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This financial report was approved by the Board of Directors of Highlight Event & Entertainment AG on August 31, 2016.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (condensed)

in CHF thousand	Note	June 30, 2016	Dec. 31, 2015
		<i>unaudited</i>	<i>audited</i>
Cash and cash equivalents		11,035	12,620
Receivables		274	4,099
Receivables due from associated companies		2,570	0
Inventories		348	0
Prepaid expenses		624	157
Current assets		14,851	16,876
Property, plant and equipment		18	24
Investment property	4.1	3,300	3,300
Investments in associated companies	2	189	0
Financial assets	2	34,253	0
Deferred tax assets		39	32
Non-current assets		37,799	3,356
ASSETS		52,650	20,232
Current liabilities		462	75
Deferred income		208	97
Current liabilities		670	172
Benefit plan liabilities	4.2	1,513	1,091
Financial liabilities	4.2	32,879	0
Non-current liabilities		34,392	1,091
Liabilities		35,062	1,263
Share capital		15,593	15,593
Treasury stock		-452	0
Reserves		2,447	3,376
Equity attributable to the shareholders of HLEE		17,588	18,969
Non-controlling interests		0	0
Equity		17,588	18,969
EQUITY AND LIABILITIES		52,650	20,232

The notes on pages 6 – 8 are an integral part of these consolidated interim financial statements.

INTERIM REPORT 2016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (condensed)

in CHF thousand	Note	Jan. 1 to June 30, 2016	Jan. 1 to June 30, 2015
		<i>unaudited</i>	<i>unaudited</i>
Net income		1,724	1,685
Cost of products and services sold		0	-489
Other operating income		114	76
Gross profit		1,838	1,272
Personnel expenses		-763	-818
Other operating expenses		-1,539	-491
Amortization, depreciation and impairment		-6	-6
EBIT		-470	-43
Interest income and other financial income	4.3	2	5
Interest expense and other financial cost	4.3	-54	-373
Profit before taxes		-522	-411
Taxes		-9	-3
Consolidated net profit for the period		-531	-414
<i>Other income not reclassified through profit or loss</i>			
Pension plan remeasurement (after taxes)	4.2	-398	0
Total comprehensive income		-929	-414
<i>Net income from continuing operations is attributable to:</i>			
Shareholders of Highlight Event & Entertainment AG		-531	-414
<i>Total comprehensive income is attributable to:</i>			
Shareholders of Highlight Event & Entertainment AG		-929	-414
Diluted and basic earnings per share (CHF)		-0.31	-0.24

The notes on pages 6 – 8 are an integral part of these consolidated interim financial statements.

CONSOLIDATED CASH FLOW STATEMENTS (condensed)

in CHF thousand	Note	Jan. 1 to June 30, 2016	Jan. 1 to June 30, 2015
		<i>unaudited</i>	<i>unaudited</i>
Consolidated net profit for the period	3.1 / 3.2	-531	-414
Deferred taxes		-1	-2
Income taxes		9	5
Net finance result		52	368
Amortization, depreciation and write-downs		6	6
Other non-cash expenses/income		-35	34
Interest received		2	0
Interest paid		0	0
Taxes paid		-71	-123
Increase in assets attributable to operating activities		-1,415	-141
Increase in liabilities attributable to operating activities		499	126
Cash flow from operating activities		-1,485	-141
Acquisition of financial assets and investments in associated companies	2	-32,525	0
Cash flow from investing activities		-32,525	0
Purchase of treasury stock	5.1	-452	0
Raising of non-current financial liabilities	4.2	32,879	0
Cash flow from financing activities		32,427	0
Net change in cash and cash equivalents		-1,583	-141
Cash and cash equivalents as of January 1		12,620	12,700
Effect of exchange rate differences		-2	-187
Cash and cash equivalents as of June 30		11,035	12,372

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (condensed)

Changes in equity 2016 in CHF thousand <i>unaudited</i>	Share capital	Reserves	Treasury stock	Equity attributable to shareholders of HLEE	Total equity
January 1, 2016	15,593	3,376	0	18,969	18,969
Consolidated net profit Jan. 1 to June 30, 2016		-531		-531	-531
Other comprehensive income Jan. 1 to June 30, 2016		-398		-398	-398
Total comprehensive income		-929		-929	-929
Purchase of treasury stock		0	-452	-452	-452
June 30, 2016	15,593	2,447	-452	17,588	17,588

Changes in equity 2015 in CHF thousand <i>unaudited</i>	Share capital	Reserves		Equity attributable to shareholders of HLEE	Total equity
January 1, 2015	15,593	3,941		19,534	19,534
Consolidated net profit Jan. 1 to June 30, 2015		-414		-414	-414
Other comprehensive income Jan. 1 to June 30, 2015		0		0	0
Total comprehensive income		-414		-414	-414
Purchase of treasury stock		0		0	0
June 30, 2015	15,593	3,527		19,120	19,120

The notes on pages 6 – 8 are an integral part of these consolidated interim financial statements.

NOTES to the financial report for the six months to June 30, 2016

1. Accounting policies

The unaudited consolidated interim financial statements for the period from January 1 to June 30, 2016 were prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting standards applied in fiscal 2015 were applied largely unchanged. The new and revised standards that have come into force as of January 1, 2016 did not have any effect on the net assets, financial position and results of operations of Highlight Event and Entertainment AG.

2. Principles and scope of consolidation

The consolidation principles were unchanged.

Highlight Event & Entertainment AG acquired an investment of 33.30 % or TCHF 67 in Holotrack AG, Pratteln, on February 29, 2016 and an investment of 24.50 % or TCHF 123 in Paperflakes AG, Pratteln, on March 18, 2016. These companies are managed as associates and included in the consolidated financial statements using the equity method. The investments are reported at their carrying amount as the companies are not yet operational and the pro rata interest in equity largely corresponds to the respective carrying amount. An investment (TCHF 1,728) in Pulse Evolution Corporation, Port St. Lucie, was acquired on February 29, 2016. This investment is reported as a financial asset and is not included in the consolidated financial statements as significant influence is not exercised. The purchase price for the shares in Holotrack AG, Paperflakes AG, and Pulse Evolution Corporation was offset against the loan receivable from Rainbow Home Entertainment AG in a non-cash transaction. Rainbow Home Entertainment AG is a related party. There are no other receivables from or liabilities to Rainbow Home Entertainment AG. On March 31, 2016, Rainbow Home Entertainment AG acquired the associate Kuuluu Interactive Entertainment AG (equity interest: 41.50 %) for a purchase price of CHF 1. The investment in Pulse Evolution Corporation was increased to TCHF 6,585 on April 18, 2016. As previously, significant influence is not exercised over this company. An investment of 3.36 % in Constantin Medien AG was acquired on June 15, 2016. The investment in Constantin Medien AG was increased to 10.29 % on June 16, 2016. The purchase price for the shares was TCHF 27,668. This investment is reported as a financial asset and is not included in the consolidated financial statements as significant influence is not currently exercised.

3. Seasonal fluctuations and segment data

The activities of the Highlight Event & Entertainment (HLEE) Group are not subject to any material seasonal fluctuations. The HLEE Group consists of the two reportable segments "Event Marketing" and "Other Activities".

In the annual financial statements as of December 31, 2015, "Music Events" and "Sport Events" was still reported as separate reportable segments. As sales from sport events are now immaterial, the management no longer considers these activities to constitute a reportable segment; they are now reported in the new "Other Activities" segment. Music events are now reported in the "Event Marketing" segment. This presentation was also applied in the financial statements for the period ended June 30, 2015.

3.1 Sales and earnings in the first half of 2016

in CHF thousand	Event Marketing	Other Business Activities	TOTAL
Net income	1,722	2	1,724
Other segment income	0	114	114
Segment expenses	-877	-1,431	-2,308
<i>of which scheduled depreciation</i>	0	-6	-6
<i>of which impairment</i>	0	0	0
EBIT from continuing operations	845	-1,315	-470
Financial result			-52
Net income from continuing operations before taxes			-522

3.2 Sales and earnings in the first half of 2015

in CHF thousand	Event Marketing	Other Business Activities	TOTAL
Net income	1,033	652	1,685
Other segment income	0	76	76
Segment expenses	-882	-922	-1,804
<i>of which scheduled depreciation</i>	0	-6	-6
<i>of which impairment</i>	0	0	0
EBIT from continuing operations	151	-194	-43
Financial result			-368
Net income from continuing operations before taxes			-411

4. Other significant explanations and disclosures

4.1 Investment property

in CHF thousand	June 30, 2016	Dec. 31, 2015
Opening balance	3,300	3,900
Fair value adjustment	0	-600
Closing balance	3,300	3,300

The investment property relates to the business premises of Escor Automaten AG, Düringen. Following the discontinued distribution of certain gaming machines for casinos in late 2013 and the relocation of Highlight Event & Entertainment AG from Düringen to Lucerne in May 2014, the owner-occupied portion of the property is immaterial. The property is essentially held exclusively for rental.

The fair value of TCHF 3,300 as of December 31, 2015 was calculated by the management with the assistance of an independent valuation specialist and using a discounted cash flow method. A discount rate of 6.0 % was applied (previous year: 5.0 %) and planned rents, expenses and the corresponding vacancies were estimated. In 2015, the management decided to raise the discount rate by 1 % despite declining interest rates. This adjustment to the risk component of the discount rate was made as the sale of the property is proving more difficult than expected. The fair value of the property is a Level 3 fair value in accordance with IFRS 13.

4.2 Non-current liabilities

Benefit plan liabilities

In the first half of 2016, the benefit plan liabilities were reviewed by an independent actuary. Actuarial gains and losses arise from changes in the assumptions made and deviations between the actual and forecast return on plan assets. These are recognized in other comprehensive income (OCI) under "Pension plan remeasurement". A loss of TCHF 405 before taxes was recognized in other comprehensive income (OCI) in the period under review (previous year: TCHF 0).

Financial liabilities

A loan of TCHF 32,879 was taken out on June 7, 2016. The interest rate is 2.5 % p.a. The loan repayment is divided into two tranches. One tranche is due as of June 30, 2017, while the other will be due at a later date.

4.3 Net finance result

in CHF thousand	Jan. 1 to June 30, 2016	Jan. 1 to June 30, 2015
Interest income	2	5
Interest expense	-52	0
Effect of currency translation differences on cash and cash equivalents	-2	-187
Effect of currency translation differences on receivables	0	-186
Net finance result	-52	-368

5. Data per share

5.1 Number of bearer shares each with a nominal value of CHF 9

	Jan. 1 to June 30, 2016	Jan. 1 to June 30, 2015
	Number	Number
Shares outstanding at beginning of the reporting period	1,732,500	1,732,500
Shares outstanding at end of the reporting period	1,700,430	1,732,500
Treasury stock at beginning of the reporting period	0	0
Treasury stock at end of the reporting period	32,070	0
Weighted average number of shares outstanding (diluted and basic)	1,710,826	1,732,500

5.2 Earnings per bearer share each with a nominal value of CHF 9

in CHF thousand	Jan. 1 to June 30, 2016	Jan. 1 to June 30, 2015
Net income attributable to shareholders of HLEE	-531	-414
Earnings per share outstanding (CHF)	-0.31	-0.24

6. Financial instruments

Financial assets and liabilities measured at fair value are assigned to the following hierarchical levels for measurement purposes:

- › Level 1: Quoted, unchanged prices for identical assets and liabilities in active markets
- › Level 2: Measurement methods for which all input parameters with a significant influence on fair value are based on directly or indirectly observable market data
- › Level 3: Measurement methods for which input parameters with a significant influence on fair value are not based on observable market data

	June 30, 2016			Dec. 31, 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Financial assets	27,668	6,585	34,253	0	0	0
Financial assets measured (total)	27,668	6,585	34,253	0	0	0

As of June 30, 2016, non-current financial assets included shares in Constantin Medien AG assigned to Level 1. The shares in Pulse Evolution Corporation are classified to Level 2. The fair value of the shares in Pulse Evolution Corporation as of June 30, 2016 largely corresponds to the prices paid in comparable transactions.

7. Events after the balance sheet date

In July 2016, 7,400 treasury shares were acquired for a purchase price of TCHF 126.