize financial instruments to hedge the risk of changes in interest rates, 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 6.18. If necessary, there is also the option to establish a fixed interest base using interest hedges.

Other price risks

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

Sensitivities

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

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

Sensitivity analysis

	Interest rate risk		Exchange rate risk: EUR/CHF		Exchange rate risk: EUR/USD		Exchange rate risk: EUR/CAD		Exchange rate risk: Total		Other price risks	
Dec. 31, 2019 (TCHF)	-1 %	+1 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %	-10 %	+10 %
Financial assets												
Cash and cash equivalents	-553	553	-1,115	1,115	-1,597	1,950	-54	66	-2,766	3,131	-	-
Trade receivables (current and non-current)	-	-	-151	166	-2,963	3,620	-	-	-3,114	3,786	-	-
Other receivables (current and non-current)	-	-	-	-	-562	688	-34	40	-596	728	-	-
Derivative financial instruments	-	-	-	-	-452	551	-	-	-452	551	-	-
Other financial assets (current and non-current)	-	-	-	-	-	-	-	-	-	-	-92	92
Financial liabilities												
Financial liabilities (current and non-current)	2,259	-2,259	4,059	-4,059	1,455	-1,779	-	-	5,514	-5,838	-	-
Lease liabilities (current and non-current)	84	-84	-	-	114	-139	-	-	114	-139	-	-
Trade payables (current and non-current)	-	-	264	-266	296	-362	-	-	560	-628	-	
Other liabilities (current and non-current)	-	-	-	-	1,792	-2,190	120	-148	1,912	-2,338	-	-
Derivative financial instruments	-	-	-	-	668	-816	-	-	668	-816	-	-
Total increase/decrease	**1,790**	**-1,790**	**3,057**	**-3,044**	**-1,249**	**1,523**	**32**	**-42**	**1,840**	**-1,563**	**-92**	**92**
of which in other comprehensive income (OCI)									-1,151	1,402		
of which in income statement									2,991	-2,965		

	Interest rate risk		Exchange rate risk: EUR/CHF		Exchange rate risk: EUR/USD		Exchange rate risk: EUR/CAD		Exchange rate risk: 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	-	-
Trade receivables (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												
Financial liabilities (current and non-current)	2,169	-2,169	-	-	2,056	-2,512	119	-146	2,175	-2,658	-	-
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	-	-
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		

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

8.4.1 Fair value of financial assets and liabilities

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

Fair value hierarchy

2019 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVTPL/without category	-	287	-	287
Financial assets at fair value through profit or loss	FVTPL	-	-	28	28
Financial assets (equity instruments)	FVTOCI	-	6,035	896	6,931
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships	AC	-	556	-	556
Derivative financial instruments	FLTPL	-	855	-	855
Financial liabilities	FLTPL	-	-	231	231

2018 (TCHF)		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Derivative financial instruments	FVTPL/without category	-	1,290	-	1,290
Financial assets (equity instruments)	FVTOCI	2,328	2,457	9	4,794
Financial liabilities measured at fair value					
Financial liabilities with hedging relationships	AC	-	223	-	223
Derivative financial instruments	FLTPL	-	1,485	-	1,485
Financial liabilities	FLTPL	-	-	74	74

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 m ethod was used to determine the fair value of Level 2 financial instruments.

The preference shares assigned to Level 3 of the fair value hierarchy had already been written down in full in previous years . There were no indications of a reversal of impairment in the year under review. The fair values of the equity investments acquire d in fiscal year 2019 are their respective purchase prices (adjusted for currency effects), as they were acquired in the year under review. Fo r reasons of materiality, other equity instruments totaling TCHF 9 (previous year: TCHF 9) are recognized at histo rical cost. There was an earn-out liability of TCHF 231 (previous year: TCHF 74) recognized as a level 3 financial instrument as of the end of the reportin g period. Deviations from the planning of Hager Moss Film GmbH resulted in changes to the earn-out liability. The measurement of the earn-out liability is based on the actual EBIT for fiscal year 2019 and the forecast EBIT for fiscal 2020 of Hager Moss Film GmbH, which was acquired in the previous year. A +/- 10 % change in the forecast EBIT of Hager Moss Film GmbH for fiscal year 2020 would result in a change in the earn-out liability of TCHF +/- 25.

There were no reclassifications between the individual levels of the fair value hierarchy. They are reclassified quarterly in each reporting period if circumstances requiring a different classification arise.

8.4.2 Financial assets and liabilities at amortized cost

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

8.4.3 Fair value of non-financial assets and liabilities

As of December 31, 2019 and December 31, 2018, there were no non-financial assets or liabilities measured at fair value.

8.5 Use of hedging instruments

In significant transactions, particularly in US dollars, 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 to hedge the profit distribution of an international subsidiary of Constantin Entertainment GmbH.

8.5.1 Fair values of hedging instruments in hedges

Fair value hedges

As in the previous year, no derivatives were designated as hedging instruments in fair value hedges as of December 31, 2019.

Cash flow hedges

As of December 31, 2019, the currency risk component of non-derivative financial liabilities with a nominal amount of TCHF 12,658 (previous year: TCHF 17,559) was designated as a hedging instrument in cash flow hedges. The hedged items are forecast transactions that are highly likely to occur.

The unrealized profit before tax from the remeasurement of derivatives recognized in other comprehensive income amounts to TCHF 332 (previous year: TCHF 198).

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

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

Hedging instruments and derivative financial instruments in hedges

	Dec. 31, 2019		Dec. 31, 2018	
(TCHF)	Assets	Liabilities	Assets	Liabilities
Currencies – Fair value hedges (derivatives as hedging instruments)				
Hedge – Foreign currency forward	-	-	-	-
Currencies – cash flow hedges (derivatives as hedging instruments)				
Hedge – Foreign currency forward	-	-	25	223
Currencies – cash flow hedges (primary financial instruments as hedging instruments)				
Hedge - foreign currency financial liability	-	556	-	-
Total	**-**	**556**	**25**	**223**

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

Information on hedging instruments

Currency risk

(TCHF)	2019	2018
Cumulative fair value changes to determine ineffectiveness	332	198
Carrying amount of other receivables	-	25
Carrying amount of financial liabilities	556	223
Nominal value	12,658	17,559

The designated hedged items are as follows:

Hedging instruments in hedge accounting

Currency risk

(TCHF)	Jan. 1 - Dec. 31, 2019	Jan. 1 - Dec. 31, 2018
Unrealized gains and losses from hedging instruments	332	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	26	-442

Owing to changes in market conditions, one designated project was canceled and the items recognized in other comprehensive income were reclassified to the financial result.

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

CCBS ineffectiveness was immaterial in fiscal year 2019 and was therefore not recognized in profit or loss.

8.5.2 Derivative financial instruments without a hedge

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

The nominal amounts and fair values of derivatives not designated in hedge accounting as of December 31, 2019 and 2018 are as follows:

Derivative financial instruments without a hedge

	Dec. 31, 2019		Dec. 31, 2018	
(TCHF)	Nominal value	Fair value	Nominal value	Fair value
Foreign currency forwards (sale)				
CZK	2,454	-66	-	-
PLN	500	-7	-	-
USD	8,479	-668	37,352	-398
ZAR	1,361	-68	-	-
USD/CAD swap	2,210	19	4,776	-226
ZAR/USD swap	-	-	738	24
thereof credit balance	1,457	29	11,210	278
thereof debit balance	13,547	-819	31,656	-878
Foreign currency forwards (acquisition)				
CZK	1,204	31	-	-
USD	6,574	191	35,114	380
thereof credit balance	5,938	258	18,233	987
thereof debit balance	1,840	-36	16,881	-607

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 revenue and segment earnings. The Group's management does not rate the segments on the basis of their assets and liabilities.

The Group consists of the Film segment, the Sports segment and the Sports- and Event-Marketing segment. Group functions of Highlight 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 Sport segment comprises the activities of Comosa AG and Constantin Medien AG. The main project at Comosa AG is the World Boxing Super Series. Other than this, the Sport segment mainly comprises activities in the TV and digital areas with the umbrella brand SPORT1 and in the areas of production, content solutions services, and content marketing with PLAZAMEDIA. Magic Sport Media GmbH comprises the marketing portfolio and comprehensive expertise in the fields of betting, poker, casino and lottery. The Sports segment also includes Match IQ GmbH, an event agency specialized in the sporting preparation of professional teams and athletes as well as the implementation of sports events and brand activation measures.

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

Segment information for 2019

(TCHF)	Film	Sports- and Event-Marketing	Sports	Event Marketing	Other	Reconciliation	Group
External revenue	303,578	64,689	132,902	3,148	756	-467	504,606
Intragroup revenue	-	-	-		-	-	-
Total revenue	303,578	64,689	132,902	3,148	756	-467	504,606
Other segment income	128,026	712	19,040	8	5,970	-263	153,493
Segment expenses	-415,215	-36,239	-161,978	-2,037	-10,870	730	-625,609
of which scheduled amortization and depreciation	*-95,360*	*-1,550*	*-13,858*		*-*	*-*	*-110,768*
of which impairment	*-5,621*	*-*	*-9*		*-*	*-*	*-5,630*
Segment earnings	**16,389**	**29,162**	**-10,036**	**1,119**	**-4,144**	**-**	**32,490**
Time reference of revenue							
Over time	139,702	-	51,209		-	-	190,911
Point in time	163,876	64,689	81,693	3,148	756	-467	313,695
	303,578	**64,689**	**132,902**	**3,148**	**756**	**-467**	**504,606**
Revenue by product type							
Film	163,820	-	-		-	-	163,820
Production services	139,758	-	-		-	-	139,758
Sports- and Event-Marketing	-	64,689	-		-	-	64,689
Platform	-	-	109,853		-	-	109,853
Services	-	-	23,049	3,148	756	-467	26,486
	303,578	**64,689**	**132,902**	**3,148**	**756**	**-467**	**504,606**

Segment information for 2018

(TCHF)	Film	Sports- and Event-Marketing	Sports	Event Marketing	Other	Reconciliation	Group
External revenue	364,362	63,728	133,147	2,934	634	-722	564,083
Intragroup revenue	-	-			-	-	-
Total revenue	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 scheduled amortization and depreciation	*-143,450*	*-453*	*-7,348*	*-4*			*-151,255*
of which impairment	*-9,441*						*-9,441*
Segment earnings	**12,137**	**31,549**	**-34,805**	**929**	**-10,339**	**-**	**-529**
Time reference of revenue							
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 type							
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**

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

IFRS 16 was applied for the first time in fiscal year 2019. As the prior-period figures have not been restated, the segment information is not fully comparable with the information shown for the previous year.

With regard to the performance of the Sports segment, it should also be noted that Constantin Medien AG was consolidated for the first time effective March 31, 2018, and allocated to the Sports segment. The company's consolidation period was thus only ni ne months in the period from April 1 to December 31, 2018, but a full twelve months for the current reporting period. Comparability with prior-year figures is therefore limited.

Segment information by region

Jan. 1 to Dec. 31, 2019 (TCHF)	Switzerland	Germany	Rest of Europe	Rest of the world *	Total
External revenue	102,003	313,496	53,950	35,157	504,606
Non-current assets	486,636	280,970	-	-	767,606

** of which TCHF 32,685 is attributable to the US*

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

In total, the HLEE Group generated more than 10 % of its total revenue with two customers (previous year's period: two customers). This revenue relates both to the Film segment and the Sports- and Event-Marketing segment.

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

10.1 Overview

Financial commitments, contingent liabilities and other unrecognized financial obligations

(TCHF)	Financial commitments	Contingent liabilities	Purchase commitments for licenses	Other unrecognized financial obligations	Lease liabilities	Total
As of December 31, 2019						
Due within one year	14,653	-	30,870	23,536	2,478	71,537
Due between one and five years	7,920	-	27,522	11,901	18,549	65,892
Due after five years	-	-	-	822	10,555	11,377
Total	**22,573**	**-**	**58,392**	**36,259**	**31,582**	**148,806**

(TCHF)	Financial commitments	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**

10.2 Financial commitments

As of December 31, 2019, there were guarantees to various TV stations for the completion of service productions totaling TCHF 14,653 (previous year: TCHF 15,205). As there are no indications that the collateralized service productions will not be completed as contractually agreed, it is not expected that material actual liabilities will result from the contingent liabilities.

Sport1 Medien AG has assumed directly enforceable guarantees for all liabilities of PLAZAMEDIA GmbH arising from multiple leases. These guarantees are perpetual and are capped at a total of TCHF 7,920.

10.3 Contingent liabilities

There were no contingent liabilities as of the end of the reporting period.

10.4 Purchase commitments for licenses

The Group secures its access to future film rights by concluding license agreements. Film purchasing and production preparati ons result in future financial obligations of TCHF 12,781 (previous year: TCHF 19,162).

Furthermore, the purchase commitments for licenses include TCHF 45,611 (previous year: TCHF 70,000) for broadcasting and transmission rights of Sport 1 GmbH.

10.5 Other unrecognized financial obligations

Other financial obligations not recognized in the balance sheet include TCHF 15,077 (previous year: TCHF 16,809) 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 21,182 (previous year: TCHF 31,409).

10.6 Rental and lease obligations

The HLEE Group rents numerous offices, warehouses, vehicles and facilities.

Since January 1, 2019, the Group has recognized right-of-use assets for these leases with the exception of short-term leases and leases for low-value assets (for more information see notes 2.1, 4.8 and 6.4).

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 lease contracts)
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**

The minimum lease obligations were calculated based on the respective uncancellable lease terms.

The total rental and lease expenses for fiscal year 2018 amounted to TCHF 10,624.

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, 2019	Dec. 31, 2018
Receivables	-	-
Liabilities	57	59
Current financial liabilities to Obotritia Capital KGAA	-	5,068
Current financial liabilities to Swiss International Investment Portfolio AG*	55,914	30,249
Non-current financial liabilities to Swiss International Investment Portfolio AG	-	35,110
Non-current financial liabilities to Obotritia Capital KGAA	10,137	10,137

(TCHF)	Jan. 1 to Dec. 31, 2019	Jan. 1 to Dec. 31, 2018
Revenue and other income	-	-
Cost of materials and licenses and other expenses	-	39
Financial expenses for Obotritia Capital KGAA loan	607	638
Financial expenses for Swiss International Investment Portfolio AG loan	3,013	3,248

*Studhalter Investment AG has been renamed as Swiss International Investment Portfolio AG.

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

The investment in Comosa AG was increased from 51 % to 90 % on June 17, 2019. On September 24, 2019, the investment in Comosa AG was reduced from 90 % to 60 %. The related parties Obotritia Capital KGAA and Swiss International Investment Portfolio AG each acquired a 15 % stake in Comosa AG from Highlight Event and Entertainment AG by way of loan settlements in the amount of EUR 4.7 million each.
Related parties include the members of the Board of Directors, the members of Group management and their relatives.

Please see the remuneration report (starting on page 98) 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

Constantin Medien AG was renamed Sport1 Medien AG effective January 1, 2020.

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

Constantin Sport Holding GmbH was also renamed Sport1 Holding GmbH in January 2020.

The global spread of the new coronavirus continuously increased in the first quarter of 2020. Due to these developments, the Board of Directors currently cannot issue an updated forecast for fiscal year 2020 that takes account of the development of the coronavirus to date. In view of the constantly evolving situation, the extent of the total impact on our business in 2020 cannot be reliably quantified at present. There is uncertainty as to how the economic effects will unfold over the course of the year. Depending on future developments in connection with the outbreak of the coronavirus, there may be changes in the company's outlook for fiscal year 2020 as described in this report. The Board of Directors is monitoring the situation and will initiate suitable measures at all times. The Board of Directors expects the spread of the coronavirus to have an impact on the HLEE Group.

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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, 2019, 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.

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, 2019 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 and intangible assets with indefinite useful lives In 2017, the company acquired the majority in Highlight Communications 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 116.3 million and intangible assets with indefinite useful lives totaling CHF 325.8 million that result from these transactions as particularly significant for our audit for the following reasons: • Goodwill of Constantin Medien AG and Highlight Communications AG amounts to 12% of total assets and thus represents a material amount. • The acquired intangible assets with indefinite useful lives amount to 33% of total assets and thus represent 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 “Other intangible assets and goodwill” in the notes to the consolidated financial statements.	To assess the recoverability of goodwill and of the acquired intangible assets with indefinite useful lives, we examined the impairment tests prepared by the Group 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 tests were consistent with the budgets approved by the Board of Directors for the next year. • 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 doing so, we also verified that there was no inappropriate inclusion of any non-adjusting events after the end of the reporting period. • In addition, we used sensitivity analyses to evaluate what impact changes in the most important assumptions (for the discount rate, EBITDA margin and long-term revenue growth) would have on the calculated comparative figures. • We discussed the results of these examinations with the members of the Group’s management in respect to existing headroom until the assets would be 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.

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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 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 4.16 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 2018/2019 season ending in fiscal 2019 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 2019/2020 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. In doing so, we also verified that there was no inappropriate inclusion of any non-adjusting events after the end of the reporting period.

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 18% 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. In doing so, we also verified that there was no inappropriate inclusion of any non-adjusting events after the end of the reporting period. • 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.

BDO

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 Directors determines 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, April 17, 2020
BDO AG

Thomas Schmid Head auditor	Joseph Hammel
Licensed audit expert	Licensed audit expert

BALANCE SHEET

in CHF thousand	Note	Dec. 31, 19	Dec. 31, 18
Cash and cash equivalents	6.1	1,314	4,168
Other current receivables	6.2	2,937	2,340
Prepaid expenses		73	73
Current assets		**4,324**	**6,581**
Financial receivables from equity investments	6.3	2,000	37,916
Equity investments	6.4	204,564	178,147
Other financial assets	6.7	0	2,402
Financial assets	6.7	5,130	4,784
Non-current assets		**211,694**	**223,249**
ASSETS		**216,018**	**229,830**
Trade payables		19	769
Current interest-bearing liabilities to equity investments	6.9	37,169	4,393
Other current liabilities		42	15
Financial liabilities	6.8	72,414	57,323
Deferred income	6.10	955	982
Current liabilities		**110,599**	**63,482**
Financial liabilities	6.8	10,136	45,247
Non-current liabilities		**10,136**	**45,247**
Share capital	1	77,400	77,400
Statutory capital reserves	6.5	50,851	50,851
Statutory retained earnings		3,067	3,067
Accumulated losses	6.6	-8,520	-5,873
Net profit/loss for the year		-27,515	-2,647
Treasury shares	2	0	-1,697
HLEE		**95,283**	**121,101**
EQUITY AND LIABILITIES		**216,018**	**229,830**

INCOME STATEMENT

in CHF thousand	Note	2019	2018
Net revenue from goods and services	7.1	474	334
Staff costs		0	-88
Administrative expenses and selling costs	7.2	-2,375	-2,860
Write-downs and debt waivers on equity investments and intragroup loans	7.7	-30,224	-1
Operating result		**-32,313**	**-2,615**
Currency translation differences	7.3	-16	9
Interest expenses and other financial expenses	6.8	-5,567	-4,575
Other financial income	7.8	5,875	479
Dividend income	7.5	6,258	6,233
Security expenses	7.6	-1,940	-2,178
Financial result		**4,610**	**-32**
Earnings before taxes		**-27,515**	**-2,647**
Direct taxes	7.4	0	0
Net profit/loss for the year		**-27,515**	**-2,647**

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 17, 2020.

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 June 21, 2019 extended the **authorized capital** until June 21, 2021. The Board of Directors is authorized to increase the capital by a maximum of CHF 36 million (previously CHF 27,591,930) until June 21, 2021 by issuing a maximum of 4 million (previously 3,065,770) fully paid-up bearer shares each with a notional interest in the share capital of CHF 9. The contingent share capital of CHF 8,100,000 by way of issuing 900,000 bearer shares with a par value of CHF 9 remains unchanged.

Non-current financial liabilities to investees and investors include the convertible loan of TCHF 10,136. The conversion period (conversion right) commenced on June 26, 2017 and ends on April 26, 2022. If the conversion right is exercised, an additional 522,864 bearer shares in Highlight Event and Entertainment AG will be created in equity. If the option were not exercised, the convertible loan would have to be repaid on May 26, 2022. Part of the loan from Swiss International Investment Portfolio AG (formerly Studhalter Investment AG) in the amount of TEUR 1,929 can be converted into 120,000 bearer shares.

As in the previous year, there were no **preferential rights** or **participation certificates**.

Shares outstanding		**Dec. 31, 19**	**Dec. 31, 18**
Bearer shares outstanding each with a nominal value of CHF 9	Number	8,599,979	8,504,618
Share price as of December 31	CHF	25.20	21.60
Market capitalization as of December 31	CHF thousand	216,719	183,700

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

	2019	**2018**
Shares at beginning of year	95,382	51,377
Acquisition of treasury shares	20,214	44,005
Disposal of treasury shares	-115,575	0
Shares at end of year	**21**	**95,382**

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

Date	Number of shares	Currency	Value	Transaction
Oct. 8, 2019	-40,875	CHF	-727,166	Sale
Dec. 11, 2019	20,214	CHF	405,680	Purchase
Dec. 16, 2019	-74,700	CHF	-1,375,227	Sale

The average price was CHF 18.41 as of December 31, 2019 (previous year: CHF 17.79).

3 Principal shareholders

	Dec. 31, 19	Dec. 31, 18
Bernhard Burgener	21.66 %	21.08 %
Miralco Holding AG	5.26 %	7.36 %
Stella Finanz AG	5.35 %	5.35 %
HLEE Finance S.à.r.l.	3.02 %	0.00 %
René Camenzind	5.47 %	5.47 %
Victorinox AG	12.44 %	12.44 %
Obotritita Capital KGAA	9.17 %	8.15 %
Swiss International Investment Portfolio AG*	28.70 %	28.70 %

**Company name changed from Studhalter Investment AG to Swiss International Investment Portfolio AG*

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, 19	Dec. 31, 18
Number of shares held personally (Highlight Event & Entertainment AG CH0003583256)		
Bernhard Burgener, President of the Board of Directors	1,862,914	1,812,814
Peter von Büren, member of the Board of Directors	none	None
Aline Studhalter, member of the Board of Directors*	2,468,459	2,468,459
Rolf Elgeti, member of the Board of Directors	788,409	701,200
Sven Heller, member of the Board of Directors	6,597	897
Number of shares (total)	5,126,379	4,983,370
Shares as a percentage of total share capital	59.61 %	57.95 %

**Ms. Aline Studhalter died on November 7, 2019.*

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 & 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.

Property, plant and equipment

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, 19	Dec. 31, 18
Cash and cash equivalents in CHF	767	1,282
Cash and cash equivalents in EUR at the closing exchange rate of 1.08538 (1.12633)	547	2,886
Total	**1,314**	**4,168**

6.2 Other current receivables

in CHF thousand	Dec. 31, 19	Dec. 31, 18
Receivables from Group company Highlight Communications AG	892	0
Receivables from other Group companies	850	1,261
Receivables from third parties	1,195	577
Receivables from Lighthouse Finance Corp.	0	502
Total	**2,937**	**2,340**

6.3 Financial receivables from equity investments

in CHF thousand	Dec. 31, 19	Dec. 31, 18
Financial receivable from Escor Automaten AG *	16,500	16,500
Impairment	-14,500	-14,500
Financial receivable from Comosa AG **	17,845	35,916
Impairment	-17,845	0
Total	**2,000**	**37,916**
* of which subordinated	16,500	16,500
** of which subordinated	17,845	35,916

6.4 Equity investments	**Share capital Dec. 31, 19**	**Share-holding Dec. 31, 19**	**Share of voting rights Dec. 31, 19**	**Share capital Dec. 31, 18**	**Share-holding Dec. 31, 18**	**Share of voting rights Dec. 31, 18**
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	3,000	60 %	60 %	150	51 %	51 %
Chameleo AG, CH-Pratteln	100	80 %	80 %	100	90 %	90 %
Highlight Communications AG, Pratteln, Switzerland	63,000	45 %	45 %	63,000	45 %	45 %

In the second quarter of 2019, the 90 % investment in Chameleo AG was reduced to 80 % for TCHF 10.

On May 16, 2019, a 100 % investment in the non-operational company HLEE Finance S.à r.l. was acquired for TCHF 17. On November 14, 2019, the 100 % investment in HLEE Finance S.à r.l. was sold in full.

The investment in Comosa AG was increased from 51 % to 90 % on June 17, 2019. On September 24, 2019, the investment in Comosa AG was reduced from 90 % to 60 %. The related parties Obotritia Capital KGAA and Swiss International Investment Portfolio AG each acquired a 15 % stake in Comosa AG from Highlight Event and Entertainment AG by way of loan settlements in the amount of EUR 4.7 million each.

In the past year, a further investment of 0.46 % in Highlight Communications AG was acquired. As of December 31, 2019, the equity investment in Highlight Communications AG came to 45.19 %.

6.5 Statutory capital reserves

in CHF thousand	Dec. 31, 19	Dec. 31, 18
Statutory reserves from capital contributions confirmed by the Swiss Federal Tax Administration	50,851	50,851
Total	**50,851**	**50,851**

6.6 Accumulated losses

in CHF thousand	Dec. 31, 19	Dec. 31, 18
Losses carried forward	-8,520	-5,632
Reclassification to legal reserves from capital contributions	0	-241
Net profit/loss for the year	-27,515	-2,647
Total	**-36,035**	**-8,520**

6.7.1 Other financial assets

in CHF thousand	Dec. 31, 19	Dec. 31, 18
Loans granted to Highlight Ventures Corp.	0	1,867
Loans granted to third parties	0	535
Total	**0**	**2,402**

The loan receivable from Highlight Ventures Corp. was repaid by way of a share swap for shares in Facebank Group Inc. The company is listed on the US stock exchange (DGLF).
The shares in Facebank Group are reported under financial assets.
Loans granted to third parties were written down in the reporting period.
Other financial assets are measured at amortized cost.

6.7.2 Financial assets

in CHF thousand	Dec. 31, 19	Dec. 31, 18
The Native SA	0	2,327
Lighthouse Finance Corp.	0	1,957
SP Group (Europe) AG	0	500
Facebank Group Inc.	5,130	0
Total	**5,130**	**4,784**

In the previous year, financial assets included shares in The Native SA and Lighthouse Finance Corp.
On November 14, 2019, a 2.43 % financial investment in Facebank Group Inc. was acquired in a share swap of CHF 6,671 million. The company is listed on the US stock exchange (DGLF). Conversely, the financial investments in HLEE Finance S.à r.l . (TCHF 17), The Native (TCHF 2,327) and Lighthouse (TCHF 1,957) and the Highlight Venture loan (TCHF 1,867) and the Lighthouse receivable (TCHF 503) were offset. Based on the precautionary principle, a 15 % illiquidity discount of TCHF 905 was applied.
The shares are recognized at fair value.

In the reporting period, the 2 % financial investment in SP Group (Europe) AG of TCHF 500 was written down.

6.8 Financial liabilities

2019 in CHF thousand	Interest rate	Maturity	Maturity
		< 1 year	1-5 years
Related parties			
Swiss International Investment Portfolio AG	5 %	55,914	
Obotritia Capital KGAA	6 %		10,136
Victorinox	2.50 %	16,500	
Total current		**72,414**	
Total non-current			**10,136**

2018	Interest rate	Maturity	Maturity
		< 1 year	1-5 years
Related parties			
Swiss International Investment Portfolio AG	5 %	30,250	35,110
Obotritia Capital KGAA	6 %	5,068	10,137
Victorinox	2.50 %	16,500	
Private individual	2.50 %	1,000	
Third parties			
Private individual	2.50 %	4,505	
Total current		57,323	
Total non-current			45,247

The financial loan from Swiss International Investment Portfolio AG must be paid back in two tranches. The first tranche of EUR 21.5 million was due in November 2019 and has been extended until August 31, 2020. The second tranche of EUR 30 million must be repaid by the end of November 2020. In the reporting period, the second tranche was reclassified from non-current to current financial liabilities to investees and investors.

6.9 Current interest-bearing liabilities to equity investments

in CHF thousand	Dec. 31, 19	Dec. 31, 18
Highlight Communications AG	22,735	1,512
Other Group companies	14,434	2,881
Total	**37,169**	**4,393**

The increase for Highlight Communications AG is attributable to the advance payment of CHF 8 million received in connection with the sale of the equity investment in Highlight Event AG.

6.10 Deferred income

in CHF thousand	Dec. 31, 19	Dec. 31, 18
Financial statement and audit costs	107	106
Deferred loan interest	342	368
Other deferred income	506	508
Total	**955**	**982**

7 Disclosures on items of the statement of comprehensive income

7.1 Gross profit

in CHF thousand	2019	2018
Net revenue from goods and services for Group companies	474	334
Total	**474**	**334**

7.2 Administrative expenses and selling costs

in CHF thousand	2019	2018
Administrative and consulting expenses for the holding company, stock exchange listing, internal audit	1,997	2,496
Goods and services of equity investments	378	364
Total	**2,375**	**2,860**

7.3 Exchange rate differences

in CHF thousand	2019	2018
Exchange rate differences on cash and cash equivalents	16	-9
Total	**16**	**-9**

7.4 Tax loss carryforwards

in CHF thousand	2019	2018
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	2,647
Expiring in 2025 (gross amounts)	27,515	0
Total	**40,291**	**12,776**

7.5 Investment income

in CHF thousand	2019	2018
Dividends from subsidiaries	6,258	6,233
Total	**6,258**	**6,233**

7.6. Security expenses

In the previous year, impairment of TCHF 2,178 was recognized on the financial asset The Native SA, as the shares are measured at fair value. One equity investment was sold at its carrying amount in the reporting period. A 15 % illiquidity discount of TCHF 905 was recognized on the financial investment in Facebank Group Inc. At the same time, write-downs of TCHF 535 were recognized on other financial assets and of TCHF 500 on financial investments.

7.7 Write-downs and debt waivers on equity investments and intragroup loans

These relate to intragroup write-downs and debt waivers at the Group company Comosa AG.
A provisional write-down of TCHF 772 was recognized on the equity investment and of TCHF 19,152 on the receivables. In addition, a debt waiver of TCHF 10,300 was carried out. The reason for the provisional write-down relates to the valuation of Comosa AG. In connection with the sale of the 30 % equity investment, the fair value was determined and a provisional write-down was recognized on the difference.

7.8 Other financial income

As of the end of the year, financial liabilities to investees and investors were reclassified from non-current to current. Foreign currency adjustments were recognized on the euro-denominated loans as of the end of the year, resulting in currency gains.

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

8.1 Average number of FTEs for the year	**Dec. 31, 19**	**Dec. 31, 18**
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, 19**	**Dec. 31, 18**
	none	none

8.3 Liabilities to pension schemes	**Dec. 31, 19**	**Dec. 31, 18**
	none	none

8.4 Security pledged for third-party liabilities	**Dec. 31, 19**	**Dec. 31, 18**
	none	none

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

As in the previous year, 19.25 million shares in Highlight Communications AG were pledged as security for own liabilities.

8.6 Contingent liabilities	**Dec. 31, 19**	**Dec. 31, 18**
No other contingent liabilities	yes	yes

8.7 Extraordinary, non-recurring or prior-period items of the statement of comprehensive income	**Dec. 31, 19**	**Dec. 31, 18**
-	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 December 17, 2019, Highlight Communications AG acquired the stake in Highlight Event AG from Highlight Event and Entertainment AG at a purchase price of CHF 9 million. The shares were not transferred until January 1, 2020. Completion and transfer of control took place on January 1, 2020. An advance payment of CHF8 million was made. On January 1, 2020, the remaining amount of the purchase price of CHF 1 million was paid.

The global spread of the new coronavirus continuously increased in the first quarter of 2020. Due to these developments, the Board of Directors currently cannot issue an updated forecast for fiscal year 2020 that takes account of the development of the coronavirus to date. In view of the constantly evolving situation, the extent of the total impact on our business in 2020 can not be reliably quantified at present. There is uncertainty as to how the economic effects will unfold over the course of the year. Depending on future developments in connection with the outbreak of the coronavirus, there may be changes in the company's outlook for fiscal year 2020 as described in this report. The Board of Directors is monitoring the situation and will initiate suitable measures at all times. The Board of Directors expects the spread of the coronavirus to have an impact on the HLEE Group.

8.10 Onerous contracts
In the past fiscal year, the HLEE Group agreed with a third party to acquire 1.5 million shares in Highlight Communications AG. With this acquisition, HLEE's equity investment in the Highlight Group will increase by 2.38 %. The Board of Directors plans to close this transaction in the first half of 2020. On October 8, 2019, a total of 40,875 HLEE treasury shares were transferred to the third party as an advance payment.

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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 December 31, 2019, the income statement for the year ended at that date, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements for the period ended December 31, 2019 (pages 85 to 93) 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 204.6 million account for around 95% of total assets. Equity investments are recognized at historical cost less necessary impairments. This item predominantly consists of the equity investment in Highlight Communications AG (CHF 172.5 million). No impairment was recognized on this equity investment as of December 31, 2019. 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. In doing so, we also verified that there was no inappropriate inclusion of any non-adjusting events after the end of the reporting period. • 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 annual 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 annual financial statements exists in accordance with the guidelines of the Board of Directors.

We recommend the approval of these financial statements.

Aarau, April 17, 2020

BDO AG

Thomas Schmid Head auditor	Joseph Hammel
Licensed audit expert	Licensed audit expert

REMUNERATION REPORT

This Remuneration Report for fiscal year 2019 illustrates the remuneration system and remuneration paid to members of the Board of Directors and the management team of Highlight Event and Entertainment AG. The content and scope of these disclosures comply with the provisions of the *Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften* (**VegüV** – Swiss Ordinance against Excessive Compensation in Listed Stock Corporations), enacted by the Swiss Bundesrat and effective from January 1, 2014, and the Corporate Governance Directive (**RCGL**) of SIX Swiss Exchange.

Responsibilities and authorizations for remuneration

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

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

Determining the principles of the remuneration strategy

Determining the amount and composition of total remuneration for the President and other members of the Board of Directors

Determining the amount and composition of total and individual remuneration for committee members

Determining the amount and composition of total remuneration and individual remuneration for individual members of the management team

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

Remuneration to members of the Board of Directors

Principles

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

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

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

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

Fixed fees paid to members of the Board of Directors

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

The members of the Board of Directors of the Group company Highlight Communications AG were paid membership remuneration for fiscal year 2019 (as members of the Board of Directors or its committees):

	2019 In TCHF	2018 In TCHF
President of the Board of Directors, Bernhard Burgener	10.6	10.6
Member of the Board of Directors, Peter von Büren	10.6	10.6
Member of the Board of Directors, Rolf Elgeti	0	0
Member of the Board of Directors, Sven Heller	0	0
Member of the Board of Directors, Aline Studhalter	0	0
Total	21.2	21.2

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.

Ms. Aline Studhalter died on November 7, 2019.

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

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

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

Remuneration to the individual members of the Board of Directors

Fiscal year 2019
The members of the Board of Directors received the following remuneration in the 2019 reporting year:

checked	Compen-sation Committee	Period	Fixed fees paid to members of the Board of Directors	Variable remuneration	Pension benefits	Total In TCHF
Bernhard Burgener, Chairman	--	Jan. 1, 2019 – Dec. 31, 2019	0	0	0	0
Peter von Büren, Member	--	Jan. 1, 2019 – Dec. 31, 2019	0	0	0	0
Rolf Elgeti, member	X	Jan. 1, 2019 – Dec. 31, 2019	0	0	0	0
Sven Heller, member	--	Jan. 1, 2019 – Dec. 31, 2019	0	0	0	0
Aline Studhalter, member	X	Jan. 1, 2019 – Dec. 31, 2019	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.

Ms. Aline Studhalter died on November 7, 2019.

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.

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

Fiscal year 2018
Each member of the Board of Directors received the following remuneration in fiscal year 2018:

checked	Compen-sation Committee	Period	Fixed fees paid to members of the Board of Directors	Variable remuneration	Pension benefits	Total In TCHF
Bernhard Burgener, Chairman	--	Jan. 1, 2018 – Dec. 31, 2018	0	0	0	0
Peter von Büren, Member	--	Jan. 1, 2018 – Dec. 31, 2018	0	0	0	0
Rolf Elgeti, member	X	June 29, 2018 to Dec. 31, 2018	0	0	0	0
Sven Heller, member	--	June 29, 2018 to Dec. 31, 2018	0	0	0	0
Aline Studhalter, member	X	June 29, 2018 to Dec. 31, 2018	0	0	0	0
Total			**0**	**0**	**0**	**0**

Remuneration paid to members of the management team

Principles

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

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

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

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

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

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.

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

Remuneration paid to individual members of the management team

Fiscal year 2019
The following remuneration was paid to the members of management at the Group company Highlight Communications AG in the 2019 reporting year. No remuneration was paid at the level of HLEE.

Checked	Period	Fixed remuner-ation (gross)	Variable remuner-ation	Pension benefits	Indirect remuneration for activities at subsidiaries	**Total CHF thousand**
Bernhard Burgener, Delegate of the Board of Directors	Jan. 1, 2019 – Dec. 31, 2019	0	0	0	1,651	**1,651**
Peter von Büren, CFO	Jan. 1, 2019 – Dec. 31, 2019	0	0	0	797	**797**
Total		0	0	0	2,448	2,448

The details of remuneration can be found in the annual report of Highlight Communications AG on page 19.
No loans or borrowings were granted, and no shares, option rights or similar participation rights were allocated in the year under review or in the previous year.

Fiscal year 2018
Members of the management team received the following remuneration for fiscal 2018:

checked	Period	Fixed remuner-ation (gross)	Variable remuner-ation	Pension benefits	Indirect remuneration for activities at subsidiaries	Total CHF
Bernhard Burgener, Delegate of the Board of Directors	Jan. 1, 2018 – Dec. 31, 2018	0	0	0	1,689	1,689
Peter von Büren, CFO	Jan. 1, 2018 – Dec. 31, 2018	0	0	0	816	816
Total		0	0	0	2,505	2,505

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

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

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

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

Statutory provisions regarding loans, lending and retirement benefits to members of the Board of Directors and the management team
Loans granted by the company to a member of the Board of Directors or the management team or guarantees or other securities provided by the company for the obligations of a member of the Board of Directors or the management team may not exceed CHF 50,000.
Retirement benefits to members of the Board of Directors and the management team are paid only within the context of domesti c or foreign pension plans and comparable plans of the company or its Group companies. Benefits paid to insurance policyholders an d employer contributions are based on the plans described above or the corresponding regulations.

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

Related-party transactions

As of December 31, 2019 and December 31, 2018 respectively, the company was not involved in any related-party transactions that were not at arm's length.

Loans and credits to related parties

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

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

As of December 31, 2019 and December 31, 2018 respectively, the company was not involved in any other related-party transactions that were not at arm's length.

Remuneration to former members of executive bodies

In fiscal year 2019 and in the previous year, no compensation was paid to former members of corporate bodies.

Management contracts

There are no management contracts.

Equity investments in Highlight Event and Entertainment AG

As of December 31, 2019, the members of the Board of Directors and the management team (including related parties) held a total of 59.61 % of outstanding bearer shares in Highlight Event and Entertainment AG (previous year: 57.95 %).
The individual members of the Board of Directors and the management team (including related parties) held the following equity investments:

a. Bernhard Burgener: 1,862,914 or 21.66 %
b. Peter von Büren: none
c. Related party: Obotritita Capital KGAA 788,409 or 9.17 %
d. Related party: Swiss International Investment Portfolio AG 2,468,459 or 28.70 %
e. Sven Heller: 6,597 or 0.08 %

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

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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 97 to 101 for the fiscal year of Highlight Event and Entertainment AG ended December 31, 2019.

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 *Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften* (VegüV – Swiss Ordinance against Excessive Compensation in Listed Stock Corporations). 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, 2019 complies with Swiss law and articles 14 to 16 VegüV.

Aarau, April 17, 2020

BDO AG

Thomas Schmid

Head auditor
Licensed audit expert

Joseph Hammel

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, 2019.

GROUP STRUCTURE AND SHAREHOLDERS

Group structure

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. The entire equity investment was sold to the subsidiary Highlight Communications AG as of January 1, 2020.

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

In the 2019 reporting period, the equity investment in Chameleo AG, Pratteln, was reduced from 90 % to 80 %. The share capital amounts to CHF 100,000 and is divided into 100,000 bearer shares with a nominal value of CHF 1.The company is at an early stage of development and is reported in the Other segment.

In the 2019 reporting period, the equity investment in Highlight Communications AG was increased to 45.18 %. The share capital of Highlight Communications AG amounts to CHF 63,000,000 and is divided into 63 million bearer shares with a nominal value of CHF 1 each. As a strategic and financial holding company, Highlight Communications AG comprises the Film and Sport and Sports- and Event-Marketing segments.

Information on segment reporting can be found starting on page 38 of the annual report of Highlight Communications AG.

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 of the annual report of Highlight Event and Entertainment AG. The consolidated group of the HLEE Group includes Highlight Communications AG, domiciled in Pratteln, which is a listed media company. Its shares are listed in the Prime Standard of the Frankfurt Stock Exchange (ISIN: CH 000 653 9198, German securities number: 920 299, stock market symbol: HLG). As of December 31, 2019, market capitalization amounted to CHF 257.2 million. As of July 31, 2019, Highlight Communications AG released a publication in accordance with section 10 of the Securities Acquisition and Takeover Act (WpÜG) announcing the decision to issue a public delisting tender offer to the shareholders of Constantin Medien AG, 79.44 % of which is held by Highlight Communications AG (EUR 2.30 per Constantin Medien AG share). At the end of the year, the equity investment in Constantin Medien AG was 94.18 %. On September 23, 2019, the Frankfurt Stock Exchange notified Constantin Medien AG (ISIN DE0009147207, WKN 914720) that it would grant its request and withdraw the admission of Constantin Medien AG shares for trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. Constantin Medien AG is based in Ismaning, Germany, and

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.

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, 2019 in accordance with Article 20 of the *Börsengesetz* (BEHG – Swiss Stock Exchange Act):

Shareholder	Share of voting rights as disclosed
Swiss International Investment Portfolio AG, Lucerne (beneficial owner: Alexander Studhalter)	28.70 %
Bernhard and Rosmarie Burgener, Zeiningen	21.66 %
Victorinox AG, Ibach (beneficial owner: Victorinox Foundation)	12.44 %
Obotritia Capital KGAA, Potsdam, Germany (beneficial owner: Rolf Elgeti)	9.17 %
Miralco Holding AG, Muttenz (beneficial owners: Thea Kunz, Nicole Kunz and Otto Kunz)	5.26 %
René Camenzind, Brunnen	5.47 %
Stella Finanz AG, Glarus (beneficial owner: Marcel Paul Signer)	5.35 %
HLEE Finance S.à.r.l., Luxembourg (beneficial owner: Clive Ng Cheang Neng)	3.02 %

The following disclosures were made in fiscal 2019:

- Swiss International Investment Portfolio AG, Lucerne at 28.70 % (previous year: 28.70 %)
- HLEE Finance S.à.r.l., Luxembourg at 3.02 % (previous year: 0 %)
- Bernhard and Rosmarie Burgener, increase in shareholding to 21.66 % (previous year: 21.08 %)

Studhalter Investment AG was renamed as Swiss International Investment Portfolio AG in the 2019 reporting period.

Cross-holdings

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

CAPITAL STRUCTURE

Capital (ordinary, authorized and contingent capital)

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

Ordinary capital as of December 31, 2019

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.

Authorized and contingent capital in particular

The authorized capital was renewed and increased at the Annual General Meeting on June 21, 2019. The contingent capital remained unchanged in comparison to the previous year. For this reason, the following was added to Article 3a of the Articles of Association:

Article 3a: Authorized capital
The Board of Directors is authorized to increase the capital by a maximum of CHF 36,000,000 until June 21, 2021 by issuing a maximum of 4,000,000 fully paid-up bearer shares each with a notional interest in the share capital of CHF 9.

Changes in capitalover the past three reporting periods

Information in CHF as of Dec. 31	2017	2018	2019
Share capital	77,400,000	77,400,000	77,400,000
General reserves	3,066,685	3,066,685	3,066,685
Reserve from capital contributions	50,610,064	50,610,064	50,851,064
Treasury shares	-785,545	-1,696,990	-277
Net accumulated losses	-5,632,460	-8,278,896	-36,034,115
HLEE	124,658,744	121,100,863	95,283,357

Information in CHF as of Dec. 31	2017	2018	2019
Authorized capital	27,591,930	27,591,930	36,000,000
Contingent capital	8,100,000	8,100,000	8,100,000

Changes in equity in 2019
There were no changes in ordinary share capital in 2019. The authorized capital was increased to CHF 36 million.

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. The authorized capital under Article 3a of the Articles of Association was renewed and increased to CHF 27,591,930 at the Annual General Meeting on December 8, 2017. Contingent capital of CHF 8,100,000 was also created in accordance with Article 3b of the Articles of Association.

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.

Profit-sharing certificates

No profit-sharing certificates were issued.

Restrictions on transferability and nominee registrations

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

Convertible bonds and options

No options were granted. No convertible loans were taken out in the reporting period. The convertible loans from th e previous years are discussed in note 6.8 to the (separate) financial statements under “Financial liabilities.”

BOARD OF DIRECTORS

Members of the Board of Directors

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

- Swiss citizen from Mund (VS), born in 1957. Businessman. 1976: Graduated from the Kaufmännischer Verein Basel. Bernhard Burgener has been working as an entrepreneur in the film industry and the area of sports and event management for 36 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. Non-executive member of the Board of Directors
- 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 a shareholder (with 50 %) and member of the Board of Directors of Swiss International Investment Portfolio 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.

Ms. Aline Studhalter died on November 7, 2019.

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
FC Basel 1893, Basel	President
FC Basel Holding AG, Basel	President
FC Basel 1893 AG, Basel	President
Stadiondienst AG, Basel	President
EurAsia Heart – A Swiss Medical Foundation, Zürich	Member of the board of trustees
Chameleo AG	President

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

Peter von Büren

Highlight Communications AG, Pratteln	Member
Constantin Film AG, Munich, Germany	Supervisory Board
Escor Automaten AG, Pratteln	President
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
Plazamedia Swiss AG in liquidation	Member
FC Basel Holding AG, Basel	Member
FC Basel 1893 AG, Basel	Member Board
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
Chameleo AG	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
NEXR Technologies SE, Berlin	Chairman
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
Bankhaus Obotritia GmbH, Munich	Member of the Audit Committee

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

Sven Heller

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

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

Aline Studhalter

Studhalter International Group AG	Member
Swiss International Investment Portfolio AG	Member
Swiss International Real Estate Portfolio AG	Member
Swiss International Advisory Group AG	Member
Studhalter Immobilien AG, Lucerne	Member
Bellina Investment AG, Lucerne	President
Employee Assistance Foundation of Swiss International Advisory Group AG	Member
PMS Property Management Services AG, Lucerne	Member
Rogast Immobilien AG, Lucerne	President
Swiss International Asset Consulting AG	President

Ms. Aline Studhalter died on November 7, 2019.

Number of activities permitted outside the Highlight Event & Entertainment Group

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

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

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

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

Election and term of office

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

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

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

The following members of the Board of Directors were elected at the Annual General Meeting on June 21, 2019. 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.

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

Member of the BoD	Member since	Last election/elected until
Bernhard Burgener	1995	AGM 2019 / AGM 2020
Peter von Büren	2012	AGM 2019 / AGM 2020
Rolf Elgeti	2018	AGM 2019 / AGM 2020
Sven Heller	2018	AGM 2019 / AGM 2020
Aline Studhalter	2018	AGM 2019 / AGM 2020

Internal organization

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.

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 21, 2019, 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 (starting on page 98).

Working methods of the Board of Directors and its committees
The Board of Directors meets as a whole. The Board of Directors holds board meetings at least twice a year. Beyond this, the Board meets as often as necessary. Board meetings last an average of two hours, although the duration of individual meetings may differ from this average depending on the respective agenda or workload. Four board meetings took place in fiscal year 2019. The individual items on the agenda can be found in the table below:

Board meetings in 2019

February 25, 2019
April 1, 2019
August 21, 2019
December 17, 2019

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. In the 2019 reporting year, the Compensation Committee held two meetings at the board meetings on April 1 and December 17, 2019.

Allocation of duties

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

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

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

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

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

- Legal transactions and legal action outside normal business operations and litigations of fundamental significance or worth more than CHF 50,000;
- Taking out and terminating loans and other borrowings or changing credit limits if this is not established in the approved financial plan or outside normal business activities;
- Granting loans of more than CHF 10,000 on a case-by-case basis
- Acquiring sureties, guarantees, letters of comfort and similar obligations.

Management information and monitoring tools

The CEO must provide the Board of Directors with a report on the company's operational and business development, at least on a quarterly basis, in accordance with the company's organizational and operational rules. The CEO attended all board meetings, ensuring direct contact between the Board of Directors and 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 year 2008. In this context, business procedures and controls are assessed on a quarterly basis. The Board of Directors as a whole reassesses risks at least once a year and receives information from the management team on the functionality and effectiveness of the internal control system. Every year, the statutory auditor checks whether an internal control system exists and provides a written report on the findings of the audit to the Board of Directors.

Summary of the opportunity and risk situation

The risk and opportunity factors reported by the individual risk managers are accordingly combined, aggregated and assessed at the level of the Group as a whole, taking account of the decentralized Group structure. Responsibility for the complete and correct recognition, assessment and communication of risks and opportunities lies with the responsible employees at the company in question.

Based on the available information and estimates, particularly the probabilities of occurrence, maximum loss amounts and the impact of the countermeasures taken, the HLEE Group management comes to the conclusion that these risks do not pose a threat to the continued existence of the Group. This applies to the risks both individually and collectively, to the extent that their collective impact can be reasonably simulated or estimated by other means. The Group management believes that the HLEE Group is currently equipped to deal with the residual risks not reduced by countermeasures.

In summary, three risk clusters can be identified. The first category comprises external risks, which particularly arise from regulatory interventions and legal requirements and are difficult to influence. These issues are monitored closely so that adverse developments can be identified in good time. By their nature, these issues generally do not have an impact in the short term, meaning that the Group can respond to them with adjustments in the planning process. The second category comprises issues that the Group management deliberately accepts in order to implement the business strategy. These include risks from film and TV production, access to license rights and source materials, and sales, taste and consumer risks. The Group management believes that the impact of these risks is manageable in relation to the income opportunities arising from the respective business areas. By monitoring key figures, the Group can determine whether this relationship is permanently deteriorating in individual areas. It can then react to this by adjusting its strategy. The last group covers risks relating to operating business and particularly includes operating risks, safety and security plans, contractual and financial obligations, ensuing liquidity and legal risks. The Group management manages these risks with guidelines and process controls and by calling in external consultants, with the effect that the residual risk remains at an economically acceptable level.

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

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

MANAGEMENT

Members of the management team

Bernhard Burgener, President of the Board of Directors and CEO since June 13, 2016
Detailed information about Bernhard Burgener can be found on page 105 "Members of the Board of Directors" in this Annual Report.

Peter von Büren, CFO and member of the Board of Directors since June 13, 2016
Detailed information about Peter von Büren can be found on page 105 "Members of the Board of Directors" in this Annual Report.

Other activities and interests

Bernhard Burgener
Detailed information about Bernhard Burgener can be found on page 105 of this Annual Report. A description of his other activities and interests can be found on page 106 of the Annual Report.

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 108.

Management contracts

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

COMPENSATION, EQUITY INVESTMENTS AND LOANS

Detailed information on compensation, equity investments and loans granted to current and former members of the Board of Directors and the management team in addition to responsibilities and procedures can be found in the remuneration report (starting on page 98).

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

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

Compensation for members of the management team at Highlight Communications AG
The members of the management team at the Group company Highlight Communications AG (including the executive members of the Board of Directors) also receive variable remuneration. The level of the variable remuneration is based on the calculatio n of the average share price for the period from January 1 to October 31, multiplied by a figure which the Board of Directors has specified in line with performance and seniority. Unless otherwise resolved by the Board of Directors, disbursement of the variable remuneration takes place in cash. The remuneration is paid in the fourth quarter of the reporting year.
At present, there are no share, option or similar participation programs which provide entitlement to (physical) subscription of shares in Highlight Communications AG.
As two of four members of the Board of Directors of Highlight Communications AG were also members of the compensation committee, they exercised the responsibilities and authorizations for remuneration in the meetings of the Board of Directors in the year under review.
The Remuneration Report of Highlight Communications AG is available on the website http://www.hlcom.ch/en/Annual-reports.htm.

PARTICIPATION RIGHTS OF SHAREHOLDERS

Restrictions on voting rights and proxy voting

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

Proxy voting
Shareholders can be represented at the Annual General Meeting by a person authorized in writing (who does not have to be a shareholder) or by the independent proxy.
The Annual General Meeting elects an independent proxy. Natural persons, legal persons and partnerships are eligible. Their mandate ends at the end of the following Annual General Meeting. Re-election is permitted.

The Annual General Meeting on June 21, 2019 elected Ms. Silvia Margraf, lawyer and notary, as the independent proxy until the end of the 2020 Annual General Meeting. Ms. Margraf is independent and has no other mandates for the company.

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

Statutory quorums

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

Convening the Annual General Meeting

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

Addition of an item to the agenda

Shareholders who represent shares with a nominal value of CHF 1 million or 10 % of share capital can request the addition of an item to the agenda at the Annual General Meeting. In this case, items to be added to the agenda must be submitted in writing up to 45 days before the Annual General Meeting, specifying the items and proposals to be submitted to the Board of Directors.
Requests for items that have not been duly announced can be approved for discussion by resolution of the Annual General Meeting. However, it is not possible to adopt resolutions on such matters before the next Annual General Meeting. This does not apply to requests for calls for an extraordinary Annual General Meeting, the execution of a special audit, or the appointment of a statutory auditor at a shareholder’s request.

Stock ledger entries/authentication

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

CHANGE OF CONTROL AND PROTECTIVE MEASURES

Duty to make an offer

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

Change-of-control clauses

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

AUDITORS

Mandate term of the head auditor

Appointment date of the current auditor
BDO AG, Aarau, has been the statutory auditor of Highlight Event & Entertainment AG since fiscal year 2016.

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.

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 & 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 192,700. This figure has been deferred by HLEE.

Additional fees

An additional CHF 13,900 was paid to the statutory auditor in the year under review. This related to special audit services in connection with a prospectus review.

Information tools of external auditors

The Board of Directors communicates directly with the external statutory auditor to discuss the audit work on the annual and semi-annual financial statements. After completing the audit, the statutory auditor reports on their findings to the Board of Directors and prepares an extensive report for the Board of Directors. The Board of Directors supervises and monitors external auditors and held a meeting with these auditors for fiscal year 2019. The Board of Directors periodically assesses the ability, independence, work and invoicing of external statutory auditors.

9 Changes resulting from the Swiss Ordinance on Compensation in Listed Stock Corporations

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

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

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

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

10 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:

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