



**DEAG Deutsche Entertainment Aktiengesellschaft**  
**Annual Report 2012**

# Table of Content

|   |               |
|---|---------------|
| <b>Foreword by the Chief Executive Officer</b>  | <b>1 - 2</b>  |
| <b>Report of the Supervisory Board</b>  | <b>3 - 5</b>  |
| <b>DEAG on the capital market</b>   | <b>6</b>      |
| <b>Combined Management Report and Group Management Report</b>   | <b>7 - 24</b> |
| 1. Business development and Framework Conditions  | 7 - 10        |
| 1.1. The Live Entertainment Market  | 8 - 9         |
| 1.2. The DEAG Group: Increase in Sales Revenues and Result with<br>a clear orientation  | 9 - 10        |
| 2. Income, Assets and Financial Position  | 10 - 17       |
| 2.1. Income position  | 10 - 11       |
| 2.2. Assets position  | 11 - 12       |
| 2.3. Business Development by Segment  | 12 - 13       |
| 2.4. Financial position   | 13 - 14       |
| 2.5. Income and Assets Position of DEAG Holding   | 14            |
| 2.6. Personnel Development  | 14            |
| 2.7. Compensation report in accordance with § 289 para 2 No. 5 HGB<br>and § 315 para 2 No. 4 HGB (German Commercial Code)           | 14 - 15       |
| 2.8. Explanatory report of the Executive Board in accordance<br>with § 289 para 4 HGB and § 315 para 4 HGB (German Commercial Code) | 15 - 16       |
| 2.9. Declaration on corporate governance in accordance<br>with § 289 a para 2 HGB (German Commercial Code)                          | 16 - 17       |
| 2.9.1. Executive Management by the Executive Board  | 16            |
| 2.9.2. Report of the Supervisory Board  | 17            |
| 2.9.3. Declaration of conformity in accordance with § 161 AktG<br>(German Stock Corporation Act)                                    | 17            |
| 3. Supplementary Report   | 17            |
| 4. Report on opportunities and risks  | 18 - 23       |
| 4.1. General economic development   | 19            |
| 4.2. Market/ Competition  | 19 - 20       |
| 4.3. Evaluation of goodwill and other intangible assets   | 20            |
| 4.4. Real estate held as financial investment property  | 20            |
| 4.5. Financial obligations  | 21            |

|   |                |
|---|----------------|
| 4.6. Financial instruments  | 21             |
| 4.7. Tax risks  | 22             |
| 4.8. Legal proceedings  | 22             |
| 4.9. Holding structure  | 22             |
| 4.10. Opportunities   | 23             |
| 5. Data relevant for takeover                                       | 23             |
| 6. Outlook  | 24             |
| <b>Consolidated Financial Statements</b>                            | <b>25 - 70</b> |
| Consolidated Balance Sheet  | 25             |
| Consolidated Statement of Comprehensive Income                      | 26             |
| Consolidated Cash Flow Statement                                    | 27             |
| Consolidated Statement of Changes in Equity                         | 28             |
| Notes on the Consolidated Financial Statements                      | 29 - 70        |
| Independent Auditor's Report  | 71             |
| <b>Annual Financial Statements for DEAG Holding (short version)</b> | <b>72 - 73</b> |
| <b>Corporate Governance Report</b>                                  | <b>74 - 75</b> |
| <b>Imprint</b>  | <b>76</b>      |

## Foreword by the Chief Executive Officer

Dear Madam, Dear Sir,

In fiscal 2012 our company has further expanded its strong market position and continued its profitable growth. During the final quarter the consolidated sales revenues rose to EUR 59.2 million. This corresponds to a 72% increase versus prior year. With EUR 3.0 million, the EBIT was 83% higher and the Group result after minorities rose by 76% to EUR 0.9 million. In the wake of the positive business development the DEAG share reached its peak price in December 2012 with EUR 3.05. This positive development continued until the publication of the Annual Report. At the end of March 2013 the share price amounted to EUR 3.70. The unanimous recommendation of the analysts is "Buy", and the issued target price ranges above EUR 5.00.

### CONSOLIDATED SALES REVENUES INCREASED BY 21.4% DURING THE FULL YEAR

Between January 1 and December 31, 2012 the DEAG Group increased its sales revenues by 21% from EUR 128.3 million to EUR 155.7 million. Despite non-recurrent expenditure in the upper six-digit Euro range for the further international Group development, the EBIT was maintained at the level of the previous year with EUR 7.2 million. At the same time our company succeeded in increasing the Group result after taxes and minorities again. It rose by 6% from EUR 2.5 million to EUR 2.7 million. This corresponds to total earnings per share of EUR 0.22. Consequently, the equity ratio rose from 30.4% to 32.1% at the end of 2012.

### PROFITABLE GROWTH RESULTS FROM OUR CLEAR STRATEGY

The positive development in fiscal 2012 had a broad basis: the established business units like Classics in Germany, Switzerland and the United Kingdom, the local event business, the segments German Schlager and Middle-of-the-Road music as well as co-operations in ticketing recorded a high profitability.

The business development in the more recent business units has been very dynamic. The Family Entertainment business unit, established in 2011, was significantly extended. The extraordinarily successful highlight of the year was Peter Maffay with the Rock Fairytale "Tabaluga and the Signs of the Times", which was awarded the Echo in the category "Best Live Tour 2012"; the shows resulted in storms of enthusiasm by the audience and the media. By now there are already indications that this success will be repeated in 2013 by the FlicFlac show "Exxtrem" which has been on tour with Europe's largest traveling circus tent since February 2013.

### FURTHER INCREASE IN SALES REVENUES AND RESULT EXPECTED FOR 2013

The general interest in Live Entertainment and, more particularly, live events, concerts and shows with exclusive artists continues to be high. Publishers and media companies use this content to give their media an exclusive touch; consumer goods manufacturers use sponsorship in order to give their brands profile; ticketing companies need this content in order to be able to operate their business. We intend to benefit from these developments in order to tap additional earnings sources.

DEAG Deutsche Entertainment AG is an Integrated Entertainment Content company and the positive business development confirms the orientation as the right focusing.

We expect additional effects from the successful integration of our growth areas. This is evidenced by the acquisition of a majority shareholding in handwerker promotion, one of the leading concert organizers in North-Rhine-Westphalia during the first quarter of fiscal 2013. With handwerker promotion DEAG completes its presence as a local promoter, established so far in Berlin, northern Germany, Bavaria and the Rhine-Main region, by adding a catchment area of an additional 18 million people, which will secure an important market share in North-Rhine-Westphalia.

Dear Shareholders,

In 2013 DEAG celebrates its 35<sup>th</sup> anniversary and has become an essential part of the Live Entertainment business. This fills us with pride and is also an obligation for us to continue to do everything possible to pursue our profitable growth course. We would be pleased if you continued to accompany us!

Against the backdrop of the positive business development and the good perspectives, the DEAG Executive Board will propose to the General Meeting the payment of a dividend of EUR 0.08 per share for fiscal 2012, which corresponds to a doubling of the dividend. This documents the acquired earnings strength of DEAG, and I am pleased that you as our shareholders can participate in the higher profits of the company despite the planned further growth.

Last but not least, I would like to express my special thanks to my team. Our associates commit themselves every day with passion for the quality of our product and the satisfaction of our customers and our artists. This has always been and will remain the basis for our corporate success.

Best regards

A handwritten signature in black ink, appearing to read 'P. Schwenkow', with a stylized, flowing script.

Prof. Peter L.H. Schwenkow

## **Report of the Supervisory Board**

Dear Madam, Dear Sir,

During fiscal 2012 the Supervisory Board has dealt on a regular basis in detail with the situation and the development of the company. In accordance with the provisions and recommendations of the German Corporate Governance Code, we have supported the Executive Board in its management of the company and advised it on questions of corporate leadership. The Supervisory Board was involved in all decisions with fundamental significance for the company. Furthermore, the operational and strategic development of the Group was discussed with the Executive Board.

The Executive Board informed the Supervisory Board on a regular, timely and comprehensive basis in writing and orally about the business development, the planning and the situation of the company, including the risk situation and risk management. Documents with relevance for the adoption of resolutions were distributed in due time prior to the Supervisory Board meetings. Deviations of the business development from plans and defined objectives were explained in detail and the underlying causes were analyzed.

In fiscal 2012 a total of eight Supervisory Board meetings took place, of which four were conference calls. All members of the Supervisory Board attended more than half of the meetings. Urgent matters were decided on the basis of resolutions adopted by correspondence; this was the case on two occasions during the last fiscal year.

Between the Supervisory Board meetings the Chairman of the Supervisory Board had regular talks to the CEO and had a close exchange of information with the latter. He informed the other two members of the Supervisory Board about the current development of the business situation and the material business transactions.

### **Focus of the deliberations of the Supervisory Board**

At the meeting of the Supervisory Board on March 20, 2012 the financial statements and the consolidated financial statements for fiscal 2011 as well as the combined management report and consolidated management report were discussed with representatives of the independent auditor. The Executive Board reported about the current business development and presented the operational forecast 2012 of the individual companies. During this meeting the setting up of Verescon AG and the agenda for the General Meeting were adopted.

At the next meeting of the Supervisory Board on March 30, 2012 the Supervisory Board approved the financial statements 2011 of the company as well as the consolidated financial statements 2011 of the DEAG Group audited by BDO AG Wirtschaftsprüfungsgesellschaft and provided with an unqualified audit certificate. The proposal submitted by the Executive Board on the use of the balance sheet profit and the payment of a dividend to the shareholders was approved.

The meeting of the Supervisory Board on May 29, 2012 focused essentially on the report by the Executive Board on the quarterly financial statements 2012/1 as well as the report by the Executive Board on the current business development.

Within the framework of the Supervisory Board meeting on June 22, 2012, which took place after the General Meeting of the company, during which the new members of the Supervisory Board were elected, the Chairman and the Deputy Chairman of the Supervisory Board were elected. Mrs Christine Novakovic was elected Deputy Chairman and Mr Wolf-D. Gramatke Chairman. During the further course of the meeting the General Meeting was discussed and the current business development was presented by the Executive Board. The bonus for the members of the Executive Board for the last fiscal year was unanimously adopted in the amount provided for in the balance sheet.

The meeting of the Supervisory Board on August 27, 2012 dealt with the report by the Executive Board on the half-year financial statements as at June 30, 2012 and the report by the Executive Board on the current business development.

At the Supervisory Board meeting on November 7, 2012 the financial calendar for fiscal 2013 was adopted following the report by the Executive Board on the current business development.

At the Supervisory Board meeting on November 27, 2012 the quarterly financial statements as at September 30, 2012 were presented by the Executive Board.

On December 12, 2012 the last Supervisory Board meeting for the year took place. The focus of the meeting was on the reports by the Executive Board on the business development and the forecast for fiscal 2012, as well as the approval of the budget for fiscal 2013. Based on a questionnaire the efficiency of the activities of the Supervisory Board was audited and discussed. The acquisition of all shares of Grünland Family Entertainment GmbH from the previous co-shareholder was approved.

Within the framework of two resolutions adopted by correspondence, the transfer of shares at EIB Entertainment Insurance Brokers GmbH was approved and the setting up of FF Tournee GmbH was authorized. This was done on the basis of detailed drafts and prior discussion on the telephone with the Executive Board.

### **Corporate Governance and Declaration of Conformity**

The implementation of the current version of the German Corporate Governance Code of May 15, 2012 was discussed at the Supervisory Board meetings on December 12, 2012. On that day the Executive Board and the Supervisory Board made the declaration in accordance with § 161 AktG (German Stock Corporation Act) on the recommendations of the Code. The joint Declaration of Conformity of the Executive Board and the Supervisory Board is permanently available on the website of DEAG [www.deag.de/ir](http://www.deag.de/ir). In the Corporate Governance Report and in the Notes to the Consolidated Financial Statements you will find further information on the implementation of the recommendations and suggestions of the German Corporate Governance Code.

### **Composition of the Supervisory Board and Executive Board**

The composition of the Executive Board remained unchanged during the reporting period. The composition of the Supervisory Board changed after the election of the new Supervisory Board members at the General Meeting of the company on June 22, 2012. Since then the Supervisory Board has included the members Mr Wolf-D. Gramatke, Mrs Christine Novakovic and Mr Christian Angermayer. No committees of the Supervisory Board were set up, since the Supervisory Board includes only three members and all decisions were taken by the body. Conflicts of interest on the Supervisory Board did not occur during the reporting period.

### **Financial Statements and Consolidated Financial Statements**

The Annual Meeting of DEAG elected on June 22, 2012 BDO AG Wirtschaftsprüfungsgesellschaft, Berlin as independent auditor for fiscal 2012. The auditor audited the financial statements 2012 of DEAG Deutsche Entertainment Aktiengesellschaft, the consolidated financial statements 2012 of the DEAG Group and the combined management report and consolidated management report and issued an unqualified audit certificate.

The financial statements, the consolidated financial statements, the summarized management report and the consolidated management report as well as the audit report by the auditor were submitted to all members of the Supervisory Board for review and the adoption of a resolution. The financial documentation was discussed together with the Executive Board and the independent auditor.

After its final review the Supervisory Board adopts the financial statements of DEAG Deutsche Entertainment Aktiengesellschaft prepared by the Executive Board for fiscal 2012 which is hence established in accordance with §172 AktG. Furthermore, the Supervisory Board adopts the consolidated financial statements and the summarized management report and consolidated management report of the DEAG Group prepared by the Executive Board for fiscal 2012 and has no objections. The proposal of the Executive Board on the appropriation of the balance sheet profit and the payment of a dividend was reviewed and approved by the Supervisory Board taking into account the interests of the company and the shareholders.

We thank the Executive Board, the management and all associates of the DEAG Group for the work performed in 2012.

Hamburg, 28.03.2013

A handwritten signature in black ink, appearing to be 'W. Gramatke', written in a cursive style.

Wolf-D. Gramatke  
Chairman of the Supervisory Board



## **DEAG on the capital market**

In 2012 the worldwide stock markets recorded a significant increase due to progress in the sovereign debt crisis and more robust US economic data. This had an accordingly positive impact on the dynamics of fiscal 2012: the share of DEAG Deutsche Entertainment AG rose during 2012 by 35.6% and had a significantly better performance than the leading German share index DAX which increased by 29.1% during the reporting period. The DEAG share also outperformed clearly the second line stock index SDAX, which recorded an 18.7% rise during the same period.

After a closing price in Xetra trading of EUR 2.25 on the last trading day in 2011, the DEAG share closed 2012 with an end-of-year share price of EUR 3.05.

At the end of December the share of DEAG Deutsche Entertainment AG also reached its peak price for fiscal 2012 with EUR 3.05 versus EUR 3.58 in fiscal 2011. This positive development of the DEAG share continued after the reporting period. In March 2013 the share recorded prices around EUR 3.70.

The average daily trading volume of the DEAG share at all German stock exchanges amounted to 9,181 shares in 2012 versus 16,260 shares during the previous year. 66.3% and hence the majority of the trading was accounted for by the electronic trading system Xetra. VEM Aktienbank AG continues to act as the designated sponsor and quotes binding offer / bid prices.

The DEAG share is regularly covered by the analysts of DZ Bank AG and Hauck & Aufhäuser. In its latest study DZ Bank AG published in 2012 a "Buy" recommendation for the share with a target price of EUR 4.80; in the "Buy" recommendation by Hauck & Aufhäuser the target price for the DEAG share was increased in November 2012 to EUR 5.00. In early 2013 the two banks published further analyses and lifted their target prices to EUR 5.30 (DZ Bank) and EUR 5.10 (Hauck & Aufhäuser).

During the full fiscal year 2012 Prof. Peter L.H. Schwenkow, CEO of DEAG, bought a total of 150,599 shares.

The Ordinary General Meeting of DEAG Deutsche Entertainment AG took place on June 22, 2012. All agenda items were approved by the shareholders with a majority of more than 99.9%.

DEAG Deutsche Entertainment AG, listed in the Prime Standard of the German stock exchange Deutsche Börse, continues to communicate regularly and transparently with the capital market as well as financial and business media. In 2012 DEAG presented itself again at various capital market conferences and in one-on-one talks in Germany and abroad, in order to inform investors, analysts and journalists about the developments and perspectives of the company. In addition, DEAG maintains a permanent dialog with analysts as well as with institutional and private investors in the same way as with banks and media representatives, in order to ensure comprehensive and timely coverage of activities which are relevant for the company.

Important corporate events are, moreover, published through ad hoc disclosures or press releases on the standard stock exchange portals in Germany and abroad and communicated in addition through the mailing list of DEAG in a direct and timely manner.

In addition, DEAG informs investors and interested parties by means of its Annual Reports as well as the half-year and quarterly reports. All information can be called up on the website of DEAG in the Investor Relations section under [www.deag.de/ir](http://www.deag.de/ir). Contact partners are available for interested shareholders, institutional investors and press representatives on the phone number ++ 49 69-905505-52 and under the email address [deag@edicto.de](mailto:deag@edicto.de).

## **Combined Management Report and Group Management Report**

The DEAG Group is an integrated Entertainment Content Group, which focuses on the development of high-margin business units. Approximately 80% of its sales revenues are generated with the production and staging of tours and concerts on the three core markets Germany, Switzerland and the United Kingdom. The business portfolio includes several different genres – rock/pop national and international, classical music, middle of the road music and German Schlager as well as shows and family entertainment productions.

The early orientation towards the 360 degree model has resulted in a consistent increase in income sources within the Group. Additional value chains were established with the integration of the record label, the publishing business, sponsoring, product refinement and the merchandise business. In this connection, the high-margin distribution business is particularly important; it is further optimized and developed with Ticketmaster Deutschland Holding GmbH, in which DEAG Deutsche Entertainment AG (DEAG) holds a stake of 10% of the shares.

Against the backdrop of a significant growth in sales revenues to EUR 155.7 million, the Group result was again increased by 6% to EUR 2.7 million. The EBIT of EUR 7.2 million remains stable versus prior year, despite integration and initial investments in growth areas. This successful overall development, as well as the good perspectives for fiscal 2013, is the basis for a significant increase in dividends for the past fiscal year.

The former subgroup Good News was fundamentally reorganized during the reporting period and transferred to a new structure. With the setting up of AIO Group AG, Glattpark (Switzerland) a new holding for the business in Switzerland was set up. For that reason the designation of "Good News" is changed to "AIO" in this report, insofar as the statements and notes are not exclusively referring to Good News Productions AG, Glattpark (Switzerland.).

### **1. Business development and Framework Conditions**

In accordance with the current 2012 / 2013 annual expert report of the German Expert Council for the review of the general economic situation, the world economy has considerably weakened in terms of business cycle and this has burdened the general economic development in Germany. Already in 2011 there had been a major cooling off in respect of the general economic situation which persisted in 2012. The increase in the gross domestic product in Germany is likely to amount to 0.8% in 2012 and this value will probably also apply in 2013.

Following the slowdown in the general economic development, the domestic demand has experienced a significant weakening in 2012 versus prior year. Whereas the quota for private consumption expenses still ranged at 1.7 in 2011, a quota of merely 0.9 is forecast for 2012 and 2013.

During fiscal 2012 the DEAG Group was able to increase its sales revenues by 21.4% to EUR 155.7 million (prior year: EUR 128.3 million).

The rise concerns, apart from the activities in Switzerland, more particularly, the domestic local business as well as middle of the road music and German Schlager. In addition, growth rates in the Family Entertainment business of a double digit million amount were recorded.

Whereas the EBIT of EUR 7.2 million is more or less on prior year level, the consolidated net income rose by 6% to EUR 2.7 million. This corresponds to earnings per share of EUR 0.22 versus EUR 0.21 per share in 2011.

The Executive Board intends to propose a dividend payment of EUR 0.08 per share (prior year: EUR 0.04 per share) to the General Meeting.

### **1.1. The Live Entertainment Market**

The product "Live Entertainment" is a very emotional one which, according to experience, shows an above-average disconnection from the general economic developments.

This is confirmed by a joint study carried out by idkv and GfK in 2011. According to its results, the market volume for music events in Germany amounts to EUR 2.76 billion; this corresponds to a 22% rise versus 2009. The level of sales revenues was almost on the record level of 2007 of EUR 2.82 billion. A similar development was recorded for the number of visitors (+7%), ticket prices (+8%) or also concert expenses (+16%).

According to the study, live attendance is distributed in an increasingly heterogeneous manner between the age groups. The most important role is played by the age group 40 plus, which accounts for two-thirds of the total sales revenues. The sales revenues of the younger age groups are increasingly suffering under the declining demographics.

The development of sales revenues associated with music events was positive in almost all areas. Growth drivers are, however, mainly classical music, opera, operetta as well as hard rock and heavy metal. The most popular genres continue to be concerts with classical music / opera / operetta (30%) as well as musicals (22%), followed by rock / pop events (20%) and music festivals (12%).

The most important distribution route is for the first time the internet (42%), followed by booking offices (37%) and telephone ticket reservations (11%).

The sound recording industry continues, however, to suffer from a declining trend: in 2011 the sales revenues associated with records amounted to EUR 1.41 billion versus EUR 1.52 billion in 2009 and EUR 2.65 billion in 1995. Referred to the total expenses on the music market, the live market accounts now already for two-thirds of the overall market.

DEAG was largely disconnected from the general economic development and benefited from the uptrend in the live entertainment market since 2011 to continue its growth course in 2012. The strategy adopted in respect of strengthening the high-margin classical music segment, optimally executing the 360 degree model, working increasingly with domestic artists and serving the low margin international star business in the Rock / Pop area in a balanced manner was again confirmed. In parallel, measures increasing the profitability of the business and sounding the market in view of business areas with promising opportunities, have had a positive impact. This also applies to the decision taken in 2011 to significantly expand the Family Entertainment business. This orientation which, according to the Executive Board, is linked to a high demand and customer-oriented approach, secures growing independence from the overall economic effects.

The product portfolio has a broad basis. With a focus on three countries, events and concerts are produced for almost all genres for audiences of almost every age group. The resulting risk diversification prevents specific negative effects.

The extension of the classical music area continued to be pursued in 2012. DEAG Classics AG was able to market its product also on the international level: this included, amongst others, events with Anna Netrebko and Erwin Schrott in Copenhagen / Denmark and in London / United Kingdom as well as concerts with David Garrett in Vienna / Austria.

Furthermore, the company Grandezza Entertainment GmbH and Grünland Family Entertainment GmbH, set up in 2011 within the Family Entertainment area, were able to successfully execute their projects. An outstanding role was played by Peter Maffay and his rock fairytale "Tabaluga and the Signs of the Times", presented with the Echo award in the category "Best Live Tour 2012". During the reporting year DEAG entered into a major co-operation in the field of Family Entertainment through its subsidiary Grandezza Entertainment. Grandezza Entertainment has signed an exclusive co-operation agreement with the FlicFlac Circus under which Grandezza Entertainment and FlicFlac founder Benno Kastein will produce and stage the new FlicFlac Show "Exxtrem" together.

In the field of ticketing the cooperation which has existed with Ticketmaster Deutschland Holding GmbH, in which DEAG holds a stake, already for several years, was completely restructured during the previous year through the conclusion of a partly exclusive distribution agreement. The co-operation between the two companies has developed very well and will also be sustainably strengthened and extended in future.

The dwindling sales revenues in recent years in the record area and the related growing desire for additional earnings sources in the areas Live, Merchandise and other areas support the position of the DEAG Group which is benefitting from a promising positioning in these fields. The good co-operation with all major labels of the record industry, more particularly with Sony Music Entertainment Germany GmbH and the stake of Sony Music Entertainment Germany GmbH in the classical music business of the DEAG Group, confirms this view.

## **1.2. The DEAG Group: Increase in Sales Revenues and Result with a clear orientation**

Concerts with Coldplay, Red Hot Chili Peppers or Bryan Adams in the Rock / Pop segment secured sold-out shows. Highly successful tours of some exceptional artists such as 2012 Echo award winner David Garrett, also contributed to the good business development. Raymond Gubbay Ltd produced and staged concerts and shows in the Royal Albert Hall, The O2 and other arenas in the United Kingdom. The Classical Company AG, set up with the Ringier publishing house in Switzerland, staged again successful concerts with Lang Lang or Simone Kermes. The extraordinarily successful highlight of the year was Peter Maffay's rock fairytale "Tabaluga and the Signs of the Time" in the Family Entertainment area; the shows generated storms of enthusiasm of the audiences and the media.

In Live Touring, tours with Deep Purple and the Beach Boys were amongst the highlights. Furthermore, Manfred Hertlein Veranstaltungen GmbH contributed with tours by Hansi Hinterseer and others in 2012 again to a very good result of the German speaking artists area. The company will continue to focus on this field and push it further.

The local Rock / Pop business in Switzerland closed 2012 with arena concerts and open airs involving many world stars with the expected operating result – except for the activities of Starclick Entertainment. With very high sales revenues the expectations in terms of return have not yet been met due to the integration and initial investments during the first year after the setting up of the company.

## *Combined Management Report and Group Management Report*

The business at the Jahrhunderthalle Arena was again well ahead of plan because not only rent income from concert events developed positively, but also the letting business with annual meetings and works meetings as well as product launches was again particularly positive in 2012.

The local event business was again able to outperform the high expectations in terms of sales revenues and result development. The higher number of concerts led to new business relationships and significant increases in profitability so that the result also rose versus prior year.

Together with the proceeds from CD and DVD sales, sponsoring, hospitality, merchandise, live recording and other earnings models, the objective of implementing the 360 degree model and extending added value sustainably beyond the core business was successfully implemented and established.

These developments have contributed, amongst other things, to the DEAG group having been able in 2012 to improve the gross profit on sales revenues by 15% versus prior year against the backdrop of a 21% growth in sales revenues in 2012. The consolidated net income rose by 6% to EUR 2.7 million. This corresponds to earnings per share of EUR 0.22.

The situation of DEAG and the DEAG Group in terms of assets, financial and income position remained essentially unchanged at the time of the preparation of the management report and Group management report.

## **2. Income, Assets and Financial Position**

### **2.1 Income position**

During the past fiscal year the DEAG Group generated sales revenues in the amount of EUR 155.7 million versus EUR 128.3 million during the previous year.

The increase is primarily attributable to the growth in sales revenues of the AIO Group. This includes the activities of Starclick Entertainment AG which was included for the first time as a subsidiary in 2012 (from July 1, 2012). Furthermore, higher sales revenues were recorded in the domestic Local Business, German Schlager/ Middle of the Road Music and Family Entertainment. A gross profit on sales in the amount of EUR 37.5 million (prior year: EUR 32.6 million) was achieved; this corresponds to a gross margin of 24% (prior year: 25%).

Administrative expenses amounted to EUR 13.4 million versus EUR 12.9 million in fiscal 2011. The slight increase was attributable to one-off expenditure in connection with the integration of Starclick Entertainment AG into the Group.

Distribution costs amounted to EUR 20.1 million after EUR 15.8 million in fiscal 2011. The increase by EUR 4.3 million is mainly attributable to the increase in sales revenues of the AIO Group in an amount of EUR 3.3 million.

The other operating income declined to EUR 4.0 million (prior year: EUR 4.4 million). It concerns primarily income due to a fair value change of an asset, the result from the disposal of shares, earnings from lettings and leasing, earnings from the reversal of accruals and other earnings not resulting from the core business of the DEAG Group.

## *Combined Management Report and Group Management Report*

The other operating expenses of EUR 0.7 million (prior year: EUR 0.9 million) include, amongst other things, value adjustments / risk management as well as other taxes.

The depreciations and amortizations of tangible and intangible assets of EUR 1.3 million include scheduled amortizations of other intangible assets as well as amortizations of orders on hand which were disclosed in connection with the first consolidation of Starclick Entertainment AG. They concern costs of sales of EUR 0.9 million and administrative expenses of EUR 0.4 million. The EBIT remains almost unchanged at EUR 7.2 million (prior year EUR 7.4 million).

The financial income of EUR -1.4 million (prior year: EUR -1.5 million) is marked by a significantly improved interest result (EUR +0.8 million). By contrast, the result from associated companies has a reducing effect.

Tax expenses amount to EUR 1.1 million (prior year: EUR 1.5 million). The repeated decline resulted, like in the previous year, from a structure of the result which leads to a lower profit tax quota due to partially existing possibilities for loss offsetting. After tax deduction, the consolidated net income after taxes amounts to EUR 4.8 million (prior year: 4.4 million).

The Group result after minorities amounts to EUR 2.7 million (prior year: EUR 2.5 million). During the past fiscal year the DEAG Group generated sales revenues in the amount of EUR 155.7 million versus EUR 128.3 million during the previous year.

## **2.2. Assets position**

The balance sheet total increased slightly versus prior year by EUR 0.3 million to EUR 99.0 million (prior year: EUR 98.7 million).

Liquid assets dropped to EUR 31.6 million (prior year: EUR 35.7 million), essentially due to the discontinuation of the advance sales of Grünland Family Entertainment GmbH after the completion of the Tabaluga tour and low existing bookings at the AIO Group.

Trade receivables increased by EUR 3.0 million to EUR 10.0 million (prior year: EUR 7.0 million). This number includes a significant share of higher receivables of the AIO Group due to the cut-off date.

The advance payments made for artist fees and production costs were reduced by EUR 1.2 million to EUR 13.4 million.

Other current assets increased by EUR 1.9 million to EUR 6.0 million due to reclassifications of assets previously reported as non-current.

The goodwill amounts to EUR 19.1 million versus EUR 19.0 million during the previous year. The slight change reflects essentially foreign currency effects.

The other intangible assets were reduced by the scheduled amortizations to EUR 5.6 million; they concern essentially the number of artist relationships.

The real estate held as investment property continues to relate to plots of land around the Jahrhunderthalle arena in Frankfurt am Main. During the reporting year a change in fair value resulted in an increase of the balance sheet value to EUR 9.45 million. The change in value was due to a change in the assessment of the building permit situation for a partial area versus prior year, so that the value discounts made during previous years could partly be reduced.

## Combined Management Report and Group Management Report

Liabilities to banks concern operating credit lines as well as acquisition financing. The increase is essentially due to a refinancing in connection with a mezzanine financing raised in previous years which was repaid; this resulted in a corresponding reduction of other liabilities.

Trade payables as well as current provisions increased, more particularly, on the level of the AIO Group due to the cut-off date, to EUR 11.3 million and EUR 8.3 million, respectively.

The advance booking payments received in the amount of EUR 31.0 million (prior year EUR 36.5 million) are reported under deferred sales revenues. The decline is essentially attributable to the discontinuation of advance sales by Grünland Family Entertainment GmbH after the completion of the Tabaluga tour.

Equity amounts to EUR 31.8 million (prior year: EUR 30.0 million); this corresponds to an equity ratio of 32% (prior year: 30%). Equity increased primarily as a result of the consolidated net income after taxes which contrasts with dividend payments to shareholders of DEAG and other shareholders.

### 2.3. Business Development by Segment

DEAG reports in an unchanged segment structure. The latter reflects the strategic orientation the Group in an appropriate and transparent manner:

- ◆ In the segment Live Touring (“traveling business”) the touring business is reported. This includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Manfred Hertlein Veranstaltungs GmbH (Würzburg), Grünland Family Entertainment, Raymond Gubbay Ltd. (London, United Kingdom) as well as The Classical Company (Zurich, Switzerland).
- ◆ The segment Entertainment Services (“stationary business”) covers the regional as well as the entire service business and includes activities of the AIO Group (Glattpark, Switzerland) Global Concerts (Munich), Jahrhunderthalle Kultur (Frankfurt am Main), Concert Concept (Berlin), Friedrichsbau Varieté (Stuttgart), Grandezza Entertainment (Berlin), FF Tournee GmbH (Berlin, since September 14, 2012), River Concerts and Elbklassik (Hamburg) as well as DEAG Music (Berlin) as music publisher / label.

Business development of the segments:

#### Business development of the segments:

| Revenues<br>(in EUR million) | 2012 | 2011 | Variation<br>versus prior<br>year |
|------------------------------|------|------|-----------------------------------|
| Live Touring                 | 71.5 | 54.6 | 16.9                              |
| Entertainment Services       | 91.7 | 79.0 | 12.7                              |

**Segment performance:**

| Operating result<br>(in EUR million) | 2012 | 2011 | Variation<br>versus prior<br>year |
|--------------------------------------|------|------|-----------------------------------|
| Live Touring                         | 5.2  | 5.2  | 0.0                               |
| Entertainment Services               | 6.0  | 4.7  | 1.3                               |

**Live Touring**

Sales revenues: The sales revenues in the Live Touring segment of EUR 71.5 million were significantly above the prior year level. Within the segment increases resulted from higher sales revenues in the classical music business in Switzerland, in the German Schlager and Middle of the Road Music and in Family Entertainment.

Segment performance: The segment benefited from an altogether profitable business. Whereas the past fiscal year was almost stable for Manfred Hertlein Veranstaltungen GmbH, the results of the subgroup DEAG Classics or Grünland Entertainment GmbH were extraordinarily positive.

**Entertainment Services**

Sales revenues: The growth in sales revenues was, more particularly, attributable to the activities of our Swiss AIO Group and here in particular the first time inclusion of Starclick Entertainment AG as a fully consolidated subsidiary. Furthermore, significant increases in the proceeds were recorded for the domestic local business.

Segment performance: The operation of our arena, Jahrhunderthalle in Frankfurt am Main, as well as the local event business in Germany (River Concerts GmbH in Hamburg and Global Concerts GmbH in Munich) made a significant contribution towards the improved segment performance.

**2.4. Financial position**

| In EUR million  | 2012        | 2011        |
|---|-------------|-------------|
| Net cash outflow/inflow from operating activities (total)                     | -2.5        | 2.9         |
| Net cash outflow from investing activities (total)                            | -0.6        | -0.4        |
| Net cash outflow from financing activities (total)                            | -1.7        | -3.2        |
| <b>Changes in cash and cash equivalents</b>                                   | <b>-4.8</b> | <b>-0.7</b> |
| Changes in cash and cash equivalents contingent on the scope of consolidation | 0.5         | 1.3         |
| Effect of exchange rate changes   | 0.2         | 0.6         |
| <b>Cash and cash equivalents as at 01.01.</b>                                 | <b>33.0</b> | <b>31.8</b> |
| <b>Cash and cash equivalents as at 31.12.</b>                                 | <b>28.9</b> | <b>33.0</b> |



The outflows from current business activities (total) amounts to EUR 2.9 million versus EUR -2.5 million during the previous year. The changed financial position results essentially from the lower net working capital versus prior year due to the reporting date. The current assets which have only been increased to a minor extent, contrast with significantly reduced current liabilities. The outflows from financing activities (total) result essentially from dividend payments to shareholders of DEAG and other shareholders. The changes in respect of the cash and cash equivalents due to the group of consolidated companies is essentially accounted for by the subgroup Derinho. Cash and cash equivalents dropped altogether during the reporting period by EUR 4.1 million.

## **2.5. Income and Assets Position of DEAG Holding**

The following statements on DEAG are in conformity with the provisions of the German Commercial Code (HGB).

### **Income position**

In fiscal 2012 DEAG generated a net income for the year in the amount of EUR 2.3 million (prior year: EUR 1.6 million). The earnings resulted essentially from service income, commission and licensing fees as well as earnings from the disposal of assets. Expenses were arising in particular from material costs. The interest result is now almost positive with EUR 0.2 million. Earnings from investments and profit and loss transfer agreements amounted to EUR 3.1 million after EUR 3.3 million during the previous year.

### **Assets position**

The balance sheet total increased from EUR 28.2 million to EUR 32.2 million. The equity of DEAG amounted to EUR 19.2 million (prior year: EUR 17.4 million); this corresponds to an equity ratio of 60% (prior year: 62%). The change concerns the net income for the year as well as reversely the dividend payment.

On the assets side, receivables from affiliated companies and other receivables increased.

The lower other liabilities contrast with higher liabilities to bank and affiliated companies. This is due to the restructuring of a mezzanine loan by raising a bank loan.

## **2.6. Personnel Development**

The Group headcount amounted on an annual average to 206 versus 198 in the previous year. DEAG employed 26 people (prior year: 23) on an annual average.

## **2.7. Compensation report in accordance with § 289 para 2 No. 5 HGB and § 315 para 2 No. 4 HGB (German Commercial Code)**

The Supervisory Board fixes the compensation of the Executive Board. The members of the Executive Board receive variable compensation in addition to fixed compensation.

The bonus payments for the Executive Board are paid for every fiscal year on the basis of targets defined by the Supervisory Board of DEAG, together with the Executive Board. They include both quantitative and individual qualitative elements.

Compensation in kind is paid for instance through the provision of a company car and contributions to sickness / care insurance. The overall emoluments of the Executive Board totaled EUR 1.2 million in 2012 (prior year: EUR 1.2 million); compensations for activities on the board of a subsidiary included in the consolidated financial statements amounted for both members of the Executive Board to kEUR 12 each (prior year: kEUR 16).

The compensation of the Supervisory Board is governed by the provisions of the by-laws. The corresponding provisions were revised by the General Meeting on June 14, 2007 by an amendment to the by-laws. The compensation of the Supervisory Board includes a fixed (EUR 9,500) and a variable amount. The variable amount depends on the consolidated EBIT; it amounts to EUR 1,000 per full amount of EUR 1 million of the consolidated EBIT exceeding 15% of the nominal capital, capped at EUR 9,500 per year. The chairman of the Supervisory Board is paid the triple amount of the compensation and his deputies the double amount. Furthermore, all expenses of the members of the Supervisory Board are refunded, and they are reimbursed any VAT which may be payable on their compensation and expenses.

## **2.8. Explanatory report of the Executive Board in accordance with § 289 para 4 HGB and § 315 para 4 HGB (German Commercial Code)**

The subscribed capital amounted to EUR 12,388,983.00 during the fiscal year. It consists exclusively of no-par value bearer shares with an arithmetical share in the share capital of EUR 1.00 per share. There are no different share categories or shares with special rights that grant control rights. Nor are there any restrictions under the by-laws which would affect the voting rights or the transfer of shares. The Executive Board is not aware of any agreements to that effect between shareholders.

The service contracts for the members of the Executive Board include each a possibility to give notice in the event of a change in owner.

The CEO, Prof. Peter L. H. Schwenkow, Berlin, controls directly and indirectly more than 10% of the shares and hence of the voting rights of the company. Heliad Equity Partners & GmbH Co. KGaA controls indirectly and directly more than 25%, Plutus Holdings 2 Limited controls directly more than 10% of the shares of the company. Any employees who have a shareholding in the capital exercise their voting rights directly.

The Executive Board is appointed by the Supervisory Board in accordance with § 84 AktG (German Stock Corporation Act). The number of Executive Board members is determined by the Supervisory Board which also determines the term of the Executive Board mandates. The Supervisory Board is entitled to decide on amendments to the by-laws which only relate to their version. As for the rest, the Executive Board is entitled to issue, with the consent of the Supervisory Board, new shares once or several times from the authorized capital decided by the General Meeting and the conditional capital decided by the General Meeting and hence to increase the share capital of the company.

The ordinary General Meeting of June 28, 2011 created new authorized capital and rescinded the previously unused authorized capital. The Executive Board was empowered to increase the share capital, with the approval of the Supervisory Board, by a total of EUR 6,194,491.00 until June 27, 2016 (Authorized Capital 2011/I).

The resolution about the Authorized Capital (2011/I) was entered in the commercial register on July 22, 2011.

The share capital of the company was conditionally increased by resolution of the General Meeting on July 8, 2009 by an amount of EUR 3,000,000.00 (Conditional Capital 2009/I).

A contingent capital increase may only be carried out to the extent that the holders of option and conversion rights which are added by virtue of the empowerment of the Executive Board of July 8, 2009 to the convertible bonds and / or bonds with warrants issued by the company until July 7, 2014, exercise their conversion or option right or holders that are obliged to convert the convertible bonds to be issued by the company by virtue of the resolution of empowerment of the General meeting of July 8, 2009 until July 7, 2014 meet their obligation to convert. The new shares participate in the profit from the beginning of the fiscal year during which they originate from the exercise of conversion and option rights or from the fulfillment of the obligation to convert.

The resolution about the Conditional Capital (2009/I) was entered in the commercial register on July 15, 2009.

By resolution of the General Meeting of July 7, 2010 the company is, moreover, empowered in accordance with § 71 para 1 No. 8 AktG (German Stock Corporation Act) to acquire treasury shares, with the consent of the Supervisory Board, in an amount of up to 10% of the share capital at the time of the adoption of the resolution until July 6, 2015. The corresponding decision has to be taken by the Executive Board. An acquisition of this kind may only be carried out through the stock exchange or by means of a public offering addressed to all shareholders. This empowerment has not been exercised so far.

Compensation agreements of the company with members of the Executive Board or employees in the event of a takeover bid exist in one case. We refer to the information in the Notes to the Consolidated Financial Statements in that respect.

## **2.9. Declaration on corporate governance in accordance with § 289 a para 2 HGB (German Commercial Code)**

### **2.9.1. Executive Management by the Executive Board**

The Executive Board of DEAG manages the company under its own responsibility and represents DEAG in transactions with third parties. The Executive Board is strictly separated from the Supervisory Board in terms of its members. No member of the Executive Board may at the same time serve as a member of the Supervisory Board. The Executive Board defines the corporate goals and the strategic orientation of the DEAG Group. It steers and supervises the business units of the DEAG Group by planning and defining of the corporate budgets, the allocation of financial resources and management capacities, the support and decision in respect of essential individual measures and the control of operating management. Its actions and decisions are governed by the company's interest. It is committed to the goal of a sustainable increase in the enterprise value.

The Executive Board takes its decisions on the basis of the applicable laws, the by-laws of DEAG and the rules of procedure of the Executive Board, basically with a simple majority. In the event of a tie, the CEO has the casting vote. The CEO does not have a right to veto resolutions by the Executive Board. As for the rest, every member of the Executive Board is authorized individually to take decisions in respect of the functions attributed to him.

The Executive Board regularly reports to the Supervisory Board in a prompt and comprehensive manner about all the relevant questions concerning the company in terms of planning, business development, risk position and risk management, and co-ordinates the strategic orientation of the company with the Supervisory Board. For certain transactions defined in the by-laws and the rules of procedure of DEAG, the Executive Board must obtain the approval of the Supervisory Board before they are conducted.

## **2.9.2. Report of the Supervisory Board**

The report of the Supervisory Board is published together with this Management Report.

## **2.9.3. Declaration of conformity in accordance with § 161 AktG (German Stock Corporation Act)**

The Executive Board and the Supervisory Board of DEAG have made the declaration of conformity in respect of the recommendations of the Government Commission German Corporate Governance Code on December 12, 2012 and have made the declaration permanently available to shareholders. The full text of the declaration is published on the company's website ([www.deag.de/ir](http://www.deag.de/ir)).

## **3. Supplementary Report**

By purchasing agreement dated January 29, 2013 DEAG has acquired effective January 1, 2013 a 51% stake in handwerker promotion e. gmbh, one of the leading concert promoters in North-Rhine-Westphalia. With handwerker promotion e. gmbh, DEAG completes its presence as a local promoter in Germany – already represented in Berlin, Northern Germany, Bavaria and the Rhine-Main region, by adding an area of around 18 million people and securing a significant market share for itself in North-Rhine-Westphalia.

Moreover, the acquisition increases significantly the annual ticket volume within the DEAG Group and strengthens its position in the field of ticketing and distribution in co-operation with Ticketmaster Germany. This leads directly to additional earnings for DEAG.

The founder of handwerker promotion e. gmbh, Fred Handwerker, will continue to work for the company on a long term basis and will develop handwerker promotion e. gmbh together with DEAG further in strategic terms and enhance the regional and national purchasing competency of the Group.

Together with handwerker promotion e. gmbh, DEAG has organized during the past years primarily concerts in Dortmund, Düsseldorf and Oberhausen and developed many artists in North-Rhine-Westphalia. As a result of the shareholding, concerts can now be added in cities like Cologne, Münster, Essen, Duisburg, Bochum and Mönchengladbach.

For 2013 many productions are already in advance sale in North-Rhine-Westphalia, with international artists such as Peter Maffay, David Garrett, Iron Maiden, Leona Lewis, Neil Young, Pur, Justin Bieber, Eric Clapton, Eros Ramazzotti, Meat Loaf and Leonard Cohen.

In January 2013 DEAG and two of its banks have increased the existing business relations by entering into agreements concerning a current account line totaling EUR 1.5 million and a project framework line for EUR 3.0 million.

From the Executive Board's point of view, no material events took place between January 1, 2013 and the date of publication of this Management Report.

#### **4. Report on opportunities and risks**

In accordance with § 91.2 AktG, the Executive Board is obliged to take appropriate measures and introduce a monitoring system in order to discover at an early stage any developments that may jeopardize the continued existence of the company and the Group. Risks are an inherent part of entrepreneurial actions. This requires recognizing, evaluating and reporting strategic and operative risks.

At the same time DEAG and the DEAG Group are permanently exposed to a number of common market and business risks as well as further specific risks connected to the sector, since it is a very volatile business.

DEAG and the DEAG Group have set up a monitoring system for an early detection of any developments that could jeopardize the continued existence of the company and the Group. The monitoring of business activities with a view to the early detection of any potential jeopardizing risks is mainly done by the Executive Board and Corporate Controlling at the HQ. The risk management system focuses on liquidity planning, project calculations and supervision of the advance booking numbers of all operational subsidiaries as well as the ongoing forecast of the income position of the individual companies and the Group. The Group is controlled via the ratios EBIT and earnings per share. The identified risks are checked during the year on a regular basis with the business unit heads with the objective of remedying existing risks or minimizing them. Within the framework of this process, the opportunities and risks are identified, quantified together with the Executive Board and the executive management bodies of the subsidiaries, and control measures are defined which are regularly reviewed and adjusted, if necessary.

For the individual business units, forecasts and plan/actual comparisons are conducted on a regular basis. On a business unit level, pre and post-calculations are prepared for projects. The break-even capacity utilization is the most important controlling factor whose achievement is monitored through a regular scan of the advance booking numbers. Liquidity planning is regularly prepared for all material business units of the Group. Following the transfer of accounting to the holding company and / or through a standardized exchange of information with subsidiaries, the Executive Board is regularly informed about the income, assets and financial position.

The Group risk management is the responsibility of the Central Finance function of DEAG. It makes available the tools and processes as well as the know-how which are necessary for risk management purposes.

The preparation of the separate financial statements – including those of the holding company – based on the respective national law, is the responsibility of the executive management bodies. The accountants of the individual companies – including those of the holding company – are supervised and supported in technical terms by the Head of Finance and Accounting and the CFO at the HQ. Third-party experts are called in on special issues. Their expert reports are checked by the HQ and the results are then applied on the level of the accounting departments of the individual companies concerned.

The preparation of the consolidated financial statements in accordance with IFRS is carried out by the Accounting Department of the parent company, which also defines the essential processes and deadlines. For co-ordination within the Group and other closing activities, binding instructions have been issued.

For the purpose of representing the accounting transactions in the separate financial statements and in the preparation of the consolidated financial statements, standard software is used with the respective access authorizations for the persons involved being clearly regulated.

A segregation of duties and the four-eye principle are consistently applied to all processes in accounting. Wherever there could be control gaps because of the small size of a unit, these functions are exercised by skilled staff from other units.

As a result of the internal control system in financial reporting, these principles are continuously supervised. The material risks of the DEAG Group in terms of a reliable control environment and proper financial reporting are centrally recorded in a risk catalog. The latter is reviewed and updated on an annual basis by the Head of Finance and Accounting and the CFO.

In accordance with the provisions of the German Commercial Code, we are obliged to point out the risks and opportunities involved in the future development. This combined Management Report and Group Management Report as well as further information on the fiscal year include forward looking statements and estimates which involve risks which might entail variations of the actual results from our expectations.

#### **4.1. General Economic Development**

The expert advisory board (*Sachverständigenrat*) anticipates a general economic development on the level of the reporting year; the GDP growth rate is, therefore, likely to amount to only 0.8%.

#### **4.2. Market / Competition**

The DEAG Group operates in a market characterized by stiff competition. We endeavour to identify changes on the market at an early stage and to respond to them. Nonetheless, the market environment can change in a surprising manner which could involve risks for the business operations of the Group. This applies, for instance, to changes in the leisure and consumption behavior which could have an adverse influence on ticket sales in Live Entertainment. The business operations of the DEAG Group currently depend to a large extent on ticket sales. Although there are currently no indications suggesting that the present deterioration of the economic situation impacts ticket sales, the further development remains to be seen.

Moreover, the framework conditions for the availability of artists who correspond to the taste of the audiences might change and new, strong suppliers could enter the market and hence compete with the DEAG Group.

Furthermore, business success, more particularly, in the Rock/Pop business line, depends on the extent to which the subsidiaries of DEAG succeed in countering the increasing fee demands of artists. As a result of the decline in the sales revenues from recorded music, the significance of promoters grows, so that their negotiation position is improved.

The business operations of the DEAG Group are also determined by the availability of corresponding venues. Apart from the Jahrhunderthalle in Frankfurt, which is in the possession of Concert Concept, there is a lease contract through the DEAG Concerts investee Good News Productions AG, for the Hallenstadion in Zurich until December 31, 2013. At present negotiations are going on between the management of the Hallenstadion operator, co-shareholder Ringier and the Executive Board of DEAG about a follow-up contract. The other venues are rented for the respective event. If it is no longer possible to use the different venues, this can have an adverse impact on the Group's business.

In addition, there is a dependency on artists, agents, producers and other industry players regarding existing business relations and also the establishment of new business relations. The availability of distribution channels, more particularly advance booking systems, is another factor which has a major impact on business success. With the shareholding in Ticketmaster Deutschland Holding GmbH, the close co-operation with the world market leader Ticketmaster Inc., USA, as well as the cooperation agreed in 2011, DEAG has taken an important strategic step forward in this respect.

Furthermore, the development of the Group's business is influenced by the extent to which it can recruit and keep qualified staff and industry insiders within the company or to compensate the know-how if they leave. This applies, more particularly, to the entertainment industry which is heavily dependent on the relations and contacts of individual persons. In this connection the Executive Board members of the holding company and the managing directors of the subsidiaries and investees play a particularly important role. Business success in the Rock / Pop business line depends on the ongoing successful integration of the investees acquired in Germany as well as possibly other acquisitions. In the Classical Music business line, the further business success depends on the extent to which established top stars can be retained in the medium and long term and new promising talents can supplement them. The Group meets this risk with a broadly based portfolio of artists. The conclusion of long term contracts or the acquisition of 3% of the shares by David Garrett in 2010 are evidence of the good medium and long term co-operation between the DEAG Group and its artists.

The DEAG Group has taken out various insurances. Such insurances are to cover risks in connection with the business activities, more particularly related to the organization and cancellation of concerts and other events. The risk of having to cancel concerts and other events at short notice, because the respective artist does not or cannot perform, has to be pointed out. If a subsidiary included in the consolidated financial statements does not hold or holds insufficient insurance coverage in such a case or in connection with other damaging events, liabilities arising from such a damaging event can have a material impact on the income, assets and financial position of this company.

#### **4.3. Evaluation of goodwill and other intangible assets**

Given the above-mentioned imponderables of the DEAG Group's operating business, further write-downs of goodwill and / or financial investments as well as of the other intangible assets of the Group reported within the framework of purchase price allocations cannot be excluded, if the actual results of the subsidiaries deviate from expectations. This applies to both existing and possibly newly added goodwill from further company acquisitions. For the goodwill of each cash generating unit of the Group, impairment tests are carried out.

Within the Group, part of the delta between the purchasing price and the paid-off equity of the shares of companies acquired is allocated to order book as well as to artists and agents relations. This part is regularly written down.

#### **4.4. Real estate held as financial investment property**

Under "Real estate held as financial investment property" the company shows in its balance sheet parts of plots of land around the Frankfurt Jahrhunderthalle to be sold and / or to be built on. Notarized purchasing agreements have already been entered into for two parts of plots. The building permit has not yet been issued. The company assumes that the planning procedure will be successfully completed. If the planned building permit were not issued, there would be a risk of a material impairment.

#### **4.5. Financial obligations**

The financing of the operating business depends on the ability of the companies of the DEAG Group to generate enough cash flow in a volatile business and / or to tap external financing sources (third-party capital or equity).

In February 2012 the mezzanine loan agreement to finance acquisitions and corporate growth was refinanced. Apart from significantly improved financial terms and conditions, the provisions on the financial ratios are significantly more moderate. Moreover, the volume of assets contributed as collaterals is essentially lower. A deterioration of the ratios over time results in a progressive increase in the costs of margins by 0.5%: improvements result in lower costs of margins.

For purchase price financing DEAG has acquisition framework lines of EUR 1.9 million available. On the balance sheet date the availment amounted to EUR 0.5 million.

For the financing of current business operations the four banks of the DEAG Group have granted overdraft facilities and / or guarantees totaling EUR 3.0 million.

The respective terms and conditions of financing reflect the favorable market level and the good rating of DEAG.

#### **4.6. Financial instruments**

In terms of its assets, liabilities and within the operating business, the DEAG Group is subject to interests, exchange rates, credit worthiness and liquidity risks.

Part of the interest payments for the loans raised by the Group are paid directly on a EURIBOR basis. Hence, some of the capital costs are partially subject to an interest rate change risk. The Executive Board estimates that, given the current interest development, the risk for DEAG and the Group is low, so that during the reporting year, no interest hedging was made.

Payments to artists, orchestras, show productions etc. are partly made on a USD basis and are hence subject to an exchange rate risk vis a vis the euro and / or CHF or GBP. The same applies to dividend payments of foreign subsidiaries which are made in CHF and GBP. The company proceeds on a regular basis to sensitivity analyses in order to anticipate the impact of currency fluctuations and to assess whether exchange rate hedging transactions are advantageous. During the reporting period no exchange rate hedging was carried out.

As far as receivables from business partners are concerned, DEAG and the DEAG Group are dependent on their continued existence as well as their credit worthiness and hence solvency. In view of risk reduction active receivables management is carried out. In addition, payments on account are agreed upon. During the reporting period precautionary measures were taken through valuation allowances in respect of individual receivables.

Possible liquidity risks are covered by short and medium-term planning. Financial management has to secure the servicing of all liabilities in due time. Furthermore, compliance with covenants vis a vis banks is supervised on an ongoing basis. The company has both non-current and current credit relationships.

The stock of original financial instruments is reported in the balance sheet; the amount of financial assets corresponds to the maximum default risk. Any default risks identifiable for the financial assets are covered by valuation allowances.



#### **4.7. Tax risks**

Based on the most recent case law of the German Federal Fiscal Court, we cannot at present exclude that there will be a tax risk for DEAG concerning all assessment periods which can still be changed under procedural law resulting from a retroactive application of the afore-mentioned case law.

Some appeals have been lodged in conjunction with assessment notices from a current field audit.

#### **4.8. Legal proceedings**

The DEAG Group is involved in several active and passive legal proceedings. Insofar as risks can be identified in respect of these proceedings, these risks are covered in the financial statements on the one hand by value adjustments in respect of assets and on the other hand, by provisions.

In an action filed in connection with a contribution in kind, DEAG has been sued for cash compensation. The action was initially set aside for lack of substantiation. Following an appeal lodged by the plaintiff, the legal proceedings were referred back to the competent court. After new proceedings, the action was partly admitted. DEAG has lodged an appeal against this judgment and has furnished proactively a warranty for legal proceedings without the plaintiff having actually announced execution measures, in order to counter the possibility of execution against furnishing of collateral security before the court.

Given the considerable shortcomings of the first instance proceedings, the Executive Board and the legal counsels continue to assume that the appeal will be successful and the action will be fully set aside.

In the improbable case of defeat, there will be a right of recourse against the third-party defendant.

A date for the oral proceedings scheduled initially for January 2013 has been postponed by the competent court to May 2013.

#### **4.9. Holding structure**

The company itself has almost no operating business but acts as a holding of the DEAG Group. At present the assets of the company primarily consist of the shares in its operating subsidiaries. The company is associated with the latter partly through profit and loss transfer and control agreements. The company itself is, therefore, dependent in terms of its own income on the operating companies of the DEAG Group generating profits and transferring them to it. On the other hand, the company has obligations vis a vis the investees linked to it through profit and loss transfer and control agreements to offset any losses possibly incurred by these companies. This may lead to significant adverse effects on the assets, financial and income position of the company.

In order to avoid and / or minimize these risks, the company operates a risk management system on a Group level which includes all subsidiaries (see 4. Opportunities and Risk Report). As a result of this risk management system, the opportunities and risks are recorded, evaluated on a Group level, control measures are defined and monitored and a uniform Group accounting process is ensured.

#### **4.10. Opportunities**

The DEAG Group continues to anticipate a successful course of business in 2013 and during the coming years. With its broadly based portfolio, the Group is able to respond flexibly to changes in trend. Moreover, the company sees opportunities for an extremely good business development in the following areas.

- After its expansion to Great Britain and Switzerland, DEAG Classics AG has become the market leader for classical music events in Europe. The business volume is initially to be enlarged through the mutual transfer of artists and productions between the companies. Furthermore, the entry into other European markets is to be implemented. Following a strong European presence, the attractiveness of DEAG for artists from the classical music area increases.
- As a result of the alliance with Sony Music Entertainment Germany GmbH there are further possibilities for the acquisition of artists both in the Classical Music and in the Rock / Pop areas.
- With shows by superstars such as Rihanna, Depeche Mode, Bruce Springsteen and others, the business in Switzerland will in future again be significantly more profitable and promising.
- With the open airs by Peter Maffay and tours with Andreas Gabalier and others, the DEAG Group is heading the attractive German language segment. This area offers further growth opportunities in the years to come.
- In the Family Entertainment business the indicators suggest that the FlicFlac show "Exxtrem", which has been on tour since February 2013 with Europe's largest traveling circus tent will make profitable contributions to sales revenues in the lower double digit million euro area. For 2014 DEAG is already in advance sales with another promising tour by the Irish dance show "Riverdance".
- DEAG has had a joint venture with the market leader for ticketing systems, Ticketmaster Inc., USA, in Germany since 2006. As a result of the co-operation agreed upon in 2011 with Ticketmaster Deutschland Holding GmbH concerning ticketing distribution, the co-operation will be intensified and offers further potential for the future.
- The share of ancillary income from sponsoring, VIP packages, marketing of ancillary rights (TV, DVD) and merchandising, offers high growth potential in future, too.

#### **5. Data relevant for takeover**

The nominal capital of the company amounts to EUR 12,388,983.00, subdivided into 12,388,983 ordinary bearer shares in the form of no-par value shares with an arithmetical share in the nominal capital of EUR 1.00 per share.

## 6. Outlook

The DEAG Group is an integrated Entertainment Content Group, which focuses on the development of high-margin business units. Apart from a good business development in Switzerland, growth in the classical music area, the development of middle of the road music and German hits and the European expansion contribute to the rise in profitability. The early adoption of the 360 model within the Group, the integration of the record label and music publishing, sponsoring, product refinement and merchandise have resulted in a sustainable rise in earning sources within the DEAG Group.

Taking into account the firmly contracted tours and events and those in the preparatory phase, the current advance booking numbers and the development trends during the first quarter 2013, the Executive Board of DEAG expects a continuation of the positive business development in 2013. During the current year all earnings ratios are to be improved through the adopted strategy based on a balanced mix of risk and opportunities. The focus will be on the ongoing extension of the high-margin business, with an emphasis on European expansion and the further integration of the 360 model. Already today there are first indications of a likewise good business development for 2014, which allows for a forecast of very good developments in sales revenues and results beyond 2013.

Further growth in sales revenues and earnings, combined with an increase in the dividend payment ability, is to be generated through organic growth but also to an increasing extent through further acquisitions. The takeover of a stake of 51% in handwerker promotion e. gmbh in January 2013 testifies to this development.

### Forward-looking statements

In addition to past results within the framework of the financial statements, this report also includes forward-looking statements. These statements may deviate from the actual developments.

### Responsibility statement of the legal representatives

We hereby state that, to the best of our knowledge and in accordance with applicable reporting principles, the financial statements and the consolidated financial statements give a true and fair view of the assets, financial and earnings position of the company and that the combined Management Report and the Group Management Report include a fair review of the development, performance and position of the Group, together with a description of the main opportunities and risks associated with the expected development of the Group.

Berlin, March 28, 2013

DEAG Deutsche Entertainment Aktiengesellschaft

The Management Board



Prof. Peter L. H. Schwenkow



Christian Diekmann

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

Consolidated Balance Sheet

|                               |              | 31.12.2012        | 31.12.2011        |
|-------------------------------|--------------|-------------------|-------------------|
| <b>Total Assets</b>           | <b>Notes</b> | <b>in EUR'000</b> | <b>in EUR'000</b> |
| Liquid funds                  | 7            | 31,597            | 35,715            |
| Trade receivables             | 8            | 9,968             | 6,988             |
| Down Payments                 | 9            | 13,483            | 12,682            |
| Inventories                   | 10           | 100               | 91                |
| Other current assets          | 11           | 6,030             | 4,127             |
| <b>Current assets</b>         |              | <b>61,178</b>     | <b>59,603</b>     |
| Goodwill                      | 13, 14       | 19,125            | 19,033            |
| Other intangible assets       | 13, 15       | 5,563             | 5,959             |
| Tangible fixed assets         | 16           | 1,265             | 992               |
| Investment properties         | 17, 28       | 9,450             | 8,200             |
| Investments                   | 18           | 752               | 749               |
| Investment in associates      | 18           | 50                | 138               |
| Loans to associated companies | 18           | 227               | -                 |
| Down Payments                 | 10           | 243               | 2,280             |
| Other long-term assets        | 19           | 654               | 1,697             |
| Deferred tax assets           | 20, 39       | 489               | -                 |
| <b>Long-term assets</b>       |              | <b>37,818</b>     | <b>39,048</b>     |
| <b>TOTAL ASSETS</b>           |              | <b>98,996</b>     | <b>98,651</b>     |

|   |              | 31.12.2012        | 31.12.2011        |
|---|--------------|-------------------|-------------------|
| <b>Liabilities and equity</b>                   | <b>Notes</b> | <b>in EUR'000</b> | <b>in EUR'000</b> |
| Bank loans payable                              | 21, 28       | 3,610             | 2,290             |
| Trade accounts payable                          | 22           | 11,326            | 9,546             |
| Accruals  | 23, 43       | 8,293             | 6,473             |
| Sales accruals and deferrals                    | 24           | 31,037            | 36,458            |
| Income tax liabilities                          | 25           | 1,017             | 2,659             |
| Other current liabilities                       | 26, 28       | 4,874             | 7,060             |
| <b>Current liabilities</b>                      |              | <b>60,157</b>     | <b>64,486</b>     |
| Accruals  | 23, 43       | 939               | 490               |
| Bank loans payable                              | 21, 28       | 3,500             | -                 |
| Other long-term liabilities                     | 27, 28       | 629               | 1,682             |
| Deferred taxes                                  | 20, 39       | 1,959             | 1,983             |
| <b>Long-term liabilities</b>                    |              | <b>7,027</b>      | <b>4,155</b>      |
| Share capital                                   |              | 12,388            | 12,388            |
| Capital reserve                                 |              | 27,337            | 27,337            |
| Accumulated deficit                             |              | -13,285           | -15,426           |
| Accumulated other income                        |              | -63               | 159               |
| <b>Equity attributable to DEAG shareholders</b> |              | <b>26,377</b>     | <b>24,458</b>     |
| Equity attributable to non-controlling interest |              | 5,435             | 5,552             |
| <b>Equity</b>                                   | 29           | <b>31,812</b>     | <b>30,010</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>             |              | <b>98,996</b>     | <b>98,651</b>     |

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

Consolidated Income Statement

|  |       | 01.01. to<br>31.12.2012 | 01.01. to<br>31.12.2011 |
|--|-------|-------------------------|-------------------------|
|  | Notes | In EUR '000             | In EUR '000             |
| Sales  | 31    | 155,725                 | 128,300                 |
| Cost of sales  | 32    | -118,195                | -95,729                 |
| <b>Gross profit</b>  |       | <b>37,530</b>           | <b>32,571</b>           |
| Distribution costs   | 33    | -20,109                 | -15,779                 |
| Administrative expenses  | 34    | -13,399                 | -12,882                 |
| Other operating income   | 35    | 3,944                   | 4,404 *                 |
| Other operating expenses   | 36    | -728                    | -874                    |
| <b>Operating income (EBIT)</b>   |       | <b>7,238</b>            | <b>7,440</b>            |
| Interest income and expenses   | 37    | -290                    | -1,124                  |
| Income from investments  | 38    | -                       | -3                      |
| Earnings from associated companies   | 18    | -1,065                  | -327                    |
| Write-ups of financial assets and working capital securities               |       | 1                       | -14                     |
| Foreign currency exchange gain and loss                                    |       |                         | - *                     |
| <b>Financial result</b>  |       | <b>-1,354</b>           | <b>-1,468</b>           |
| <b>Result before taxes</b>   |       | <b>5,884</b>            | <b>5,972</b>            |
| Income taxes   | 39    | -1,096                  | -1,535                  |
| <b>Group result after taxes</b>  |       | <b>4,788</b>            | <b>4,437</b>            |
| thereof attributable to non-controlling interest                           |       | 2,105                   | 1,893                   |
| <b>thereof attributable to DEAG Shareholders</b>                           |       | <b>2,683</b>            | <b>2,544</b>            |
| <b>(Group Result)</b>  |       | <b>2,683</b>            | <b>2,544</b>            |
| Earnings per share in EUR (undiluted/diluted)<br>from continued operations | 29    | 0.22                    | 0.21                    |
| Average number of shares in circulation (undiluted/diluted)                | 29    | 12,388,368              | 12,388,368              |

Consolidated Statement of Comprehensive Income

vom 01.01.2012 bis 31.12.2012

|   | 2012           | 2011           |
|---|----------------|----------------|
|   | - In EUR'000 - | - In EUR'000 - |
| <b>Group Result after taxes</b>                                   | <b>4,788</b>   | <b>4,437</b>   |
| <b>Other result</b>   |                |                |
| (+/-) Differences from exchange rates (independent foreign units) | -160           | -82            |
| (+/-) Actuarial profit/loss recorded in equity                    | -425           | 145            |
| (+/-) Deferred taxes on the other total result                    | 85             | -29            |
| <i>thereof on actuarial profit/loss</i>                           | 85             | -29            |
| <b>Other result after tax</b>                                     | <b>-500</b>    | <b>34</b>      |
| <b>Total result</b>   | <b>4,288</b>   | <b>4,471</b>   |
| <b>Thereof attributable to</b>                                    |                |                |
| Non-controlling interest  | 1,827          | 1,881          |
| DEAG Shareholders   | 2,461          | 2,590          |

\* Reclassification currency result in the Operating Income with adjustment of prior year

## DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

### Consolidated Cash Flow Statement

In EUR '000

|   | 2011          | 2010            |
|---|---------------|-----------------|
| Group result after tax  | 4,788         | 4,437           |
| Depreciation and amortisation/ write-ups                                      | 1,339         | 635             |
| Expenditure from retirement of fixed assets                                   | 21            | 28              |
| Changes not affecting payments  | -119          | -393            |
| Income from valuation of investment properties                                | -1,250        |                 |
| Change in other accruals  | 335           | 33              |
| Deferred taxes (net)  | -454          | -266            |
| Result from valuation of associated companies                                 | 1,065         | 327             |
| Net interest income   | 290           | 1,124           |
| Changes to receivables, inventories and other assets                          | -2,599        | -11,279 *       |
| Changes to other loan capital without financial debts                         | -5,878        | 8,279           |
| <b>Net cash outflow/inflow from operating activities (total)</b>              | <b>-2,462</b> | <b>2,925 *</b>  |
| Outflows for investments in...  |               |                 |
| ...Intangible assets  | -228          | 13              |
| ...Tangible assets and financial investments                                  | -596          | -455            |
| Assets disposals  | 37            | 34              |
| Interest Income   | 148           | 79              |
| <b>Net cash outflow from investing activities (total)</b>                     | <b>-639</b>   | <b>-355</b>     |
| Proceeds from new borrowing   | 5,586         | 978             |
| Repayment of financial debts  | -4,929        | 2,300           |
| Interest expenditure  | -472          | -999            |
| Dividend payment to DEAG shareholders   | -495          |                 |
| Dividend portions of other shareholders                                       | -1,325        | -1,883          |
| Payments to/from other shareholders   | -107          | 966             |
| <b>Net cash outflow from financing activities (total)</b>                     | <b>-1,742</b> | <b>-3,238</b>   |
| <b>Changes in cash and cash equivalents</b>                                   | <b>-4,483</b> | <b>-668 *</b>   |
| Changes in cash and cash equivalents contingent on the scope of consolidation | 549           | 1,252           |
| Effect of exchange rate changes   | 163           | 566             |
| Cash and cash equivalents as at 01.01.  | 32,994        | 31,844          |
| <b>Cash and cash equivalents as at 31.12.</b>                                 | <b>28,863</b> | <b>32,994 *</b> |

\* Adjustment of previous year by cash and cash equivalents with restrictions on disposal (note 42)

### Consolidated Statement of Changes in Equity

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

(Note 29)

|   | Number of<br>shares<br>issued | Authorized<br>DEAG shares<br>in EUR '000 | DEAG capital<br>reserve in<br>EUR '000 | Accumulated<br>deficit<br>in EUR '000 | Accumulated<br>other income<br>in EUR '000 | Attributable to<br>DEAG<br>shareholders<br>in EUR '000 | Attributable to<br>non-controlling<br>interest<br>EUR '000 | Equity in<br>EUR '000 |
|---|-------------------------------|--|--|---------------------------------------|--|--|--|-----------------------|
| <b>As at 31.12.2010</b>                     | <b>12,388,368</b>             | <b>12,388</b>                            | <b>27,337</b>                          | <b>-17,623</b>                        | <b>113</b>                                 | <b>22,215</b>  | <b>4,661</b>   | <b>26,876</b>         |
| Total result                                | -                             | -  | -                                      | 2,544                                 | 46   | 2,590  | 1,881  | 4,471                 |
| Dividend                                    | -                             | -  | -                                      | -                                     | -  | -  | -1,883   | -1,883                |
| Acquisition of shares of other shareholders | -                             | -  | -                                      | -58                                   | -  | -58  | 15   | -43                   |
| Other changes *                             | -                             | -  | -                                      | -289                                  | -  | -289   | 878  | 589                   |
| <b>As at 31.12.2011</b>                     | <b>12,388,368</b>             | <b>12,388</b>                            | <b>27,337</b>                          | <b>-15,426</b>                        | <b>159</b>                                 | <b>24,458</b>  | <b>5,552</b>   | <b>30,010</b>         |
| Total result                                | -                             | -  | -                                      | 2,683                                 | -222                                       | 2,461  | 1,827  | 4,288                 |
| Dividend                                    | -                             | -  | -                                      | -495                                  | -  | -495   | -1,325   | -1,820                |
| Acquisition of shares of other shareholders | -                             | -  | -                                      | -47                                   | -  | -47  | -153   | -200                  |
| Other changes **                            | -                             | -  | -                                      | -                                     | -  | -  | -466   | -466                  |
| <b>As at 31.12.2012</b>                     | <b>12,388,368</b>             | <b>12,388</b>                            | <b>27,337</b>                          | <b>-13,285</b>                        | <b>-63</b>                                 | <b>26,377</b>  | <b>5,435</b>   | <b>31,812</b>         |

\* Obligation from potential acquisition of other shareholders (kEUR 289)

\* Change in scope of consolidation at shares of other shareholders

## **DEAG Deutsche Entertainment Aktiengesellschaft, Berlin**

### **1. Accounting Principles**

DEAG Deutsche Entertainment AG (DEAG) is an *Aktiengesellschaft* (stock corporation under German law) set up in Germany with registered office in Germany, 10785 Berlin, Potsdamer Straße 58.

DEAG is one of the leading providers of live entertainment in Europe. Apart from the organization of tours in Germany, England and Switzerland, the focus of its core business is on the local/regional staging of concert events in these regions. DEAG's event portfolio is comprised of national and international rock/pop, German hit songs/popular music, classical events, Family Entertainment and the Friedrichsbau Varieté in Stuttgart. Furthermore, the label and publishing house business, DEAG Music, is part of the portfolio. DEAG has access to several venues, either through ownership or exclusive lease contracts.

These Consolidated Financial Statements of DEAG Deutsche Entertainment AG (DEAG) were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as applicable on the closing date and, in addition, in conformity with the provisions under German commercial law to be applied in accordance with § 315a para 1 of the German Commercial Code (HGB). The designation IFRS also comprises the still valid International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – formerly Standing Interpretations Committee (SIC).

The consolidated financial statements are based – with one exception - on the financial statements of the companies included in the consolidation. These were prepared by application of the German Commercial Code (HGB), including the accounting standards adopted by the German Standardization Council (DRSC) as at the closing date in accordance with § 342 German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The financial statements of foreign companies were prepared in accordance with their national regulations, in conformity with continuously and uniformly applied accounting and valuation principles. For a company included in the full consolidation with a different fiscal year from July 1 to June 30, interim financial statements had to be prepared.

The single-entity financial statements as well as the interim financial statements of the consolidated companies were prepared effective on the closing date of the consolidated financial statements. Carrying values for tax purposes are not included in the consolidated financial statements. The reconciliation of the valuations in accordance with the IFRS standards was carried out on the level of the Group outside the single-entity financial statements prepared under German commercial law, in a so-called *Handelsbilanz II*.

During the reporting year the result of currency translation differences treated as income is contained in the EBIT, by deviation from prior year and allocated to the other operating income. The prior year posting was adjusted accordingly. As for the rest, reference is made to the explanations under Item 35.

The items combined in the balance sheet and the statement of income of the Group are explained in the Notes.

For the preparation of the consolidated financial statements, estimates and assumptions have to be made to a limited extent that affect the level and reporting of assets and liabilities, income and expenses as well as contingent liabilities. For DEAG this includes, more particularly, the estimates at the determination of the utility values of non-financial assets (goodwill and other intangible assets), the determination of the fair values of real property held as financial investment, the determination of the useful life of the depreciable fixed assets, the assigned value and the valuation adjustment of accounts receivable as well as the measurement and assessment of the probability of occurrence in respect of accruals and contingent liabilities.

Actual figures may subsequently differ from these estimates.



## *Notes to the Consolidated Financial Statements*

### **2. Amendments to Accounting Standards**

During the fiscal year DEAG applied all new and amended standards and interpretations which were published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of IASB and taken over by the European Commission insofar as they had to be applied for the fiscal years starting on January 1, 2012:

- IFRS 7: Financial instruments disclosures – transfer of financial assets

The amendments to standards which are to be applied for the first time in a binding manner in 2012 did not have any material impact.

The following IFRS adopted under EU law were published until the balance sheet date but must only be applied from later reporting dates onwards. The DEAG Group has decided in respect of the standards and interpretations which must be applied during later reporting periods not to opt for a premature application of these standards:

- IFRS 10: Consolidated financial statements
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of interests in other entities
- IFRS 13: Fair value measurement
- IAS 27: Separate financial statements
- IAS 28: Investments in associates and joint ventures
- IAS 1: Presentation of financial statements - Presentation of individual items of the other comprehensive income
- IAS 12: Deferred tax: recovery of underlying assets
- IAS 19: Employee benefits
- IFRIC 20: Stripping costs in the production phase of a surface mine
- IAS 32: Financial instruments presentation
- IFRS 7: Financial instruments: disclosures

The application of these standards has no material impact on the consolidated financial statements of the DEAG Group.

Other standards as well as interpretations and amendments in respect of existing standards, which are likewise published by IASB, do not yet have to be applied in a binding manner in the consolidated financial statements as at December 31, 2012. The application of these IFRS presupposes that the EU recognizes these standards which are partly still pending. They include a large number of smaller IFRS amendments with a view to concretizing provisions and removing inconsistencies. Most of these changes are to be applied in fiscal years which commence on or after January 1, 2013.

- IFRS 9: Financial instruments
- IFRS 10: First-time application (AIP 2012)
- IFRS 11: First-time application (AIP 2012)
- IFRS 12: First-time application (AIP 2012)
- IFRS 10: Investment companies
- IFRS 11: Investment companies
- IFRS 12: Investment companies

Overall, the impact of these standards on the assets, financial and earnings position of the DEAG Group will be of subordinate importance.

### 3. Consolidation Principles

#### Scope of Consolidation

We, DEAG Deutsche Entertainment Aktiengesellschaft, as the parent company, include in the consolidated financial statement those subsidiaries fulfilling the control concept. Companies acquired or disposed of during the financial year are included from the date of acquisition or up until the date of sale.

On the balance sheet date, the consolidated entity comprised 30 (prior year: 24) fully consolidated German and foreign companies. Four joint venture are consolidated as joint ventures and/or associated companies according to the equity method. Four associated companies and one shareholding are reported at cost of acquisition in view of their marginal significance.

#### Consolidation Methods

Capital consolidation involves offsetting the acquisition costs of participating interests against equity at the time of starting up or acquiring the respective subsidiary. Depreciation of value-adjusted subsidiaries was reversed for the purpose of consolidation. Interim gains and losses from intra-group sales of equity holdings were reversed. The differential amounts included in the values reported for holdings in joint ventures and associated companies are established by the same principles.

The asset-side variations arising from capital consolidation were recorded as goodwill in the consolidated balance sheet, after exposure of hidden reserves or charges at the acquired company (revaluation).

Receivables, liabilities and accruals, as well as expenses and income between consolidated companies were consolidated. Any intermediate results of intra-group deliveries and services were eliminated. Any depreciation or value adjustments of intra-group receivables in the individual financial statements were reversed in favor of the group result.

Tax accruals have been made on consolidation based results, as far as they have a future tax impact.

Shareholdings in associated companies valued by the equity method were reported at the pro-rata equity.

On the balance sheet date, along with the parent company DEAG the following companies were fully consolidated:

| <b>Segment</b> | <b>Company</b>                                  | <b>Shareholding</b> |
|----------------|---|---------------------|
| Live Touring   | DEAG Concerts GmbH, Berlin                      | 100%                |
|                | coco tours Veranstaltungen GmbH, Berlin         | 100%                |
|                | ULAB Verwaltungs GmbH & Co. KG, Berlin          | 100%                |
|                | Grünland Family Entertainment GmbH, Berlin      | 100%                |
|                | DEAG Classics AG, Berlin                        | 51%                 |
|                | Raymond Gubbay Ltd., London (UK)                | 51%                 |
|                | KBK Konzert- und Künstleragentur GmbH, Berlin   | 51%                 |
|                | Gold Entertainment GmbH, Berlin                 | 50%                 |
|                | Manfred Hertlein Veranstaltungen GmbH, Würzburg | 33,3%               |
|                | The Classical Company AG, Zurich (Switzerland)  | 25,5%               |

## Notes to the Consolidated Financial Statements

|                        |  |       |
|------------------------|--|-------|
| Entertainment Services | Concert Concept Veranstaltungs-GmbH, Berlin                    | 100%  |
|                        | Kultur- und Kongresszentrum Jahrhunderthalle, Frankfurt a. M.  | 100%  |
|                        | Global Concerts GmbH, Munich                                   | 100%  |
|                        | Elbklassik Konzerte Hamburg GmbH, Hamburg                      | 100%  |
|                        | Friedrichsbau Varieté Stuttgart Betriebs- und Verwaltungs GmbH | 100%  |
|                        | Broadway Varieté Management GmbH, Berlin                       | 100%  |
|                        | DEAG Arts & Exhibitions GmbH, Berlin                           | 100%  |
|                        | River Concerts GmbH, Berlin                                    | 100%  |
|                        | DEAG Music GmbH, Berlin  | 100%  |
|                        | AIO Group AG, Glattpark (Switzerland)                          | 52%   |
|                        | Good News Productions AG, Glattpark (Switzerland)              | 52%   |
|                        | Derinho AG, Zurich (Switzerland)                               | 52%   |
|                        | Starclick Entertainment AG, Zurich (Switzerland)               | 52%   |
|                        | Smart Agency AG, Glattpark (formerly B+R Event AG)             | 52%   |
|                        | EM Event Marketing AG, Wangen bei Olten (Switzerland)          | 52%   |
|                        | Fortissimo AG, Glattpark (Switzerland)                         | 52%   |
|                        | MSF Moon and Stars Festivals SA, Locarno (Switzerland)         | 52%   |
|                        | Venue Consulting AG, Glattpark (Switzerland)                   | 52%   |
|                        | Grandezza Entertainment GmbH, Berlin                           | 51%   |
|                        | FF Tournee GmbH, Berlin  | 25,5% |

The stake in Grünland Family Entertainment GmbH, Berlin, was increased by 40% to 100% on December 20, 2012. The impact of this change in shareholding is of subordinate significance for the consolidated financial statements.

DEAG has a right of ultimate decision to appoint and remove the managing directors and approve the annual budget of Gold Entertainment GmbH. Consequently, the control concept in accordance with IAS 27.13 (c) is met. Gold Entertainment GmbH holds in turn 66.6% of the capital and voting rights in Manfred Hertlein Veranstaltungen GmbH. Consequently, 33.3% are allocated to the Group.

Classical Company AG meets the control concept in accordance with IAS 27.13 (c) since DEAG Classics AG has the right to appoint the executive management and approve the annual budget. Consequently, 25.5% were allocated to the Group.

The former sub group Good News was fundamentally reorganized during the reporting period and transferred to a new structure. With the cash formation of the AIO Group AG a new holding company for the business in Switzerland was created. For that reason the designation of "Good News" is changed to "AIO" in this report insofar as the statements and explanations do not exclusively relate to Good News Productions AG.

The AIO Group AG is a 100% shareholder of Derinho AG and Good News Productions AG. Derinho AG acts in turn as an intermediate holding and holds 100% of the capital and voting rights in other shareholdings which have arisen by way of a dividend in kind (Fortissimo AG; EM Event Marketing AG) and / or by way of new formation / change in name and subsequent hiving off of operations for individual business operations of Good News Productions AG (Venue Consulting AG; MSF Moon and Stars Festivals AG; smART Agency AG).

Derinho AG continues to be entitled to 100% of the capital and voting rights in Starclick Entertainment AG.

On the level of the AIO Group AG, DEAG is entitled to 52% of the capital rights and 40% of the voting rights. Based on a shareholder agreement and organizational regulation DEAG has the right to appoint and remove the managing directors and approve the annual budget. Consequently, the control concept in accordance with IAS 27.13 (c) is met. The reorganization was implemented effective June 25, 2012. The effects on the Group of consolidated companies of DEAG were implemented effective July 1, 2012.

In FF Tournee GmbH, Berlin, set up on September 14, 2012, Grandezza Entertainment GmbH, Berlin, holds 50% of the capital and voting rights. The control concept in accordance with IAS 27.13 (c) is met since Grandezza Entertainment GmbH has from the time of exercise of a sustainable business activity by means of a call option, which can be exercised at any time and without limitation in time, the possibility to appoint the executive management and approve the annual budget. Consequently, 25.5% were allocated to the Group.

## Notes to the Consolidated Financial Statements

The following company is run as a joint venture and reported in accordance with the provisions of the equity method and hence the pro-rata equity.

| <u>Segment</u> | <u>Company</u>                    | <u>Shareholding</u> |
|----------------|-----------------------------------|---------------------|
| Live Touring   | A.C.T. Artist Agency GmbH, Berlin | 50%                 |

A.C.T. Artist Agency GmbH, Berlin, is included in the consolidated accounts „at equity“.

The following companies are carried in the balance sheet as associated companies:

| <u>Segment</u> | <u>Company</u>                                    | <u>Shareholding</u> |
|----------------|---|---------------------|
|                | EIB Entertainment Insurance Brokers GmbH, Hamburg | 49%                 |
|                | Verescon AG, Berlin                               | 44%                 |
| Live Touring   | Seefestspiele Berlin GmbH, Berlin                 | 20,4%               |

DEAG Classics AG holds an interest of 40% in Seefestspiele Berlin GmbH.

The following were not consolidated for lack of materiality: EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH, Berlin, Palast Management und Veranstaltungs-GmbH i.L., Berlin as well as Manchester Chamber Orchestra Limited, Manchester (Great Britain) and Raymond Gubbay Productions Limited, London (Great Britain).

The information in accordance with §§ 315a HGB (German Commercial Code) in conjunction with § 313 (2) HGB is as follows:

| <b>Company Name</b>   | <b>Company Domicile</b>   | <b>Share in capital</b> | <b>Equity (in EUR'000)</b> | <b>Result Fiscal Year (in EUR'000)</b> |
|---|---------------------------|-------------------------|----------------------------|--|
| EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH | Berlin                    | 100 %                   | -1                         | -                                      |
| Manchester Chamber Orchestra Limited                                  | Manchester, Great Britain | 51% <sup>1)</sup>       | 2 <sup>2)</sup>            | - <sup>2)</sup>                        |
| Palast Management und Veranstaltungs-GmbH i.L.                        | Berlin                    | 100%                    | -109                       | -                                      |
| Raymond Gubbay Productions Limited                                    | London, Great Britain     | 51% <sup>1)</sup>       | 2 <sup>2)</sup>            | - <sup>2)</sup>                        |

1) The shares in the companies Manchester Chamber Orchestra Limited as well as Raymond Gubbay Productions Limited are held directly by Raymond Gubbay Limited at 100% each

2) Figures relate to fiscal 2011/2012, Amounts are stated in Pound Sterling

## Notes to the Consolidated Financial Statements

The scope of consolidation of the DEAG Group has changed as follows: :

| <u>Segment</u>         | <u>Company</u>   | <u>Acquisition</u> |
|------------------------|--|--------------------|
| Entertainment Services | AIO Group AG, Glattpark (Switzerland)                  | 01.07.2012         |
| Entertainment Services | Derinho AG, Zurich (Switzerland)                       | 01.07.2012         |
| Entertainment Services | Venue Consulting AG, Glattpark (Switzerland)           | 01.07.2012         |
| Entertainment Services | MSF Moon and Stars Festivals SA, Locarno (Switzerland) | 01.07.2012         |
|                        | Verescon AG  | 25.04.2012         |
| Live Touring           | FF Tournee GmbH, Berlin                                | 01.10.2012         |

### 4. Foreign Currency Translation Principles

The consolidated financial statements are drawn up in Euro, the functional currency of the parent company and the reporting currency of the group. The functional currency of the foreign subsidiaries in Switzerland is the Swiss Franc (CHF) and in Great Britain the Pound Sterling (GBP). The functional currency of the domestic subsidiaries of the group is the Euro (EUR).

The positions included in the financial statements of the respective companies are being valued applying the functional currency. Foreign currency transactions are being exchanged initially at the cash price valid on the day of business transaction into the functional currency. Monetary assets and liabilities in a foreign currency are being exchanged into the functional currency on each call date using the call date rate. All currency differences are recognized income statement-related. Non-monetary items, who were valued at historic purchase or manufacturing prices in a foreign currency, were exchanged using the rate of the day of the business transaction. Non-monetary items, who were valued at their present value in a foreign currency, were exchanged using the rate valid at the date of the determination of the present value.

The assets and liabilities of the foreign units were exchanged into Euros at the call date rate. The translation of income and expenditure is made at the average rate of the fiscal year. The resulting currency differences are being recognized as a separate component of the equity capital. The cumulative amount recognized in the equity capital of a foreign unit is being dissolved income statement-related in case of a sale of the foreign unit.

The exchange rates of currencies of significance to us changed as follows:

|                  | Closing rate<br>in EUR |        | Average rate<br>in EUR |        |
|------------------|------------------------|--------|------------------------|--------|
|                  | 2012                   | 2011   | 2012                   | 2011   |
| 1 Pound Sterling | 1.2253                 | 1.1972 | 1.2332                 | 1.1527 |
| 1 Swiss Franc    | 0.8284                 | 0.8226 | 0.8297                 | 0.8118 |

### 5. Balance Sheet Accounting and Valuation Principles

#### Notes on the Balance Sheet

Intangible assets purchased are capitalized at cost of acquisition and depreciated in a straight line or via their expected earnings over an anticipated useful life of three to fifteen years. Goodwill obtained in connection with acquisitions is capitalized in accordance with IFRS 3 (Business Combinations). Such option to apply the Full Goodwill method is not being used.

## *Notes to the Consolidated Financial Statements*

Such goodwill on the basis of cash generating units are subject to annual impairment tests and, if necessary, unscheduled depreciation. In accordance with IAS 36.124 an impairment loss recognized for goodwill may not be reserved in subsequent periods.

Fixed assets are valued at cost of acquisition or production plus incidental acquisition costs minus acquisition cost reductions and, in the case of items subject to wear and tear, less use-related depreciation. Financing costs are capitalized in accordance with IAS 23 (2012: kEUR -, previous year kEUR -). Depreciation is in a straight line over the expected useful life.

Scheduled depreciation of fixed assets is based essentially on the following periods of useful life:

|                                   |               |
|-----------------------------------|---------------|
| Buildings, fixtures and fittings: | 4 to 50 years |
| Plant and machinery:              | 3 to 10 years |
| Tools and equipment:              | 3 to 10 years |

If reductions in the value of intangible assets or tangible fixed assets are ascertained, unscheduled depreciation is applied. The value attributable to the intangible assets or tangible fixed assets is ascertained on the basis of future surplus revenue or net sales proceeds (impairment test). Reviews are undertaken annually unless there is reason earlier to assume that values have decreased.

Scheduled depreciations are being accounted for pro-rata in cost of sales and administrative expenses respectively, write-ups in other operating income and unscheduled depreciations in other operating expenses.

Land held as financial investment is being evaluated at fair value according to IAS 40.30/40.33.

Shares in non-consolidated companies are reported in the balance sheet at market or acquisition cost in accordance with IAS 39. Shares in associated companies are reported at equity. Differential amounts resulting from initial consolidation are allocated following the same principles as for full consolidation.

Inventories are valued at acquisition cost. If net sales proceeds on the balance sheet date are less than the cost of acquisition, appropriate value adjustments are made.

Liquid assets include cash and cash equivalents, cash accounts and short-term cash investments with banks and are measured at amortized cost.

Receivables and other assets are recognized at nominal value minus necessary specific valuation allowances.

Deferred expenses and deferred income are built in accordance with the accrual accounting concept outlined in IAS 18. Prepaid amounts are their basis. Deferred expenses are essentially prepaid costs and other accruals. Deferred income that relates to income from sales of prepaid tickets for events after the balance sheet date is reported as deferred revenue from pre-paid ticket sales.

Reserves are valued at the amount sound business judgment deems necessary on the balance sheet date to cover future payment obligations, discernible risks and uncertain commitments. Long-term reserves are being discounted in accordance with IAS 37. If the discounting effect is material, reserves are being recorded to the cash value of the expected future cash flow.

In accordance with IAS 12 deferred taxation is calculated on the basis of the different assigned values for assets and liabilities in the commercial balance sheet and the tax balance sheet in respect of circumstances within the scope of the commercial balance sheet II, consolidation processes and realizable losses carried forward. Deferred tax assets in respect of losses carried forward are only recognized to the extent that offsettable deferred tax liabilities exist. Deferred tax assets and deferred tax liabilities are shown as balances in the balance sheet to the extent that there is offsettability with the same tax authorities.

## Notes to the Consolidated Financial Statements

The defined benefit obligations are calculated in accordance with IAS 19 based on the Projected Unit Credit method. This is based on the number of service years on the respective calculation date and takes into account future developments by including discounting, wage development and probability of resignation until the commencement of the payment of the benefits as well as pension indexing for the years after the first-time payment of recurring benefits.

Interest-bearing liabilities are reported at the net inflow amount using the effective rate of interest method.

Embedded derivatives are recorded separately and carried forward affecting net income.

In accordance with IAS 1, the balance sheet is subdivided into non-current and current assets and liabilities. Assets and liabilities which become due within one year are defined as current. In accordance with IAS 12 deferred taxes are reported as non-current assets and / or liabilities.

### Notes on the Statement of Income

Sales revenues and other revenues include all income for services already provided. Services for a concert, a show or a tour are basically considered as provided at the end of the concert or show. Expenses are reported when they are incurred with recognition in the statement of income, Interest and other expenses in respect of borrowings are carried as current expenditure.

## 6. Segment Reporting

In accordance with the provisions of IFRS 8, individual financial statement data is segmented by areas of work and regions, with presentation being oriented to our internal reporting. Accounting by segment is intended to render transparent the profitability and prospects of success of the Group's individual business activities.

### Notes on the Segments

The DEAG Group sub-divides its continued operations into two segments, which are described in the Combined Management Report and Group Management Report.

#### Segment data

| In EUR'000   | Live Touring  |               | Entertainment Services |               | Total Segments |                |
|--|---------------|---------------|------------------------|---------------|----------------|----------------|
|  | 2012          | 2011          | 2012                   | 2011          | 2012           | 2011           |
| Revenues   | 71,480        | 54,623        | 91,746                 | 79,014        | 163,226        | 133,637        |
| Other income **  | 705           | 721           | 2,549                  | 1,545         | 3,254          | 2,266          |
| - thereof internal income                                | 8,759         | 4,786         | 524                    | 551           | 9,283          | 5,337          |
| <b>Total earnings</b>                                    | <b>71,185</b> | <b>55,344</b> | <b>94,295</b>          | <b>80,559</b> | <b>166,480</b> | <b>135,903</b> |
| Cost of sales*   | 60,606        | 44,029        | 65,235                 | 57,374        | 125,841        | 101,403        |
| Operative expenses                                       | 6,031         | 5,735         | 22,871                 | 18,115        | 28,902         | 23,850         |
| Depreciations and amortisation<br>(for information only) |               |               |                        |               |                |                |
| -scheduled   | 864           | 723           | 438                    | 179           | 1,302          | 902            |
| Segment result (EBIT) **                                 | 5,184         | 5,178         | 5,954                  | 4,656         | 11,138         | 9,834          |
| Book value of segment assets                             | 41,328        | 43,867        | 51,147                 | 50,162        | 92,475         | 94,029         |
| Investments  | 299           | 174           | 549                    | 154           | 848            | 328            |
| External funding of segments                             | 28,093        | 33,208 **     | 49,376                 | 46,293        | 77,469         | 79,501         |
| Full-time employees as at 31.12.                         | 38            | 39            | 85                     | 84            | 123            | 123            |
| Return on sales  | 7.3%          | 9.5%          | 6.5%                   | 5.9%          | 6.8%           | 7.4%           |
| Net return on assets                                     | 39.2%         | 48.6%         | 336.2%                 | 120.3%        | 74.2%          | 67.7%          |

\* Data include proportional, scheduled depreciation

\*\* Previous year figure adjusted

## Notes to the Consolidated Financial Statements

Internal income relates to services rendered between Group companies in different segments and DEAG as the parent company. Intra-segment services are eliminated within the segment.

The exchange of output between segments and between the segments and the holding company is adjusted in the consolidation column within following reconciliation overview. The consolidation column also includes the services of the DEAG Holding company. Services are charged at standard market rates and correspond in principle to externally sourced prices.

The return on sales is derived from the segment result (EBIT) divided by the segment sales. The return on net assets is derived from the segment result (EBIT) divided by the net assets.

No sales revenues are generated with external customers which amount to at least 10% of the total sales revenues.

### Reconciliation from Segment to Group Data

| In EUR'000  | Total of segments |                | Consolidation (incl. Holding) |               | Group          |                |
|---|-------------------|----------------|-------------------------------|---------------|----------------|----------------|
|   | 2012              | 2011           | 2012                          | 2011          | 2012           | 2011           |
| Revenues  | 163,226           | 133,637        | -7,501                        | -5,337        | 155,725        | 128,300        |
| Other Income  | 3,254             | 2,266          | 731                           | 2,138         | 3,985          | 4,404 *        |
| - thereof internal income   | 9,283             | 5,337          | -9,283                        | -5,337        | -              | -              |
| <b>Total earnings</b>   | <b>166,480</b>    | <b>135,903</b> | <b>-6,770</b>                 | <b>-3,199</b> | <b>159,710</b> | <b>132,704</b> |
| Cost of sales   | 125,841           | 101,403        | -7,646                        | -5,674        | 118,195        | 95,729         |
| Operative expenses  | 28,902            | 23,850         | 4,606                         | 4,868         | 33,508         | 28,718         |
| Segment result (EBIT)   |                   |                |                               |               | 11,138         | 9,834 *        |
| Unallocated expenditure and income (incl. DEAG and consolidation effects) |                   |                |                               |               | -3,900         | -2,394         |
| <b>Operating result (EBIT)</b>  |                   |                |                               |               | <b>7,238</b>   | <b>7,440 *</b> |
| Earnings from associated companies  |                   |                |                               |               | -1,065         | -327           |
| Other financial result  |                   |                |                               |               | -289           | -1,141 *       |
| <b>Result before taxes</b>  |                   |                |                               |               | <b>5,884</b>   | <b>5,972</b>   |
| Taxes on income and earnings  |                   |                |                               |               | -1,096         | -1,535         |
| <b>Group result after taxes</b>   |                   |                |                               |               | <b>4,788</b>   | <b>4,437</b>   |
| thereof attributable to other shareholders                                |                   |                |                               |               | 2,105          | 1,893          |
| <b>thereof attributable to DEAG shareholders (Group Result)</b>           |                   |                |                               |               | <b>2,683</b>   | <b>2,544</b>   |

\* Previous year adjusted

The result of associated companies of kEUR 1 (2011: kEUR -) relates to DEAG.



## Notes to the Consolidated Financial Statements

### Other information

| In EUR'000   | Group         |               |
|--|---------------|---------------|
|  | 2012          | 2011          |
| Book value of segment assets   | 92,475        | 94,029        |
| Real estate held as financial investment property                                  | 9,450         | 8,200         |
| Shares in affiliated companies   | 50            | 138           |
| Unallocated assets incl. consolidation transactions (1)                            | -23,476       | -3,716        |
| <b>Consolidated assets</b>   | <b>78,499</b> | <b>98,651</b> |
| External funding of assets   | 77,469        | 79,501        |
| Unallocated external funding of segments incl. consolidation transactions (1), (2) | -10,015       | -10,860       |
| <b>Consolidated external funds</b>   | <b>67,454</b> | <b>68,641</b> |
| <b>Net assets (incl. shares of other shareholders)</b>                             | <b>11,045</b> | <b>30,010</b> |
| Full-time employees at 31.12.  | 148           | 148           |
| Return on Sales  | 4.6%          | 5.8%          |
| Net return on sales  | 65.5%         | 24.8%         |

(1) concerns DEAG at kEUR 32,208 (previous year: kEUR 28,993) and consolidation transactions (mainly debt consolidation at kEUR -26,655 (previous year: kEUR -23,434) between segments and segments and between segments and DEAG respectively

(2) concerns DEAG at kEUR 12,988 (previous year: kEUR 10,865) and consolidation transactions (mainly debt consolidation) between segments and segments and DEAG as well as accrual of deferred taxes kEUR 1,959 (previous year: kEUR 1,983)

The return on sales is derived from the operating result (EBIT) divided by the income from sales.

The Group's return on net assets is derived from the operating result (EBIT) divided by consolidated net assets (including minority interests).

The breakdown of segment data by regional subdivision is shown below. The Group companies concerned are the AIO Group and The Classical Company AG in Switzerland and Raymond Gubby Ltd. in Great Britain.

## Notes to the Consolidated Financial Statements

| In EUR'000  | Group  |        |
|---|--------|--------|
|   | 2012   | 2011   |
| Live Touring Segment Sales                          | 71,480 | 54,623 |
| thereof:  |        |        |
| Raymond Gubbay Ltd. (UK)                            | 20,799 | 19,351 |
| thereof:  |        |        |
| The Classical Company AG (Switzerland)              | 2,818  | 276    |
| Entertainment Services Segment Sales                | 91,746 | 79,014 |
| thereof:  |        |        |
| AIO-Group (Switzerland)                             | 64,673 | 56,605 |
| Book value of Live Touring Segment Assets           | 41,328 | 43,867 |
| thereof:  |        |        |
| Raymond Gubbay Ltd. (UK)                            | 13,545 | 14,282 |
| thereof:  |        |        |
| The Classical Company AG (Switzerland)              | 712    | 502    |
| Investments of Live Touring Segment                 | 299    | 174    |
| thereof:  |        |        |
| Raymond Gubbay Ltd. (UK)                            | 23     | 34     |
| thereof:  |        |        |
| The Classical Company AG (Switzerland)              | -      | -      |
| Book value of Entertainment Services Segment Assets | 51,147 | 50,162 |
| thereof:  |        |        |
| AIO-Group (Switzerland)                             | 25,613 | 26,564 |
| Investments of Entertainment Services Segment       | 549    | 154    |
| thereof:  |        |        |
| AIO-Group (Switzerland)                             | 97     | -      |

### 7. Liquid Funds

Cash in hand and credit balances at banks are shown as liquid funds.

### 8. Trade Receivables

Trade receivables comprise of the following:

| In EUR'000                              | 31.12.2012   | 31.12.2011   |
|---|--------------|--------------|
| Accounts receivable                     | 10,044       | 7,052        |
| Value adjustment on accounts receivable | -76          | -64          |
| <b>Accounts Receivable</b>              | <b>9,968</b> | <b>6,988</b> |

Provisions changed through inward flow (kEUR -24) and consumption (kEUR 12).

The following non value debased trade receivables were overdue at balance sheet date:

| Amount in EUR'000 | less than 3 months | 3 to 6 months | > 6 months |
|-------------------|--------------------|---------------|------------|
| 31.12.2012        | 122                | 7             | 56         |
| 31.12.2011        | 116                | 71            | 32         |

## Notes to the Consolidated Financial Statements

The gross receivables portfolio (receivables before deduction of valuation allowances) breaks down as follows:

| In EUR'000              | Non overdue and non value-adjusted receivables | Overdue and non value-adjusted receivables | Value-adjusted receivables | Gross value of receivables |
|-------------------------|--|--|----------------------------|----------------------------|
| from Goods and Services |  |  |                            |                            |
| 2012                    | 9,781  | 187  | 76                         | 10,044                     |
| 2011                    | 6,769  | 219  | 64                         | 7,052                      |

### 9. Down payments and Inventories

Down payments concern essentially down payments of fees and individually attributable event costs concerning events after the balance sheet date. kEUR 243 (prior year: kEUR 2,280) are allocated to the non-current assets.

### 10. Inventories

The inventories concern finished products and goods.

### 11. Other Current Assets

The Other current assets consist essentially of the following:

| In EUR'000   | 31.12.2012   | 31.12.2011   |
|--|--------------|--------------|
| Tax authorities claims <sup>(1)</sup>                | 1,347        | 789          |
| Down payments  | 1,550        | 922          |
| Receivables from cooperation contracts               | 254          | 582          |
| Claim on purchase price from disposals of investment | 1,403        | 403          |
| Loans  | 347          | 273          |
| Insurance settlements/Compensation                   | 488          | 360          |
| Value adjustments                                    | -300         | -300         |
| Others   | 941          | 1,098        |
| <b>Other current assets</b>                          | <b>6,030</b> | <b>4,127</b> |

(1) thereof ceded artists withholding tax kEUR 73 (previous year: kEUR 116)

The following non value debased Other Current Assets were overdue at balance sheet date:

| in kEUR    | less than 3 months | 3 to 6 months | >6 months |
|------------|--------------------|---------------|-----------|
| 31.12.2012 | 2                  | 4             | 149       |
| 31.12.2011 | 43                 | 22            | 144       |

The itemized valuation allowances have not changed compared to the previous year.

## Notes to the Consolidated Financial Statements

The gross portfolio of receivables (receivables prior to the deduction of valuation allowances) break down as follows:

| In EUR'000 | Non overdue and non value-adjusted receivables | Overdue and non value-adjusted receivables | Value-adjusted receivables | Gross value of receivables |
|------------|--|--|----------------------------|----------------------------|
| Other      |  |  |                            |                            |
| 2012       | 5,875  | 155  | 300                        | 6,330                      |
| 2011       | 3,918  | 209  | 300                        | 4,427                      |

## 12. Acquisitions

Acquisitions are being recorded in terms of IFRS 3 (Business Combinations) according to the purchase method.

### Subgroup Derinho

|  |  |            |
|--|--|------------|
| Percentage of shares                             |  |            |
| Derinho AG, Zurich (Switzerland)                 |  | 52.0%      |
| Starclick Entertainment AG, Zurich (Switzerland) |  | 52.0%      |
| Percentage of votes                              |  |            |
| Derinho AG, Zurich (Switzerland)                 |  | 40.0%      |
| Starclick Entertainment AG, Zurich (Switzerland) |  | 40.0%      |
| Date of first consolidation                      |  | 01.07.2012 |
| Purchase price (kEUR)                            |  | –          |

### Assets and liabilities acquired

| In EUR'000                                      | Fair value at acquisition date | Adjustment amount | Reconcilable current value at acquisition date |
|---|--------------------------------|-------------------|--|
| <b>Assets</b>                                   |                                |                   |  |
| Goodwill  |                                | 12                | 12   |
| Long-term intangible assets                     |                                | 272               | 272  |
| Fixed assets                                    |                                |                   | -  |
| Liquid funds                                    | 549                            |                   | 549  |
| Short-term assets                               | 334                            |                   | 334  |
|   | <u>883</u>                     | <u>284</u>        | <u>1,167</u>                                   |
| <b>Liabilities</b>                              |                                |                   |  |
| Current liabilities                             | 2,330                          |                   | 2,330  |
| Long-term liabilities                           |                                |                   | -  |
| Deferred Taxes on the liabilities side          |                                |                   | -  |
|   | <u>2,330</u>                   | <u>0</u>          | <u>2,330</u>                                   |
| Net Assets                                      | -1,447                         | 284               | -1,163   |
| Equity attributable to non-controlling interest |                                |                   | -559   |

## Notes to the Consolidated Financial Statements

During the reporting year DEAG acquired control of Derinho AG without the acquisition of additional shares. Based on a shareholder agreement and organizational regulation on the level of the parent company, AIO Group, DEAG has been entitled since June 25, 2012 to appoint and dismiss the managing directors and approve the annual budget also on the level of Derinho AG. Consequently, the control concept in accordance with IAS 27.13 (c) is met. Derinho AG is in turn entitled to 100% of the capital and voting rights in Starclick Entertainment AG. Consequently, a first consolidation was carried out on the basis of the interim financial statements effective June 30, 2012 in accordance with IFRS 3.33.

The shares reported so far in the consolidated financial statements have been transferred with a cash impact to full consolidation. Their fair values serve as an acquisition cost substitute and hence determined the amount of goodwill and the shares of the other shareholders.

On the level of Starclick Entertainment AG and the subgroup Derinho there are losses carried forward for which no deferred tax claims were recognized. Based on the earnings situation at the time of the first consolidation and the related uncertainty concerning the generation of taxable profits, this activation was waived.

Since the date of first consolidation the subgroup Derinho contributed kEUR 4,975 to the sales revenues, kEUR -160 to the EBIT and kEUR -97 to the consolidated result after minorities. kEUR 149 are included as first time consolidation result.

If the first time consolidation period had been identical with the commencement of the reporting period, the consolidated sales revenues would have amounted to kEUR 161,217, the EBIT to kEUR 6,103 and the consolidated result after minorities would have been unchanged at kEUR 2,683.

In the cash flow statement the acquisition of the subgroup Derinho is reflected as a change in the cash and cash equivalents due to the group of consolidated companies by an inflow of liquid assets in the amount of kEUR 549.

### 13. Goodwill and Other Intangible Assets

The values developed in fiscal 2011 and 2012 are as follows:

| Acquisition or production costs<br>In EUR'000 | Goodwill      | Artist and<br>agency<br>relationships | other<br>rights | Soft-<br>ware | other<br>intangible<br>assets |
|---|---------------|---------------------------------------|-----------------|---------------|-------------------------------|
| <b>January 1, 2011</b>                        | <b>18,738</b> | <b>7,432</b>                          | <b>765</b>      | <b>325</b>    | <b>8,522</b>                  |
| Additions                                     | -             | 3                                     | -               | 10            | 13                            |
| Change in scope of consolidation              | 211           | 791                                   | -               | 8             | 799                           |
| Currency adjustments                          | 84            | 163                                   | -               | -             | 163                           |
| <b>December 31, 2011</b>                      | <b>19,033</b> | <b>8,389</b>                          | <b>765</b>      | <b>343</b>    | <b>9,497</b>                  |
| <b>Depreciation in EUR'000</b>                |               |                                       |                 |               |                               |
| <b>January 1, 2011</b>                        | -             | <b>2,088</b>                          | <b>691</b>      | <b>310</b>    | <b>3,089</b>                  |
| Additions                                     | -             | 630                                   | 43              | 15            | 688                           |
| Disposals                                     | -             | -294                                  | -               | -             | -294                          |
| Currency adjustments                          | -             | 55                                    | -               | -             | 55                            |
| <b>December 31, 2011</b>                      | -             | <b>2,479</b>                          | <b>734</b>      | <b>325</b>    | <b>3,538</b>                  |
| <b>Balance sheet values 31.12.11</b>          | <b>19,033</b> | <b>5,910</b>                          | <b>31</b>       | <b>18</b>     | <b>5,959</b>                  |

## Notes to the Consolidated Financial Statements

| Acquisition or production costs<br>In EUR'000 | Goodwill      | Artist and<br>agency<br>relationships<br>Order backlogs | Other<br>rights | Soft-<br>ware | Other<br>intangible<br>assets |
|---|---------------|---|-----------------|---------------|-------------------------------|
| <b>January 1, 2012</b>                        | <b>19,033</b> | <b>8,389</b>  | <b>765</b>      | <b>343</b>    | <b>9,497</b>                  |
| Reclassification                              | -             | -   | 7               | 7             | -                             |
| Additions                                     | -             | -   | 238             | 90            | 328                           |
| Change in scope of consolidation              | 12            | 272   | -               | -             | 272                           |
| Disposals                                     | -             | 271   | -               | -             | 271                           |
| Currency adjustments                          | 80            | 129   | -               | -             | 129                           |
| <b>December 31, 2012</b>                      | <b>19,125</b> | <b>9,061</b>  | <b>996</b>      | <b>440</b>    | <b>10,497</b>                 |
| <b>Depreciation in EUR'000</b>                |               |   |                 |               |                               |
| <b>January 1, 2012</b>                        | <b>-</b>      | <b>2,479</b>  | <b>734</b>      | <b>325</b>    | <b>3,538</b>                  |
| Reclassification                              | -             | -   | 5               | 5             | -                             |
| Additions                                     | -             | 1,036   | 28              | 24            | 1,088                         |
| Disposals                                     | -             | 271   | -               | -             | 271                           |
| Currency adjustments                          | -             | 37  | -               | -             | 37                            |
| <b>December 31, 2012</b>                      | <b>-</b>      | <b>3,823</b>  | <b>757</b>      | <b>354</b>    | <b>4,934</b>                  |
| <b>Balance sheet values 31.12.12</b>          | <b>19,125</b> | <b>5,238</b>  | <b>239</b>      | <b>86</b>     | <b>5,563</b>                  |

### 14. Goodwill

The reported goodwill is attributable as at December 31, 2012 in an amount of kEUR 6,732 to the Live Touring segment and in the amount of kEUR 12,393 to the Entertainment Services segment.

The goodwill in the Live Touring segment concerns in an amount of kEUR 5,264 DEAG Classics AG together with Raymond Gubbay Ltd which due to the joint shareholder structure, a close co-operation and the existing synergy effects constitute a CGU within the segment, in an amount of kEUR 853, KBK Konzert- und Künstleragentur GmbH and in an amount of kEUR 615 the subgroup GOLD Entertainment. In the Entertainment Services sector kEUR 741 are accounted for by the domestic companies of this segment and kEUR 11,652 by the AIO Group. The change in respect of goodwill concerns in an amount of kEUR 12 the subgroup Derinho and results from a change in status. The subgroup Derinho is allocated to the CGU AIO Group. The aforementioned subdivision also applies to the determination of the CGU.

Impairment tests were carried out for the goodwill of each CGU.

In each case, the basis for the impairment test was the utility value of the CGUs, whose calculation was derived from forecast earnings – depending on the CGUs – in a one or two year plan. When determining the utility value a discounted cash flow procedure was applied. The discounted cash flow procedure was based on corporate planning of the relevant CGU's approved by the management as well as assumed growth rates and EBIT margins which were oriented towards the events and experience taken into account in planning. Pre-tax interest rates of 9.2% - 10.0% (2011: 9.0% - 10.0% pre-tax interest rate) were used as discount rates; during the standard year a growth deduction of 1% was applied. Even after a reduction of the discount interest rate by one percentage point, the goodwill would not show any sign of impairment.

## Notes to the Consolidated Financial Statements

### 15. Other Intangible Assets

The other intangible assets reported in the balance sheet have a limited useful life.

The capitalization of the backlog of orders as well as of the artist and agent relations is based on business combinations. The artist and agent relations are amortized on a straight-line basis over a period of 10 to 15 years.

The remaining amortization period for artist and agent relations amounts to between 3 and 10 years.

### 16. Tangible Fixed Assets

The development of tangible fixed assets during fiscal 2011 and 2012 turns out as follows:

| Acquisition or<br>production costs in EUR'000 | Land<br>and<br>Buildings | Technical<br>plant and<br>machinery | Other<br>fixtures<br>and<br>fittings,<br>equipment | Total<br>tangible<br>assets |
|---|--------------------------|-------------------------------------|--|-----------------------------|
| <b>January 1, 2011</b>                        | <b>318</b>               | <b>451</b>                          | <b>3,282</b>                                       | <b>4,058</b>                |
| Additions                                     | 31                       | 14                                  | 366  | 411                         |
| Disposals                                     | -                        | -                                   | -102   | -102                        |
| Change in scope of consolidation              | -                        | -                                   | 43   | 43                          |
| Currency adjustments                          | -                        | 5                                   | 15   | 20                          |
| <b>December 31, 2011</b>                      | <b>349</b>               | <b>470</b>                          | <b>3,611</b>                                       | <b>4,430</b>                |
| <b>Depreciation in EUR'000</b>                |                          |                                     |  |                             |
| <b>January 1, 2011</b>                        | <b>120</b>               | <b>179</b>                          | <b>2,918</b>                                       | <b>3,217</b>                |
| Additions                                     | 18                       | 70                                  | 153  | 241                         |
| Disposals                                     | -                        | -                                   | -40  | -40                         |
| Currency adjustments                          | -                        | 5                                   | 15   | 20                          |
| <b>December 31, 2011</b>                      | <b>138</b>               | <b>254</b>                          | <b>3,046</b>                                       | <b>3,438</b>                |
| <b>Balance sheet values 31.12.11</b>          | <b>211</b>               | <b>216</b>                          | <b>565</b>   | <b>992</b>                  |

| Acquisition or<br>production costs in EUR'000 | Land<br>and<br>Buildings | Technical<br>plant and<br>machinery | Other<br>fixtures<br>and<br>fittings,<br>equipment | Total<br>tangible<br>assets |
|---|--------------------------|-------------------------------------|--|-----------------------------|
| <b>January 1, 2012</b>                        | <b>349</b>               | <b>470</b>                          | <b>3,611</b>                                       | <b>4,430</b>                |
| Reclassification                              | 63                       | -                                   | -63  | -                           |
| Additions                                     | 137                      | 27                                  | 416  | 580                         |
| Disposals                                     | -                        | -82                                 | -96  | -178                        |
| Currency adjustments                          | -                        | 4                                   | 7  | 11                          |
| <b>Dezember 31, 2012</b>                      | <b>549</b>               | <b>419</b>                          | <b>3,875</b>                                       | <b>4,843</b>                |
| <b>Depreciation in EUR'000</b>                |                          |                                     |  |                             |
| <b>January 1, 2012</b>                        | <b>138</b>               | <b>254</b>                          | <b>3,046</b>                                       | <b>3,438</b>                |
| Additions                                     | 22                       | 68                                  | 161  | 251                         |
| Disposals                                     | -                        | -78                                 | -42  | -120                        |
| Currency adjustments                          | -                        | 3                                   | 6  | 9                           |
| <b>December 31, 2012</b>                      | <b>160</b>               | <b>247</b>                          | <b>3,171</b>                                       | <b>3,578</b>                |
| <b>Balance sheet values 31.12.12</b>          | <b>389</b>               | <b>172</b>                          | <b>704</b>   | <b>1,265</b>                |

## **17. Investment Properties**

Already in 2001 DEAG valued the plots of land held as financial investment and not used within the DEAG Group in accordance with the fair value model on the basis of sufficiently objectifiable market prices, and a corresponding write-up was made.

An independent expert report has reached a value indication of EUR 9.45 million for the plots of land around Jahrhunderthalle in Frankfurt am Main including safety margins deducted of grounds of non-secured development capacity. In the consolidated financial statements the value of the expert report was adopted within the framework of the fair value evaluation. The expert report was based on the available land values. The change in value is due to a change in the assessment of the building permit situation versus prior year for part of a plot so that the value discounts were partly reduced versus prior years.

During fiscal 2012 operating expenses which could be directly allocated to the real property in the amount of kEUR 48 (kEUR 34 after deferred taxes) were incurred; no income was generated.

The investment properties were pledged as collateral for liabilities to banks (see Note 28).

## **18. Financial Assets**

The investments include essentially the minority interest in Ticketmaster Deutschland Holding GmbH of kEUR 605, minority interests in Switzerland of kEUR 70, shares in EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen mbH of kEUR 75 as well as a minority share in the subgroup GOLD of kEUR 2.

EIB Entertainment Insurance Brokers GmbH, Seefestspiele Berlin GmbH, until June 30, 2012 Derinho AG and Starclick Entertainment AG as well as Verescon AG are included as associated companies, whereby the latter constitutes an addition in 2012. Furthermore, the shares in the joint venture A.C.T. Artist Agency GmbH have been reported under this item.

Derinho AG and Starclick Entertainment AG have been fully consolidated in the consolidated financial statements since July 1, 2012.

The updated book value of the investment in EIB Entertainment Insurance Brokers GmbH amounts to kEUR 21 (2011: kEUR 18), in Seefestspiele Berlin GmbH kEUR 0 (2011: kEUR 0), in Derinho AG kEUR 0 (2011: kEUR 0), in Starclick Entertainment kEUR 0 (2011: kEUR 0), in A.C.T. Artist Agency GmbH kEUR 19 (2011: kEUR 120) and in Verescon AG kEUR 10 (2011: kEUR -).

The loans to associated companies concern a long-term loan.



## Notes to the Consolidated Financial Statements

The aggregate ratios of the associated companies and the joint venture included in the consolidated financial statements according to the equity method are represented below. The values correspond to the shares attributable to the DEAG Group.

| In EUR'000                       | Associated Companies |             | Joint Ventures |             | Total       |             |
|----------------------------------|----------------------|-------------|----------------|-------------|-------------|-------------|
|                                  | 2012                 | 2011        | 2012           | 2011        | 2012        | 2011        |
| Current Assets                   | 92                   | 576         | 49             | 28          | 141         | 637         |
| Long-term Assets                 | 93                   | 60          | -              | -           | 93          | 60          |
| <b>Total Assets</b>              | <b>185</b>           | <b>636</b>  | <b>49</b>      | <b>28</b>   | <b>234</b>  | <b>697</b>  |
| Current Liabilities              | 78                   | 794         | 159            | 81          | 237         | 877         |
| Long-Term Liabilities            | 251                  | -           | -              | -           | 251         | -           |
| <b>Total Liabilities</b>         | <b>329</b>           | <b>794</b>  | <b>159</b>     | <b>81</b>   | <b>488</b>  | <b>877</b>  |
| <b>Profit and Loss Statement</b> |                      |             |                |             |             |             |
| Sales                            | 3,220                | 1,137       | 157            | 120         | 160         | 1,263       |
| Expenses                         | 3,933                | 1,360       | 215            | 184         | 219         | 1,580       |
| <b>Annual Result</b>             | <b>- 713</b>         | <b>-223</b> | <b>- 58</b>    | <b>- 64</b> | <b>- 59</b> | <b>-317</b> |

### 19. Other Long-Term Receivables

The other non-current receivables have a maturity of more than one year.

The receivables include essentially receivables in the amount of kEUR 347 from co-operation agreements (2011: kEUR 464), kEUR 298 of commission claims (2011: kEUR 319) as well as down payments in the amount of kEUR 8 (2011: kEUR 157).

During the previous year receivables in the amount of kEUR 750 were reported under this item in connection with the sale of an investment.

### 20. Deferred Assets

The deferred tax assets concern in the amount of EUR 2.5 million (2011: EUR 2.0 million) mainly deferred taxes on losses carried forward offset again against deferred tax liabilities of EUR 2.0 million (same tax authority).

### 21. Liabilities to Banks

Liabilities to banks include investment loans as well as the avilment of working capital lines.

### 22. Trade Accounts Payable

The liabilities are all due within one year. There is no collateralization.

## Notes to the Consolidated Financial Statements

### 23. Accruals

This item has developed as shown below:

| In EUR'000                 | Changes in scope of consolidation |           |              |            |              | Currency dif-ference | As at 31.12.12 |
|----------------------------|-----------------------------------|-----------|--------------|------------|--------------|----------------------|----------------|
|                            | As at 01.01.12                    | (1)       | Use          | Dis-posal  | Addition     |                      |                |
| Outstanding invoices       | 4,111                             | 85        | 4,040        | 172        | 6,236        | 52                   | 6,272          |
| Personnel obligations      | 1,318                             | 6         | 1,060        | 15         | 1,470        | 2                    | 1,721          |
| Consulting and audit costs | 406                               | -         | 391          | 6          | 341          | 1                    | 351            |
| Other accruals             | 382                               | -         | 718          | 184        | 657          | 5                    | 888            |
| <b>TOTAL</b>               | <b>6,963</b>                      | <b>91</b> | <b>6,209</b> | <b>377</b> | <b>8,704</b> | <b>60</b>            | <b>9,232</b>   |

(1) reports the additions of the sub-group Derinho (as of 01.07.2012).

| In EUR'000                 | Changes in scope of consolidation |            |              |            |              | Currency dif-ference | As at 31.12.11 |
|----------------------------|-----------------------------------|------------|--------------|------------|--------------|----------------------|----------------|
|                            | As at 01.01.11                    | (2)        | Use          | Dis-posal  | Addition     |                      |                |
| Outstanding invoices       | 4,162                             | 37         | 3,930        | 237        | 3,986        | 93                   | 4,111          |
| Personnel obligations      | 1,666                             | 58         | 1,249        | 4          | 829          | 18                   | 1,318          |
| Consulting and audit costs | 322                               | 18         | 328          | -          | 391          | 3                    | 406            |
| Other accruals             | 382                               | 3          | 105          | 5          | 853          | -                    | 1,128          |
| <b>TOTAL</b>               | <b>6,532</b>                      | <b>116</b> | <b>5,612</b> | <b>246</b> | <b>6,059</b> | <b>114</b>           | <b>6,963</b>   |

(2) reports the acquisition of sub-group GOLD Entertainment (as of 01.04.2011).

The liabilities – except for kEUR 939 (2010: kEUR 490) for personnel liabilities – are, as a matter of principle, due within one year.

### 24. Sales Accruals and Deferrals

This item includes customers' takings for concert and theatre tickets as well as guarantee payments for events after the balance sheet date. Payments received enter revenues on the date of each event.

### 25. Current Income Tax Liabilities

Tax provisions are recorded under Current Income Tax Liabilities. During 2012 and 2011 respectively this item has developed as follows:

| In EUR'000             | As at 01.01.12 | Use          | Disposal   | Addition   | Currency difference | As at 31.12.12 |
|------------------------|----------------|--------------|------------|------------|---------------------|----------------|
| Taxes reporting period | -              | -            | -          | 937        | -                   | 937            |
| Taxes previous years   | 2,659          | 2,350        | 233        | -          | 4                   | 80             |
| <b>Total</b>           | <b>2,659</b>   | <b>2,350</b> | <b>233</b> | <b>937</b> | <b>4</b>            | <b>1,017</b>   |

| In EUR'000             | As at 01.01.11 | Use          | Disposal  | Addition     | Currency difference | As at 31.12.11 |
|------------------------|----------------|--------------|-----------|--------------|---------------------|----------------|
| Taxes reporting period | -              | -            | -         | 1,332        | -                   | 1,332          |
| Taxes previous years   | 2,322          | 1,007        | 11        | -            | 23                  | 1,327          |
| <b>total</b>           | <b>2,322</b>   | <b>1,007</b> | <b>11</b> | <b>1,332</b> | <b>23</b>           | <b>2,659</b>   |

## 26. Other Current Liabilities

Other current liabilities are as follows:

| <b>In EUR'000</b>                   | <b>31.12.2012</b> | <b>31.12.2011</b> |
|-------------------------------------|-------------------|-------------------|
| Tax liabilities                     | 2,174             | 2,047             |
| Finance Liabilities                 | 1,108             | 4,129             |
| Social security liabilities         | 214               | 64                |
| Accruals and deferrals              | 56                | 16                |
| Other                               | 1,322             | 804               |
| <b>Other short-term liabilities</b> | <b>4,874</b>      | <b>7,060</b>      |

Tax liabilities include liabilities for artist withholding tax which contrast with receivables under assigned claims in the amount of kEUR 73 (see Note 11).

The loan shown matures on April 30, 2013.

## 27. Other Long Term Liabilities

Other long-term liabilities are broken down as follows:

| <b>in EUR'000</b>                  | <b>31.12.2012</b> | <b>31.12.2011</b> |
|------------------------------------|-------------------|-------------------|
| Other financial liabilities        | 628               | 599               |
| Loans                              | -                 | 1,075             |
| Accruals and deferrals             | 1                 | 8                 |
| <b>Other long-term liabilities</b> | <b>629</b>        | <b>1,682</b>      |

## 28. Collateralization

For the collateralization of a working capital line a registered land charge in respect of the Jahrhunderthalle Arena in Frankfurt/Main of Concert Concept Veranstaltungs-GmbH has been registered in the amount of kEUR 3,000. Furthermore, the affiliated companies Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Global Concerts GmbH, Concert Concept Veranstaltungs-GmbH and River Concerts GmbH are jointly and severally liable. On the balance sheet date the credit liability had a value of kEUR 2,016.

For the collateralization of an investment loan (December 31, 2012: kEUR 3,600) a not yet due partial purchasing price payment of kEUR 4,000 concerning a property sale and purchase agreement in respect of a commercial plot adjoining Jahrhunderthalle Frankfurt was assigned and land charges over kEUR 8,000 plus interest and ancillary payments were registered.

For the collateralization of liabilities to banks (December 31, 2012: kEUR 500) in connection with acquisition financing, the corresponding shares were pledged to the financing bank.

During the previous year the collateralization of liabilities to banks (kEUR 271) concerned a tour pre-financing and the receivables from guarantees existing on December 31, 2011 were assigned to the financing bank.

## **29. Equity**

The Company's capital stock continues to amount to EUR 12,388,983.00, divided into 12,388,983 ordinary registered shares in the form of no-par-value individual share certificates each with a book share of EUR 1.00 in capital stock.

The share capital of the company is paid in full.

The capital reserve contains the additional funds raised from DEAG's share issue less the capital increase from company funds to adjust subscribed capital following the change-over to the Euro.

The balance sheet loss includes past results of companies included in the consolidated financial statements and consolidated net earnings for the current financial year.

Earnings per share are calculated by dividing group profit by the weighted number of shares outstanding.

Diluted and undiluted earnings per share are calculated according to IAS 33 on the basis of 12,388,368 shares (12,388,983 shares issued less 615 treasury shares). The weighted average of shares for 2012 amounted to 12,388,368. The Group Result used as a basis amounts to EUR 2,682,540.76.

### **Conditional Capital**

The nominal capital of the company was contingently increased in accordance with a resolution adopted by the General Meeting on July 8, 2009 by an amount of EUR 3,000,000.00 (Contingent Capital 2009/I).

A contingent capital increase can only be carried out to the extent that the holders of option and conversion rights, which are added by virtue of the empowerment of the Executive Board of July 8, 2009 to the convertible bonds and/or bonds with warrants issued by the company until July 7, 2014, exercise their conversion or option right or holders which are obliged to convert the convertible bonds to be issued by the company by virtue of the resolution of empowerment of the General Meeting of July 8, 2009 until July 7, 2014, meet their obligation to convert. The new shares participate in the profit from the beginning of the fiscal year during which they originate from the exercise of conversion and option rights or from the fulfillment of the obligation to convert.

No use was made of this empowerment after the reporting date.

The resolution about the contingent capital (2009/I) was entered in the Commercial Register on July 15, 2009.

### **Authorized Capital 2011/I**

The Ordinary General Meeting has created new authorized capital on June 28, 2011 and cancelled the previously unused authorized capital. The Executive Board has been empowered to increase, with the approval of the Supervisory Board, the subscribed capital by June 27, 2016 by a total of EUR 6,194,491.00 (Authorized Capital 2011/I).

The resolution concerning the Authorized Capital (2011/I) was entered in the commercial register on July 22, 2011.

### **Purchase of Treasury Shares (§ 71 para 1 no. 8 AktG – German Stock Corporation Act)**

As resolved by the General Meeting of Shareholders on July 7, 2010, DEAG is in accordance with § 71 para 1 no. 8 AktG authorized until July 6, 2015 to purchase upon approval by the Supervisory Board up to 10% of the share capital existing on the date of resolution. The decision is taken by the Executive Board. Such purchase may only be made via the stock exchange or by a public purchase offer addressed to shareholders. As of December 31, 2012 the company held 615 treasury shares.

## Notes to the Consolidated Financial Statements

### Accumulated other income

The accumulated other income developed in 2012 and 2011 respectively as follows:

|   | As at<br>01.01.2012<br>in EUR'000 | Variance in<br>Reporting Year<br>in EUR'000 | As at<br>31.12.2012<br>in EUR'000 |
|---|-----------------------------------|---|-----------------------------------|
| Balancing item IAS 19.93A                       | 45                                | -177  | -132                              |
| Balancing item for foreign currency translation | 114                               | -45   | 69                                |
| Accumulated other income                        | 159                               | -222  | -63                               |

|   | As at<br>01.01.2011<br>in EUR'000 | Variance in<br>Reporting Year<br>in EUR'000 | As at<br>31.12.2011<br>in EUR'000 |
|---|-----------------------------------|---|-----------------------------------|
| Balancing item IAS 19.93A                       | -15                               | 60  | 45                                |
| Balancing item for foreign currency translation | 128                               | -14   | 114                               |
| Accumulated other income                        | 113                               | 46  | 159                               |

### Shares of other shareholder

Shares in the paid up and generated equity which are held neither directly nor indirectly by DEAG, are reported as non-controlling interest. They are disclosed within equity in accordance with IAS 27.27.

### Dividend Payment

The Executive Board of DEAG will propose the payment of a dividend in the amount of EUR 991,069.44 for fiscal 2012. This corresponds to a payment of EUR 0.08 per share. This dividend includes capital income tax plus solidarity surcharge in the amount of 26.375%.

## 30. Information on Relationships with Related Parties

According to IAS 24, the Executive Board of DEAG Deutsche Entertainment AG, its shareholders and the Supervisory Board as well as relatives and companies controlled by them come into consideration as related parties (related persons and companies).

All business relations with persons and companies presented below were based on standard market terms.

During the reporting year legal relationships existed with Professor Peter L. H. Schwenkow within the framework of his employment contract (reimbursement of travel and entertainment expenses and other out of pocket expenses).

Other related parties within the meaning of IAS 24.18 (g) included during the reporting period:

- ♦ Two family members of Prof. Peter L. H. Schwenkow, who work as employees for companies of the DEAG Group,
- ♦ A family member of Prof. Peter L. H. Schwenkow, who acts as Managing Director of one of the consolidated subsidiaries,

A total of kEUR 189 (2011: kEUR 182) was paid to these persons and companies in the reporting year. The compensation agreements comply with those usually agreed upon for appropriate tasks within the Group. This applies to the level of the respective compensation and the provision.

## Notes to the Consolidated Financial Statements

Annual emoluments received in 2012 by the members of the Executive Board totaled kEUR 1,176 (2011: kEUR 1,239) and break down as follows:

| <b>Board Member</b>       | <b>Fixed Compensation</b> | <b>Variable Compensation</b> | <b>Other Benefits</b> | <b>Total Emoluments</b> |
|---------------------------|---------------------------|------------------------------|-----------------------|-------------------------|
| Prof Peter L.H. Schwenkow | 400                       | 341                          | 36                    | 777                     |
| Christian Diekmann        | 250                       | 106                          | 43                    | 399                     |
| <b>Total</b>              | <b>650</b>                | <b>447</b>                   | <b>79</b>             | <b>1,176</b>            |

(Figures in EUR'000)

The other compensation of the members of the Executive Board includes remuneration for their activity (kEUR 12, 2011: kEUR 16) on the Board of Directors of a consolidated subsidiary.

The variable compensation is included in other accruals; the other compensations were paid out during the reporting year.

The Executive Board contract of the CFO was partly amended during the reporting year and extended until August 1, 2015.

The members of the Executive Board are subject to a comprehensive post-contractual prohibition of competition for 24 months after the end of the underlying employment relationship. DEAG pays compensation in this respect which is related to the remuneration.

In the event of disease and/or temporary occupational disability of the CEO the company undertakes to pay the fixed compensations for no longer than until the end of the employment contract.

In the event of disease and/or temporary occupational disability of the CFO the company undertakes to pay the fixed compensations for a period of six months as well as 50% of the fixed compensations for another six months, but no longer than until the end of the employment contract.

In the event of death in active service, the surviving dependents of the CEO will be paid for six months and the surviving dependents of the CFO will be paid for three months 100% of the fixed compensation and part of the variable remuneration earned up to that point in time.

Both in the event of a premature termination of contract by mutual consent and/or resignation of the Executive Board mandate at the request of DEAG and in case of a change of control event, DEAG pays severance pay to the members of the Executive Board. The corresponding agreements are in compliance with the recommendation of the German Corporate Governance Code (DCGK) as amended on May 15, 2012.

### Members of the Supervisory Board

Members of the Supervisory Board are remunerated in line with the articles of incorporation. In the year under review, remuneration totaled kEUR 93 (2011: kEUR 87). The Company also reimbursed travel costs of kEUR 2 incurred in connection with Supervisory Board meetings (2011: kEUR 1).

### 31. Sales Revenues

The segment account shows the breakdown of revenues by lines of business and geographical markets.

### 32. Cost of Sales

The cost of materials, purchased services, especially fees, personnel expenses, event-related hire and rental charges and other material costs (including pro-rata scheduled depreciation and amortization) incurred to achieve sales revenue are booked as cost of sales.

### **33. Distribution Costs**

Distribution costs include personnel expenses, advertising and travel costs, cost of premises and other distribution-related material costs.

### **34. Administrative Expenses**

Administrative expenses include personnel expenses, legal and consulting costs, cost of premises and other administration-related material costs (including pro-rata scheduled depreciation and amortization).

### **35. Other Operating Income**

The other operating income is the result of the disposal of shares, income from commission, a first-time consolidation gain, earnings from the change in fair values of the real property held as financial investment, earnings from letting and leasing, earnings from the reversal of accruals and other income not resulting from the core business of the DEAG Group. The result from currency translation differences with a cash impact amounts to kEUR 209 (2011: kEUR 269).

### **36. Other Operating Expenses**

The other operating expenses include valuation allowances / risk provisioning in the amount of kEUR 41 (2011: kEUR 241) as well as other taxes in the amount of kEUR 161 (2011: kEUR 99).

### **37. Interest Income/expense**

This item breaks down as follows:

| <b>In EUR'000</b>                  | <b>2012</b> | <b>2011</b>   |
|------------------------------------|-------------|---------------|
| Other interest and similar income  | 222         | 118           |
| Interest and similar expenditure   | -512        | -1,242        |
| <b>Interest income and expense</b> | <b>-290</b> | <b>-1,124</b> |

Interest expenses include non-cash-based interest expenses in the amount of kEUR 40 (2011: kEUR 244).

### **38. Income from Investments**

In the previous year the income from investments concerned in an amount of kEUR -3 a valuation allowance in respect of an investment.

### **39. Income Taxes**

Actual tax liabilities for the current financial year and previous years are calculated on the basis of the amounts expected to be payable to the tax authorities. Deferred tax claims and tax liabilities are calculated on the basis of the rates that were valid on the balance sheet date.

*Notes to the Consolidated Financial Statements*

| In EUR'000                       | 2012          | 2011          |
|----------------------------------|---------------|---------------|
| Tax expenditure:                 |               |               |
| Reporting period                 | -1,853        | -1,757        |
| Previous years                   | -43           | -98           |
| Tax refund previous years        | 344           | 43            |
| Deferred tax revenue/expenditure |               |               |
| Defferered taxes                 | 469           | -             |
| Accrual of temporary differences | -81           | 133           |
| Changing tax rate                | 68            | 144           |
| <b>Tax expenditure:</b>          | <b>-1,096</b> | <b>-1,535</b> |

Income tax includes all income tax paid or payable in the respective countries and all deferred taxes. Income tax includes corporate income tax, trade tax on earnings, solidarity surcharge and the corresponding foreign taxes.

Deferred taxes are formed in order to record all substantial temporary variances between the individual financial statement and the tax balance sheet and temporary variances due to consolidation adjustments. Deferred tax claims are applied as far as they can be settled against deferred taxes on the liabilities side.

Deferred taxes are calculated on the basis of the respectively applicable national income tax rates. For domestic companies a corporation tax rate of 15.0% as well as an effective local trade tax rate of 15.0% were applied as at December 31, 2012. Taking into account the solidarity surcharge and the trade income tax, the calculation of the deferred taxes for the domestic companies is based on a tax rate of 30.0%. Income tax rate in Switzerland is approximately 20.0% and approximately 24.0% in Great Britain.

Tax expenses resulting from application of the DEAG tax rate can be translated into actual tax expenses as follows:

| In EUR'000   | 2012        | 2011        |
|--|-------------|-------------|
| Result before taxes on income and shares of other shareholder  | 5,884       | 5,972       |
| Tax expenditure (-)/ income (+) at the DEAG Holding's tax rate | -1,765      | -1,792      |
| Tax expenditure as per profit and loss statement               | -1,096      | -1,535      |
| <b>Carryover figure</b>  | <b>-669</b> | <b>-257</b> |

| In EUR'000   | 2012        | 2011        |
|--|-------------|-------------|
| Changing tax rate  | -68         | -144        |
| Taxes previous years   | -301        | 55          |
| Tax-free earnings and non-deductible expenses                  | 263         | -105        |
| Different tax rates  | -196        | -195        |
| Write-up (+) / Release (-) of value adjustment of tax accruals | -371        | 132         |
| Others   | 4           | -           |
|  | <b>-669</b> | <b>-257</b> |



## Notes to the Consolidated Financial Statements

Deferred tax assets are made up as follows:

| In EUR'000   | 2012         | 2011         | Variations<br>with effect on<br>results |
|--|--------------|--------------|---|
| Tax accruals on losses carried forward                                   | 2,418        | 1,949        | 469                                     |
| Other temporary variances  | 118          | 12           | 20                                      |
| <b>Deferred tax assets</b>   | <b>2,536</b> | <b>1,961</b> | <b>489</b>                              |
| Deferred tax assets that can be set off against deferred tax liabilities | -2,047       | -1,961       |   |
| <b>Deferred tax assets (net)</b>   | <b>489</b>   | <b>-</b>     |   |

The deferred tax assets in respect of losses carried forward were recognized in the amount of kEUR 2,418. The tax claims were shown as a balance in the amount provided that there is an offsetting possibility with the same tax authority.

As at December 31, 2012 the tax losses carried forward of DEAG amounted to EUR 43.7 million in terms of corporation tax and EUR 28.7 million in terms of local trade tax taking into account the findings of tax audits against which appeals have partly been lodged.

Due to the usage of previously unrecognized fiscal losses the current tax expenditure was lowered by kEUR 290.

Deferred tax assets and liabilities are made up as follows:

| In EUR'000  | 2012         | 2011         | Variations<br>with effect on<br>results |
|---|--------------|--------------|---|
| Deferred income from the value write-up on the Jahrhunderthalle Frankfurt am Main | 2,642        | 2,281        | -361                                    |
| Deferred income on intangible assets  | 1,359        | 1,622        | 295                                     |
| Other temporary variances   | 5            | 41           | 33                                      |
| <b>Deferred taxes on the liabilities side</b>                                     | <b>4,006</b> | <b>3,944</b> | <b>-33</b>                              |
| To be settled against deferred tax assets   | -2,047       | -1,961       |   |
| <b>Balance Shown</b>  | <b>1,959</b> | <b>1,983</b> |   |

## 40. Personnel Expenses

### Personnel expenses

| In EUR'000                      | 2012          | 2011          |
|---------------------------------|---------------|---------------|
| Salaries and wages              | 12,942        | 11,403        |
| Social security contribution    | 1,758         | 1,620         |
| <b>Total personnel expenses</b> | <b>14,700</b> | <b>13,023</b> |

## 41. Lease expenditure

Lease expenditure from renting offices and venues as part of operating leases amounted to kEUR 3,538 during fiscal 2012 (2011: kEUR 2,419).

## **42. Cash Flow statement**

The financial resources fund exclusively concerns liquid assets. Within the framework of changes to the scope of consolidation the following changes resulted in respect to the financial resources fund and the other assets and liabilities.

| - In EUR'000 -                 | Additions |
|--------------------------------|-----------|
| Cash inflow                    | 549       |
| Additions of fixed assets      | 284       |
| Additions of other assets      | 334       |
| Additions of other liabilities | 2,330     |

Financial assets in the amount of kEUR 2,734 (2011: kEUR 2,721) are not available for free disposal. These financial assets which are not available for free disposal were subtracted from the cash and cash equivalents during fiscal 2012. The prior year numbers were adjusted accordingly.

Income tax was paid in the amount of kEUR 3,292 (2011: kEUR 1,882) which was classified as cash flow from ordinary business activities.

## **43. Information on Obligations under Retirement Benefit Plans (IAS 19)**

Under defined contribution plans in Germany, the Group contributes by virtue of statutory provisions to state pension insurance schemes. During the fiscal year the employer contribution to the pension insurance amounted to 9.95%. The ongoing payments of contributions are disclosed as social contributions in personnel expenses and amount to kEUR 393 (2011: kEUR 374).

For the employees of Raymond Gubbay Ltd. retirement benefits are granted under the statutory defined contribution plan. Moreover, the Directors of the company are insured through individual defined contribution pension insurance policies. During the reporting period the company has paid pension insurance contributions in the amount of kEUR 143 (2011: kEUR 84).

The companies of the DEAG Group which are resident in Switzerland have joined a collective foundation for compliance with their retirement benefit obligations under the Swiss Federal Act on Professional Retirement, Surviving Dependents and Disabled Provision Schemes (BVG). Apart from the payment of ongoing contributions to this pension scheme, they are also obliged to compensate any under-coverage of this pension scheme if necessary (see Article 65d BVG). For this reason this retirement benefit scheme has to be classified as a defined multi-employer benefit plan within the meaning of IAS 19.29.

An independent expert has calculated the obligations in terms of retirement benefits effective December 31, 2012. The corresponding values were taken over into the consolidated financial statements.

*Notes to the Consolidated Financial Statements*

For detailed figures in accordance with IAS 19.120A see the following table:

|     |  | In EUR'000             |              |
|-----|--|------------------------|--------------|
|     |  | 31.12.2012             | 31.12.2011   |
| (a) | Accounting policy for recognising gains and losses               | Recognised in the OCI  |              |
| (b) | General description of the type of plan                          | Savings/Risk Insurance |              |
| (c) | <b>Changes in the defined benefit obligation</b>                 |                        |              |
|     | <b>Benefit obligation beginning of year</b>                      | <b>1,677</b>           | <b>1,479</b> |
|     | Current service costs  | 124                    | 118          |
|     | Interest expenditure   | 52                     | 34           |
|     | Contributions by plan participants                               | 100                    | 84           |
|     | Actuarial (gains)/losses   | 376                    | -25          |
|     | Foreign currency exchange rate changes                           | 8                      | 44           |
|     | Benefits paid  | 1,196                  | -57          |
|     | <b>Benefit obligation end of year</b>                            | <b>3,533</b>           | <b>1,677</b> |
| (d) | <b>Changes in assets</b>   |                        |              |
|     | <b>Fair value of the assets beginning of the year</b>            | <b>1,406</b>           | <b>1,076</b> |
|     | Expected return on plan assets                                   | 43                     | 23           |
|     | Actuarial (gains)/losses   | -50                    | 120          |
|     | Foreign currency exchange rate changes                           | 7                      | 34           |
|     | Contributions by the employer                                    | 149                    | 126          |
|     | Contributions by plan participants                               | 100                    | 84           |
|     | Benefits paid  | 1,196                  | -57          |
|     | <b>Fair value of the assets end of the year</b>                  | <b>2,851</b>           | <b>330</b>   |
| (e) | <b>Amounts recognised in the balance sheet</b>                   |                        |              |
|     | Present value of the obligation that is funded                   | 3,533                  | 1,677        |
|     | Fair value if the assets   | 2,851                  | 1,406        |
|     | Surplus/deficit  | 681                    | 271          |
|     | <b>Net obligation (credit)</b>                                   | <b>681</b>             | <b>271</b>   |
|     | <b>Reconciliation balance sheet</b>                              |                        |              |
|     | <b>Net liabilities (net assets) at the beginning of the year</b> | <b>271</b>             | <b>404</b>   |
|     | Recognised net losses (net gains)                                | 133                    | 129          |
|     | Pension costs included in the OCI                                | 426                    | -145         |
|     | Contributions by the employer                                    | -149                   | -126         |
|     | Foreign currency exchange rate changes                           | 0                      | 9            |
|     | <b>Net liabilities (net assets) at the end of the year</b>       | <b>681</b>             | <b>271</b>   |

*Notes to the Consolidated Financial Statements*

|     |   |            |            |
|-----|---|------------|------------|
| (f) | <b>Total expense recognised in P&amp;L</b>                            |            |            |
|     | Current service cost  | 124        | 118        |
|     | Interest expenditure  | 52         | 33         |
|     | Expected return on plan assets  | -43        | -23        |
|     | <b>Pension costs recognised in P&amp;L</b>                            | <b>133</b> | <b>128</b> |
| (g) | <b>Amounts recognised in the other comprehensive income (OCI)</b>     |            |            |
|     | Actuarial (gains)/losses  | 426        | -145       |
| (h) | Cumulative gains and losses recognised in the OCI                     | 300        | -123       |
| (i) | Basis for the determination of the expected return on assets          |            |            |
| (j) | Actual return on plan assets  | -7         | 144        |
| (k) | <b>Actuarial assumptions</b>  |            |            |
|     | Discount rates  | 1.75%      | 2.25%      |
|     | Expected return on plan assets  | 1.75%      | 2.00%      |
|     | Expected return on reimbursement rights                               | n/a        | n/a        |
|     | Expected rates of salary increases                                    | 1.00%      | 1.00%      |
|     | Expected pension development  | 0.00%      | 0.00%      |
|     | Fluctuation rate  | BVG 2010   | BVG 2010   |
| (l) | Present value of the benefit obligation                               |            |            |
|     |   | 2012       | 3,533      |
|     |   | 2011       | 1,677      |
|     |   | 2010       | 1,479      |
|     |   | 2009       | 1,204      |
|     | Fair value of the assets at year end                                  |            |            |
|     |   | 2012       | 2,851      |
|     |   | 2011       | 1,406      |
|     |   | 2010       | 1,076      |
|     |   | 2009       | 843        |
|     | Surplus/deficit   |            |            |
|     |   | 2012       | -681       |
|     |   | 2011       | -271       |
|     |   | 2010       | -403       |
|     |   | 2009       | -361       |
|     | Experience adjustments arising on:                                    |            |            |
|     | Liabilities   | 205        | -25        |
|     | Assets  | -139       | 120        |
| (m) | Estimate of contributions by the employer during the following period | 233        | 132        |

#### 44. Average Number of Employees During the Year

| <b>Head count</b>                     | <b>2012</b> | <b>2011</b> |
|---------------------------------------|-------------|-------------|
| Live Touring                          | 49          | 40          |
| Entertainment Services                | 131         | 135         |
| DEAG Holding                          | 26          | 23          |
| <b>Total for continued operations</b> | <b>206</b>  | <b>198</b>  |

On 31.12.2012 the Group employed 214 (2011: 228) employees.

#### 45. Off Balance Sheet Contingencies

On the balance sheet date the following contingencies relating to other securities and guarantees provided for third parties exist in the amount of kEUR 1,462 (2011: kEUR 181).

This includes in an amount of kEUR 1,325 a guarantee of a subsidiary included in the consolidated financial statements. It had granted a loan of kEUR 1,325 to a co-operation partner. The loan was completely repaid during the reporting year from advance payment funds for a concert to be staged in 2013. If this concert does unexpectedly not take place, the co-operation partner is obliged to pay back the advance booking funds. The subsidiary has issued a guarantee which stipulates that the co-operation partner will be provided with the corresponding liquid funds in this case.

Furthermore, it includes an amount of kEUR 137 in respect of which DEAG has taken over liability in connection with the letter of comfort vis a vis a joint venture.

In connection with pending legal remedy proceedings, there are contingent liabilities within the meaning of IAS 37 in the amount of kEUR 145 in respect of which DEAG anticipates the possibility of occurrence of less than 50% and, therefore, has not made any provisions. In addition, further payment obligations could result from tax audits whose amount can currently not be estimated.

#### 46. Other Financial Commitments

In addition to the accruals and liabilities in the balance sheet and the contingencies, the following financial commitments exist:

| <b>In EUR'000</b> | <b>Artist Guarantees</b> | <b>Rent and Leasing</b> | <b>Other</b> | <b>Total</b>  |
|-------------------|--------------------------|-------------------------|--------------|---------------|
| 2013              | 11,563                   | 2,265                   | 744          | 14,572        |
| 2014-2017         | 8,193                    | 1,646                   | 159          | 9,998         |
| <b>Total</b>      | <b>19,756</b>            | <b>3,911</b>            | <b>903</b>   | <b>24,570</b> |

Other financial commitments mainly concern contractual consulting services in the amount of kEUR 664 for fiscal 2013.

#### **47. Audit fees**

The auditor's fees, which are reported as expenses, are made up as follows in fiscal 2012:

| <u>In EUR'000</u>             | <u>2012</u> |
|-------------------------------|-------------|
| Audit costs                   | 197         |
| Other audit services rendered | 4           |
| Other services rendered       | 10          |
|                               | <u>211</u>  |

kEUR 60 of the audit fees and kEUR 9 of other services rendered are charged to DEAG.

#### **48. Declaration of Conformity in accordance with § 161 AktG**

Declaration on the Corporate Governance Code

The Executive Board and the Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft have issued a statement of conformity with the recommendations of the Government Commission for a German Corporate Governance Code in accordance with § 285 no. 16 HGB in conjunction with § 161 AktG on December 12, 2012 and made it permanently accessible to shareholders on the Internet.

The full declaration is posted on the company website ([www.deag.de/ir](http://www.deag.de/ir)).

#### **49. Legal Disputes**

Various DEAG Group companies are involved in legal or out-of-court disputes. Provisions were made to cover risks.

In an action filed in connection with a contribution in kind, DEAG has been sued for cash compensation. The action was initially set aside for lack of substantiation. Following an appeal lodged by the plaintiff, the legal proceedings were referred back to the competent court. After new proceedings, the action was partly admitted. DEAG has lodged an appeal against this judgment.

Given the considerable shortcomings of the first instance proceedings, the Executive Board and the legal counsels continue to assume that the appeal will be successful and the action will be fully set aside.

In the improbable case of defeat, there will be a right of recourse against the third-party defendant. A provision was, therefore, not set up. The expenses incurred are reported as current expenses.

A date for oral proceedings initially fixed for January 2013 has been postponed by the competent court to May 2013.

#### **50. Capital Control**

In addition to the provisions under the German Stock Corporation Act, DEAG is not subject to any more extensive obligations for the purpose of capital conservation under byelaws or contracts. The financial ratios which are used for internal controlling of the company, are performance-based and are to serve for the appreciation of the shareholder assets while preserving at the same time balanced liquidity.

In the project business the gross margin and the break-even ticket number are used as the most important control parameters. For the overall corporate control EBIT, net income for the year and the corresponding profit to sales ratios constitute the decisive parameters. In the event of acquisitions of companies the duration of amortization of the purchase price is an important decision criterion in addition to the corporate parameters. The Group manages its capital with the objective of ensuring that all affiliated companies can operate their business as a going concern and that at the same time the earnings of the

## *Notes to the Consolidated Financial Statements*

shareholders are maximized through an optimization of the ratio of equity to debt capital. The overall strategy has remained unchanged versus 2011. Compliance with the covenant criteria in connection with a now current loan is monitored on an ongoing basis.

### **51. Additional information on Financial Instruments and Risk Management**

The DEAG Group is due to its international business as well as the investment and financing activities regarding its assets, liabilities as well as the operative business subject to interest, currency, credit rating and cash flow risks.

#### **- Interest risks**

On the assets and liabilities side the Group is subject to interest rate fluctuations. Whilst on the assets side in particular income from short-term investments is exposed to an interest rate risk, the liabilities side is affected essentially by interest expenses concerning current and non-current financial liabilities. A risk reduction results from the fact that both the investments and part of the interest payments are subject to financing with a variable interest rate raised by the Group. The latter is based on EURIBOR.

In addition, some financings are based on an interest spread grid with a scaling of 0.25 percentage points. The interest spread over EURIBOR depends on the net indebtedness and the interest coverage rate to be determined on an annual basis.

The sensitivity analysis required by IFRS 7 refers to interest rate risks from floating rate monetary liabilities.

In the event of a hypothetical increase of the EURIBOR by 1%, interest would increase by kEUR 56 as far as the floating rate interest financing is concerned. A reduction by 1% is currently not possible because of the low interest level.

In the event of a hypothetical increase (decrease) of the interest spread by 0.25%, interest would increase (decrease) by kEUR 10 as far as the floating rate interest financing is concerned.

#### **- Currency risks**

Payments of fees for artists, orchestras, show productions etc. are partly made on a USD basis and are hence subject to a USD/EUR currency risk. The same applies to dividend payments of foreign subsidiaries which are made in CHF and GBP. The company makes sensitivity analyses on a regular basis in order to anticipate the impact of currency fluctuations and assess whether rate-hedging transactions are advantageous. During the reporting period no currency hedging was carried out.

#### **- Solvency risks**

The DEAG Group is exposed in the operating business and in respect of other transactions – for instance, stake sales – to a default risk, if the contracting partners fail to meet their payment obligations. The existing deposits have been made with principal banks with good credit standing. The maximum default risk is reflected by the accounting values. The deposits are made with different banks so that a diversification of the default risk is guaranteed.

In the operating business, too, credit standing is strictly observed at the selection of the business partners. Accounts receivable are monitored on an ongoing basis. Possible default risks are taken into account by specific valuation allowances. On the balance sheet date there were no indications of risks beyond the posted valuation allowances for accounts receivable or other assets.

#### **- Liquidity risks**

The liquidity risk means that the Group could possibly not satisfy existing financial obligations, for instance from loan agreements or accounts payable. Through liquidity planning and management possible liquidity risks are identified. The task of financial management is to ensure debt servicing in due time. Furthermore, compliance with the covenants vis-à-vis banks is monitored on an ongoing basis. The company has both long-term and short-term debtor/creditor relationships.

## Notes to the Consolidated Financial Statements

The following tables show the contractually fixed payments under financial liabilities. The values reflect the undiscounted liabilities. In the event of floating interest payments, reference is made to the interest rate level on the balance sheet date.

2012 - In EUR'000 -

| Non-derivative financial liabilities               | less than 1 year | 1 to 5 years | > 5 years | Total  |
|--|------------------|--------------|-----------|--------|
| Bank loans payable and other financial liabilities |                  |              |           |        |
| - repayment  | 3,610            | 3,500        | -         | 7,110  |
| - interest (3,50 %)                                | 126              | 123          | -         | 249    |
| Trade accounts payable                             | 11,326           | -            | -         | 11,326 |
| Other financial liabilities                        | 1,105            | -            | -         | 1,105  |
| Other non-derivative financial liabilities         | -                | 628          | -         | 628    |
| Derivative financial liabilities                   | -                | -            | -         | -      |

2011 - In EUR'000 -

| Non-derivative financial liabilities               | less than 1 year | 1 to 5 years | > 5 years | Total |
|--|------------------|--------------|-----------|-------|
| Bank loans payable and other financial liabilities |                  |              |           |       |
| - repayment  | 6,290            | -            | -         | 6,290 |
| - interest (3,99 %)                                | 251              | -            | -         | 251   |
| Trade accounts payable                             | 9,546            | -            | -         | 9,546 |
| Other financial liabilities                        | -                | 1,075        | -         | 1,075 |
| Other non-derivative financial liabilities         | 76               | 599          | -         | 675   |
| Derivative financial liabilities                   | 87               | -            | -         | 87    |

As far as a more detailed risk description is concerned, we refer to Section 4 of the Management Report. The task of risk management is to manage these risks through close market monitoring, risk assessments, the reduction of net exposure and selective hedging measures, e.g. through financial derivatives. When selecting business partners, their credit standing is strictly taken into account.



## **52. Reporting on Financial Instruments**

The carrying values and the fair values of the individual financial assets and liabilities are represented below in accordance with the categories of IAS 39 and reconciled with the corresponding balance sheet positions.

Liquid assets, accounts receivable as well as other receivables have above all short residual terms. For that reason their carrying values on the balance sheet date correspond more or less to the fair value. The fair values of lendings and other non-current receivables correspond to the present value of the payments associated with the assets taking into account current interest parameters.

The portfolio of original financial instruments is being reported in the balance sheet, the amount of the financial assets corresponds to the maximum default risk. As far as default risks become evident within the financial assets these risks are being recognized through value adjustments.

Current financial liabilities, accounts payable as well as other liabilities have regularly short residual terms; the reported values reflect more or less the fair values. The non-current financial liabilities are identified as present values of the payments related to the debts on the basis of the current interest parameters.

The appreciation premium included in a non-current financing contract was recognized separately from the basic agreement as an embedded derivative as income at fair value. The fair value of the embedded derivative was determined in accordance with the binomial model taking into account the fair value and volatility of the underlying instrument, matching maturities in respect of the interest rate and the term of the agreement.

Regarding provisions recognized at fair value, we refer to the Notes in respect of the respective balance sheet items.

*Notes to the Consolidated Financial Statements*

**Financial Instruments 2012**

In EUR'000

| <b>Assets</b>                                     | <b>Valuation according to IAS 39</b> |                                     |                                 |  |
|---|--------------------------------------|-------------------------------------|---------------------------------|--|
|   | <b>Book value<br/>31.12.2012</b>     | <b>Continued<br/>book<br/>value</b> | <b>Affecting<br/>fair value</b> | <b>No<br/>valuation<br/>criteria<br/>as per IAS 39</b> |
| Liquid funds (loans and receivables)              | 31,597                               | 31,597                              | -                               | -  |
| Trade receivables<br>(loans and receivables)      | 9,968                                | 9,968                               | -                               | -  |
| Other current assets<br>(loans and receivables)   | 6,030                                | 6,030                               | -                               | -  |
| Investmentes<br>(available for sale)              | 752                                  | 752                                 | -                               | -  |
| Other long-term assets<br>(loans and receivables) | 654                                  | 654                                 | -                               | -  |

| <b>Liabilities</b>  | <b>Valuation according to IAS 39</b> |                                     |                                 |  |
|---|--------------------------------------|-------------------------------------|---------------------------------|--|
|   | <b>Book value<br/>31.12.2012</b>     | <b>Continued<br/>book<br/>value</b> | <b>Fair value<br/>affecting</b> | <b>No valuation<br/>criteria as<br/>per IAS 39</b> |
| Bank loans payable, short-term<br>(Financial liabilities) | 3,610                                | 3,610                               | -                               | -  |
| Bank loans payable, long-term<br>(Financial liabilities)  | 3,500                                | 3,500                               | -                               | -  |
| Trade accounts payable<br>(Financial liabilities)         | 11,326                               | 11,326                              | -                               | -  |
| Accruals<br>(Financial liabilities)                       | 8,293                                | 6,272                               | -                               | 2,021  |
| Other short-term liabilities<br>(Financial liabilities)   | 4,874                                | 4,874                               | -                               | -  |
| Other long-term liabilities<br>(Financial liabilities)    | 629                                  | 629                                 | -                               | -  |

| <b>Aggregate as valuation categories IAS 39</b> | <b>Valuation according to IAS 39</b> |                                 |                                 |  |
|---|--------------------------------------|---------------------------------|---------------------------------|--|
|   | <b>Book value<br/>31.12.2012</b>     | <b>Continued<br/>book value</b> | <b>Fair Value<br/>affecting</b> | <b>No valuation<br/>criteria as<br/>per IAS 39</b> |
| Financial assets                                |                                      |                                 |                                 |  |
| loans and receivables                           | 48,249                               | 48,249                          | -                               | -  |
| fair value through profit or loss               | -                                    | -                               | -                               | -  |
| available for sale                              | 752                                  | 752                             | -                               | -  |
| Financial liabilities                           | 32,232                               | 30,211                          | -                               | 2,021  |

*Notes to the Consolidated Financial Statements*

**Financial Instruments 2011**

In EUR'000

| <b>Assets</b>  | <b>Book value<br/>31.12.2011</b> | <b>Valuation according to IAS 39</b> |                                 |  |
|--|----------------------------------|--------------------------------------|---------------------------------|--|
|  |                                  | <b>Continued<br/>book<br/>value</b>  | <b>Affecting<br/>fair value</b> | <b>No<br/>valuation<br/>criteria<br/>as per IAS 39</b> |
| Liquid funds (loans and receivables)                   | 35,715                           | 35,715                               | -                               | -  |
| Trade receivables<br>(loans and receivables)           | 6,988                            | 6,988                                | -                               | -  |
| Other current assets<br>(loans and receivables)        | 4,127                            | 4,127                                | -                               | -  |
| Shareholdings<br>(available for sale)                  | 749                              | 749                                  | -                               | -  |
| Other long-term receivables<br>(loans and receivables) | 1,697                            | 1,697                                | -                               | -  |

| <b>Liabilities</b>                                      | <b>Book value<br/>31.12.2011</b> | <b>Valuation according to IAS 39</b> |                                 |  |
|---|----------------------------------|--------------------------------------|---------------------------------|--|
|   |                                  | <b>Continued<br/>book<br/>value</b>  | <b>Fair value<br/>affecting</b> | <b>No valuation<br/>criteria as<br/>per IAS 39</b> |
| Bank loans payable<br>(Financial liabilities)           | 2,290                            | 2,290                                | -                               | -  |
| Trade accounts payable<br>(Financial liabilities)       | 9,546                            | 9,546                                | -                               | -  |
| Accruals<br>(Financial liabilities)                     | 6,473                            | 4,111                                | -                               | 2,362  |
| Other short-term liabilities<br>(Financial liabilities) | 7,060                            | 6,973                                | 87                              | -  |
| Other long-term liabilities<br>(Financial liabilities)  | 1,682                            | 1,682                                | -                               | -  |

| <b>Aggregate as valuation categories IAS 39</b>         | <b>Book value<br/>31.12.2011</b> | <b>Valuation according to IAS 39</b> |                                 |  |
|---|----------------------------------|--------------------------------------|---------------------------------|--|
|   |                                  | <b>Continued<br/>book value</b>      | <b>Fair Value<br/>affecting</b> | <b>No valuation<br/>criteria as<br/>per IAS 39</b> |
| Financial assets  |                                  |                                      |                                 |  |
| loans and receivables                                   | 48,527                           | 48,527                               | -                               | -  |
| fair value through profit or loss<br>available for sale | 749                              | 749                                  | -                               | -  |
| Financial liabilities                                   | 27,051                           | 24,602                               | 87                              | 2,362  |

## Notes to the Consolidated Financial Statements

Expenses, income, losses and profits from financial instruments can be allocated to the following categories:

| In EUR'000                  | 2012        | 2011          |
|-----------------------------|-------------|---------------|
| Financial assets            |             |               |
| loans and receivables       | 222         | 118           |
| affecting Fair Value        | 1           | -14           |
| Financial liabilities       |             |               |
| evaluated at amortised cost | -512        | -1,242        |
| evaluated at Fair Value     | -           | -             |
| <b>Total</b>                | <b>-289</b> | <b>-1,138</b> |

### 53. Exemption from Disclosure in accordance with § 264 para 3 HGB

The following companies avail themselves of the possibility of exemption from disclosure of their financial statements and management reports in accordance with § 264 para 3 HGB (German Commercial Code):

- DEAG Concerts GmbH, Berlin
- Concert Concept Veranstaltungs-GmbH, Berlin
- Broadway Varieté Management GmbH, Berlin
- Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt am Main
- DEAG Music GmbH, Berlin
- Friedrichsbau Varieté Stuttgart Betriebs- und Verwaltungs GmbH, Stuttgart
- Grünland Family Entertainment GmbH, Berlin

### 54. Notification in accordance with §§ 21, 26 WpHG

In 2012 and until the preparation of the financial statements, the following notifications were made:

HSB Verwaltung GmbH, Berlin, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that its voting rights in DEAG Deutsche Entertainment AG exceeded the threshold of 5% on December 16, 2003 and amounted to 22.54%. The voting rights are attributable to HSB Verwaltung GmbH in accordance with § 22 para 1 No. 1 WpHG.

HSB Vermögensverwaltung GmbH & Co. KG, Berlin, notified the company in accordance with § 21 para 1 WpHG that its voting rights in DEAG Deutsche Entertainment AG fell short of the threshold of 10% on October 5, 2004 and amounted to 9.616%. 1.744% are attributable to HSB Vermögensverwaltung GmbH & Co. KG in accordance with § 22 para 2 WpHG.

HSB Verwaltung GmbH, Berlin, notified the company in accordance with § 21 para 1 WpHG that its voting rights in DEAG Deutsche Entertainment AG fell short of the threshold of 10% on December 5, 2004 and amounted to 9.616%. 7.872% are attributable to it in accordance with § 22 para 1 No. 1 WpHG and 1.744% in accordance with § 22 para 2 WpHG.

Mr David Bongartz, New York, USA, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that his voting rights in DEAG Deutsche Entertainment AG, exceeded the threshold of 3% of voting rights on July 29, 2010 and amounted to 3.00% (corresponding to 371,670 voting rights) on that day.

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on April 18, 2011 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 3% of the voting rights on April 11, 2011 and amounted to 4.04% on that day (this corresponds to 500,315 voting rights).

## *Notes to the Consolidated Financial Statements*

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on April 18, 2011 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 5% of the voting rights on April 14, 2011 and amounted to 6.98% on that day (this corresponds to 865,291 voting rights).

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on December 12, 2011 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 10% of the voting rights on December 8, 2011 and amounted to 10.30% on that day (this corresponds to 1,285,256 voting rights).

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on December 13, 2011 by correction of the notification of December 12, 2011, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 10% of the voting rights on December 8, 2011 and amounted to 10.37% on that day (this corresponds to 1,285,256 voting rights).

Mr Bernd Förtsch, Germany, informed us on March 5, 2013 in accordance with § 21 para. 1 WpHG that his share in the voting rights of our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% on February 28, 2013 and has amounted on this day to 29.18 % of the voting rights (3,615,410 voting rights).

29.18% of the voting rights (3,615,410 voting rights) are attributable in accordance with § 22 para 1 sentence 1 no. 1 WpHG to Bernd Förtsch, Germany.

The attribution is based on the following companies controlled by Bernd Förtsch, whose share in the voting rights of our company amounts to 3% or more in each case:

- Heliad Equity Partners GmbH & Co. KGaA, Frankfurt am Main, Germany through
- Altira Heliad Management GmbH, Frankfurt am Main, Germany through
- Altira Aktiengesellschaft, Frankfurt am Main, Germany through
- LION CAPITAL AG, Kulmbach, Germany through
- BF Holding GmbH, Kulmbach, Germany.

BF Holding GmbH, Am Eulenhof 14, 95326 Kulmbach, Germany, informed us on March 5, 2013 in accordance with § 21 para. 1 WpHG that its share in the voting rights of our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% on February 28, 2013 and has amounted on this day to 29.18 % of the voting rights (3,615,410 voting rights).

29.18% of the voting rights (3,615,410 voting rights) are attributable in accordance with § 22 para 1 sentence 1 no. 1 WpHG to BF Holding GmbH, Germany.

The attribution is based on the following companies controlled by BF Holding GmbH, whose share in the voting rights of our company amounts to 3% or more in each case:

- Heliad Equity Partners GmbH & Co. KGaA, Frankfurt am Main, Germany through
- Altira Heliad Management GmbH, Frankfurt am Main, Germany through
- Altira Aktiengesellschaft, Frankfurt am Main, Germany through
- LION CAPITAL AG, Kulmbach, Germany.

LION CAPITAL AG, Am Eulenhof 14, 95326 Kulmbach, Germany, informed us on March 5, 2013 in accordance with § 21 para. 1 WpHG that its share in the voting rights of our company exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% on February 28, 2013 and has amounted on this day to 29.18 % of the voting rights (3,615,410 voting rights).

29.18% of the voting rights (3,615,410 voting rights) are attributable in accordance with § 22 para 1 sentence 1 no. 1 WpHG to LION CAPITAL AG, Germany.

## *Notes to the Consolidated Financial Statements*

The attribution is based on the following companies controlled by LION CAPITAL AG, whose share in the voting rights of our company amounts to 3% or more in each case:

- Heliad Equity Partners GmbH & Co. KGaA, Frankfurt am Main, Germany through
- Altira Heliad Management GmbH, Frankfurt am Main, Germany through
- Altira Aktiengesellschaft, Frankfurt am Main, Germany.

Angermayer Brumm & Lange Unternehmensgruppe GmbH, Frankfurt am Main, Germany informed us on March 14, 2013 in accordance with § 21.1 WpHG that its share in the voting rights of DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany remained on February 28, 2013 below the threshold of 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounts on this day to 0.00% (this corresponds to zero voting rights).

The following persons informed us in accordance with § 21.1 WpHG in 2012 and until the preparation of the financial statements:

| Company or Person                                | Voting Rights Reached | Date of Publication | Notification Threshold     |
|--|-----------------------|---------------------|----------------------------|
| Bernd Förtsch                                    | 29.18%                | March 5, 2013       | 3%, 5%, 10%, 15%, 20%, 25% |
| Angermayer Brumm & Lange Unternehmensgruppe GmbH | 0%                    | March 14, 2013      | 25%, 20%, 15%, 10%, 5%, 3% |

### **55. Events after the Balance Sheet Date**

During the first quarter of fiscal 2013 DEAG obtained control over handwerker e. promotion gmbh, Unna, through the acquisition of a 51% stake in the shares.

The company is fully included into the consolidated financial statements in 2013 and will make significant contributions to sales revenues and the result ratios.

Financial statements for the company as at December 31, 2012 have not yet been prepared. The first-time consolidation of the corporate merger at the time of the approval of these financial statements for publication could hence not yet be completely carried out – except for the data below.

#### **Handwerker e. promotion gmbh**

|                                    |            |
|------------------------------------|------------|
| Percentage of shares               |            |
| handwerker e. promotion gmbh, Unna | 51%        |
| Date of initial consolidation      | 01.01.2013 |
| Purchase price (EUR'000)           | 1,530      |

**56. Personal data**

**Executive Board**

**Prof. Peter L. H. Schwenkow**

|                                 |  |
|---------------------------------|--|
| Place of residence              | Berlin   |
| Profession                      | Chief Executive Officer  |
| Responsibility within the Group | Strategic Business Development and Operations, Sales, Marketing, Public Relations  |
| Retainers on other boards       | Advisory Board Member of Bank Sarasin AG, Frankfurt am Main  |
| Group retainers                 | Administrative Board Member of AIO Group AG, Glattpark (Switzerland)<br>Administrative Board Member of Good News Productions AG, Glattpark (Switzerland),<br>Administrative Board Member of The Classical Company AG, Zurich (Switzerland)<br>Administrative Board Member of Derinho AG, Glattpark (Switzerland)<br>Administrative Board Member of Starclick Entertainment AG, Zurich (Switzerland)<br>Board member of Raymond Gubbay Ltd., London (Great Britain) |
| Shares held as at 31.12.2012    | 1,235,961  |

**Christian Diekmann**

|                                 |  |
|---------------------------------|--|
| Place of residence              | Berlin   |
| Profession                      | Dipl.-Kaufmann, Executive Board Member (Chief Financial Officer, Chief Operating Officer)  |
| Responsibility within the Group | Operations, Marketing, Sales, Human Resources, Finance, Investor Relations   |
| Group retainers                 | Administrative Board Member of AIO Group AG, Glattpark (Switzerland)<br>Administrative Board Member of Good News Production AG, Glattpark (Switzerland),<br>Administrative Board Member of Derinho AG, Glattpark (Switzerland)<br>Administrative Board Member of Starclick Entertainment AG, Zurich (Switzerland)<br>Board member of Raymond Gubbay Ltd., London (Great Britain)<br>Supervisory Board Member of DEAG Classics AG, Berlin |
| Shares held as at 31.12.2012    | 2,000  |

*Notes to the Consolidated Financial Statements*

**Supervisory Board**

**Wolf-D. Gramatke**

|                               |   |
|-------------------------------|---|
| Place of residence            | Hamburg   |
| Position on Supervisory Board | Chairman  |
| Profession                    | President of Great-Minds Consultants GmbH, Hamburg  |
| Retainers on other boards     | Supervisory Board Vice-Chairman of Pixelpark AG, Berlin (until 13.06.2012)<br>Supervisory Board Vice-Chairman of Senator Entertainment AG, Berlin<br>Other:<br>Member of the media business committee of the Hamburg Chamber of Commerce<br>Chairman of the Supervisory Board of DEAG Classics AG, Berlin |
| Group retainers               |   |
| Shares hold as at 31.12.2012  | -   |

**Christine Novakovic**

|                               |  |
|-------------------------------|--|
| Place of residence            | Feusisberg (Switzerland)   |
| Position of Supervisory Board | Vice-Chairman  |
| Profession                    | Head Corporate & Institutional Clients UBS AG, Zurich (Switzerland)  |
| Retainers on other boards     | Administrative Board Member of UCC AG, Zurich (Switzerland)<br>Board member of Earth Council, Geneva (Switzerland) |
| Group retainers               | -  |
| Shares held as at 31.12.2012  | -  |

**Christian Angermayer**

|                               |  |
|-------------------------------|--|
| Place of residence            | Frankfurt/Main   |
| Position on Supervisory Board | Supervisory board member (as of 22.06.2012)<br>Diploma economist, Industrial Businessman,<br>Managing Director of Constellation Capital AG, Freienbach (Switzerland) |
| Profession                    | President of the administrative board of Häsler Holding AG, Möhlin (Switzerland)   |
| Retainers on other boards     | Member of the advisory board of ibis acam Holding GmbH, Vienna (Austria)   |
| Group retainers               | -  |
| Shares held as at 31.12.2012  | 11,000   |

**Ralf Flore**

|                               |   |
|-------------------------------|---|
| Place of residence            | Bäch (Switzerland)  |
| Position on Supervisory Board | Supervisory board member (until 22.06.2012)<br>Diploma economist, Industrial Businessmann   |
| Profession                    | Managing Director of Constellation Capital AG, Freienbach (Switzerland)<br>President of the administrative board of Häsler Holding AG, Möhlin (Switzerland) |
| Retainers on other boards     | Member of the advisory board of ibis acam Holding GmbH, Vienna (Austria)  |
| Group retainers               | -   |
| Shares held as at 31.12.2011  | 11,000  |



## *Notes to the Consolidated Financial Statements*

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the group.

### **57. Date and release of the publication**

The Executive Board of DEAG has approved the Consolidated Financial Statements and the Combined Management Report and Group Management Report on March 28, 2013.

Berlin, March 28, 2013

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board



Prof. Peter L.H. Schwenkow



Christian Diekmann

## Independent Auditor's Report

We have audited the consolidated financial statements, including the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the Notes as well as the combined management report and the Group management report for the fiscal year from January 1, 2012 to December 31, 2012 prepared by DEAG Deutsche Entertainment Aktiengesellschaft. The preparation of the consolidated financial statements and combined management report and Group management report in accordance with IFRS as applicable within the EC and, in addition, in accordance with the commercial law provisions to be applied pursuant to § 315a para 1 HGB (German Commercial Code) is the responsibility of the statutory representatives of the company. Our responsibility is to express an opinion on the basis of our audit of the consolidated financial statements and combined management report and Group management report.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements adopted by the German Institute of Public Auditors (IDW). These require us to plan and perform the audit in such a way that we are able to judge with sufficient reliability whether the consolidated financial statements are free from misstatements that would have a material impact on the presentation of the assets, financial and income position of the company as provided by the consolidated financial statements of the company, prepared in conformity with the applicable generally accepted accounting principles and by the combined management report and the Group management report. The scope of the audit was defined taking into consideration information on the business activities as well as the economic and legal circumstances of the Group and the expectations regarding possible errors. Within the framework of the audit, evidence on the effectiveness of the internal financial controls and of the values reported and information given in the consolidated financial statements and in the combined management report and Group management report is assessed primarily on the basis of random checks. The audit includes assessing the financial statements of the entities included in the consolidated financial statements, the determination of the entities to be consolidated, the accounting and consolidation principles applied and material estimates made by the statutory representatives as well as the evaluation of the overall presentation of the consolidated financial statements and the combined management report and Group management reports. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit has not resulted in any qualifications.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as applicable within the EU, as well as with the additional commercial law provisions to be applied pursuant to § 315a para 1 HGB (German Commercial Code) and give a true and fair view of the Group's asset, financial and income position in accordance with such provisions. Both the combined management report and the Group management report are in conformity with the consolidated financial statements, provide an accurate view of the Group's position and accurately describe the opportunities and risks of future developments.

Berlin, March 28, 2013

BDO AG  
Wirtschaftsprüfungsgesellschaft

ppa. Pfeiffer  
Wirtschaftsprüfer

Rehmer  
Wirtschaftsprüfer

## DEAG Deutsche Entertainment Aktiengesellschaft

### Balance Sheet Summary (according to HGB)

| Assets in EUR'000                           | 31.12.2012    | 31.12.2011    |
|---|---------------|---------------|
| Intangible assets and tangible fixed assets | 78            | 109           |
| Financial assets                            | 8,442         | 8,431         |
| <b>Fixed assets</b>                         | <b>8,520</b>  | <b>8,540</b>  |
| Receivables and accruals and deferrals      | 20,820        | 16,929        |
| Cash, cash equivalents and securities       | 2,868         | 2,777         |
| <b>Total current assets</b>                 | <b>23,688</b> | <b>19,706</b> |
| <b>Assets</b>                               | <b>32,208</b> | <b>28,246</b> |
|   |               |               |
| Liabilities and equity in EUR'000           | 31.12.2012    | 31.12.2011    |
| Share capital                               | 12,388        | 12,388        |
| Capital reserve                             | 542           | 542           |
| Retained income                             | 697           | 682           |
| Net earnings                                | 5,593         | 3,766         |
| <b>Shareholders' equity</b>                 | <b>19,220</b> | <b>17,378</b> |
| <b>Accruals</b>                             | <b>704</b>    | <b>935</b>    |
| Liabilities to financial institutions       | 7,092         | 1,983         |
| Other liabilities                           | 5,192         | 7,950         |
| <b>Total liabilities</b>                    | <b>12,284</b> | <b>9,933</b>  |
| <b>Total equity and liabilities</b>         | <b>32,208</b> | <b>28,246</b> |

**DEAG Deutsche Entertainment Aktiengesellschaft**

**Statement of Income (according to HGB)**

| <b>In EUR'000</b>   | <b>Financial statement<br/>1.1. - 31.12.2012</b> | <b>Financial statement<br/>1.1. - 31.12.2011</b> |
|---|--|--|
| Distribution costs  | -781   | -735   |
| General and administration costs                              | -4,108   | -4,064   |
| Other operating income and expenses                           | 3,903  | 3,210  |
| Interest income/ expenses and other financial result          | 189  | -58  |
| Depreciation of financial assets and<br>marketable securities | -  | -14  |
| Income from investments                                       | 3,134  | 3,265  |
| <b>Result of ordinary business activities</b>                 | <b>2,337</b>                                     | <b>1,604</b>                                     |
| Income tax and other taxes                                    | -  | -28  |
| <b>Net income</b>   | <b>2,337</b>                                     | <b>1,576</b>                                     |
| Net earnings carried forward                                  | 3,270  | 2,505  |
| Allocation to statutory reserve funds                         | -14  | -315   |
| <b>Accumulated profit</b>                                     | <b>5,593</b>                                     | <b>3,766</b>                                     |

## Corporate Governance Report

The Executive Board and the Supervisory Board dealt continuously with the further development of the Corporate Governance within the company in fiscal 2012. The amendments to the German Corporate Governance Code in the version of May 15, 2012 were taken into account by the Executive Board and the Supervisory Board. In accordance with Clause 3.10 of the German Corporate Governance Code (DCGK) the Executive Board and the Supervisory Board report about the Corporate Governance of the company as follows:

### Declaration of Conformity

The Executive Board and the Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft made the annual legally required Declaration of Conformity in respect of the German Corporate Governance Code in accordance with § 161 AktG (German Stock Corporation Act) on December 12, 2012. The wording of the declaration of conformity is as follows:

“The recommendations of the German Corporate Governance Code (DCGK) were complied with in the version amended on May 15, 2012, except for the following deviations:

1. At Annual Meetings there is no possibility for votes by correspondence. The shareholders have always had the possibility to give instructions on voting to a representative for voting rights made available by the company. The exercise of the voting right is hence easily possible for all shareholders who do not participate in the Annual Meeting. Vote by correspondence could, by contrast, involve administrative extra expenses and additional costs. (2.3.3 DCGK).
2. The D&O insurance for the Supervisory Board does not provide for a deductible, since this does not appear to be appropriate or necessary in view of the moderate amount of the Supervisory Board compensation for influencing behavior. (3.8 DCGK).
3. No Committees were set up by the Supervisory Board. For a Supervisory Board, which is only composed of three members, every matter which requires a contribution of the Supervisory Board can be dealt with through the direct involvement of all Supervisory Board members. An increase in efficiency of the Supervisory Board activities is not to be expected through the setting up of Committees against this backdrop. (5.3.1 to 5.3.3 DCGK)
4. The interim reports are not made available publicly within 45 days of the end of the reporting period. The publications are made within the framework of the statutory periods in each case. An earlier publication would involve a significantly higher personnel and organizational expenditure and hence considerable extra costs in view of several non-listed subsidiaries and investees outside Germany. (7.1.2 DCGK)

### Composition of the Supervisory Board

In accordance with Clause 5.4.1 DCGK the Supervisory Board should be composed in such a way that its members have, as a whole, the required knowledge, abilities and expert experience to properly complete their tasks. From the Supervisory Board's point of view, these criteria are met by the existing Supervisory Board.

The Supervisory Board is to specify concrete goals for its composition, taking into account the specific situation of the company, the international activities, potential conflicts of interest, the number of independent members of the Supervisory Board within the meaning of Clause 5.4.2 DCGK, an age limit to be specified for the member of the Supervisory Board as well as diversity. These concrete goals are in particular to provide for a sufficient number of female members. Against the backdrop of these specifications, the Supervisory Board strives for compliance with the following criteria in terms of the composition of the body:

- At least one member of the Supervisory Board should have international experience.
- At least one member of the Supervisory Board should be a woman.
- The term of a member of the Supervisory Board should end upon completion of the 75<sup>th</sup> year of age.

All three goals have been implemented.

## Ownership of shares of the company

Stock option programs and similar securities-based incentive schemes of the company do not exist. The member of the Executive Board Professor Peter L.H. Schwenkow held a total of 1,235,961 shares of the company on December 31, 2012 and the member of the Executive Board Christian Diekmann held a total of 2,000 shares of the company on December 31, 2012. The former member of the Supervisory Board Ralf Flore held a total of 11,000 shares of the company on December 31, 2012.

## Compensation system for the Executive Board and the Supervisory Board

Explanations on the compensation system and the individual compensation of the members of the Executive Board and the Supervisory Board can be found in the compensation report under Item 2.7 of the combined management report and group management report and under Item 30 of the notes to the consolidated financial statement of this annual report.

During fiscal 2012 the Supervisory Board members received compensation (in kEUR) for their activity as follows:

| <b>Supervisory Board member</b>      | <b>Fixed compensation</b> | <b>Variable Compensation</b> | <b>Other benefits</b> | <b>Total emoluments</b> |
|--------------------------------------|---------------------------|------------------------------|-----------------------|-------------------------|
| Wolf-D. Gramatke                     | 29                        | 18                           | 1                     | 48                      |
| Christine Novakovic                  | 18                        | 12                           | 1                     | 31                      |
| Ralf Flore (until 22.06.12)          | 5                         | 3                            | -                     | 8                       |
| Christian Angermayer (from 22.06.12) | 5                         | 3                            | -                     | 8                       |
| <b>Total</b>                         | <b>57</b>                 | <b>36</b>                    | <b>2</b>              | <b>95</b>               |

## Declaration on corporate governance

The declaration on corporate governance in accordance with § 289a HGB (German Commercial Code) is reproduced in Item 2.9 of the combined management report and group management report.

## Risk management

As far as risk management is concerned, we refer to the detailed explanations in the risk report under Section 4 of the combined management report and Group management report.

## IMPRINT

### **Editing and Coordination**

DEAG Deutsche Entertainment Aktiengesellschaft  
edicto GmbH

### **Further information** for analysts and investors:

Investor Relations: [deag@edicto.de](mailto:deag@edicto.de)

The Annual Report and current information on DEAG are posted on the internet at  
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