



DEAG Deutsche Entertainment Aktiengesellschaft

QUARTERLY REPORT
AS OF 31/03/2019

// DEAG OVERVIEW

COMPANY PROFILE

DEAG Deutsche Entertainment AG (DEAG) is a leading entertainment service company and provider of Live Entertainment in Europe. With its Group companies, DEAG has been active in the areas of planning, organisation, marketing and holding of live events for over 40 years and is present at seven locations in its core markets of Germany, the United Kingdom and Switzerland.

DEAG produces and profitably organises a broad range of events and concerts. As an integrated entertainment Group, DEAG has extensive expertise in the planning, organisation, marketing and holding of events, as well as in ticket sales via its own ticketing platform “MyTicket” for its own content and third-party content. The highly scalable business model of MyTicket strengthens DEAG on its way to increasing profitability. DEAG realises around 4,000 concerts and events a year and currently sells more than five million tickets, of which a steadily increasing share is sold via its high-turnover ticketing platforms MyTicket. Considering its decades of experience in the entertainment industry, DEAG has a strong reputation and valuable ties to artists and sponsors.

Founded in Berlin in 1978 and listed on the stock exchange since 1998, DEAG’s core businesses include Rock/Pop, Classics & Jazz, Family Entertainment and Arts+Exhibitions. The Family Entertainment and Arts+Exhibitions divisions in particular are of great importance to the further development of DEAG’s own content. With its strong partner network, DEAG is excellently positioned in the market as an internationally active live entertainment service company.

DEAG shares (ISIN: DE000A0Z23G6 | WKN: A0Z23G | ERMK) are listed in the Prime Standard segment of the Frankfurt Stock Exchange, the quality segment of Deutsche Börse.

DEAG’S CORE MARKETS



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// DEAG ON THE CAPITAL MARKET

1.1 KEY SHARE DATA¹

ISIN	DE000A0Z23G6
WKN	A0Z23G
Number of outstanding shares (31 March 2019)	18,397,423
High (1 January – 31 March 2019)	EUR 4.12
Low (1 January – 31 March 2019)	EUR 2.99
Market capitalisation on 31 March 2019	EUR 74.9 million
Designated sponsor(s)	Hauck & Aufhäuser, ODDO Seydler

1.2 PERFORMANCE OF THE DEAG SHARE

The DEAG share developed positively in the first three months of 2019. From January to March 2019, the share recorded a steady upward trend, clearly exceeding the 4-euro mark. On 2 January 2019, the share started the new financial year at a closing price of EUR 3.19. The share reached its highest level of EUR 4.12 on 26 February 2019.



1.3 PERFORMANCE OF THE DEAG BOND 2018/2023

DEAG successfully placed a corporate bond (WKN/ISIN: A2NBF2 | DE000A2NBF25) on the capital market at the end of October 2018 with the aim of financing the company's internal and external growth in its core markets and at the same time optimising its financing structure. By issuing the bond with an issue volume of EUR 20 million, the Group is securing its long-term financing so that it can continue to grow profitably in the future. The bearer bonds with a nominal value of EUR 1,000 each have a term of 5 years and an annual fixed interest rate of 6.00%. The bond has been trading on the Open Market (Quotation Board segment) of the Frankfurt Stock Exchange since 31 October 2018. In the first quarter of 2019, the bond was listed exclusively at prices well above 100%.



¹ All quoted prices are XETRA closing prices.

1.7 INVESTOR RELATIONS

We attach the greatest importance to the need for information on the capital market and meet the highest transparency requirements with our listing in the Prime Standard of the Frankfurt Stock Exchange. Besides meeting our legal obligations, we also carried out a number of other IR activities in the first three months of the current financial year:

- Participation in one capital market conference
- Numerous one-on-one meetings with investors at home and abroad
- Publication of 3 Corporate News

In order to meet our objectives and satisfy our shareholders and stakeholders, the Executive Board of DEAG plans to further intensify its investor relations activities on an ongoing basis. The aim is to step up dialogue with international investors by conducting roadshows and participating in capital market conferences.

Detailed information on investor relations can be found at www.deag.de/ir. DEAG Deutsche Entertainment AG constantly offers information on all current business developments here.

INCOME POSITION

The DEAG Group began its financial year 2019 with a successful first quarter. Sales amounted to EUR 25.5 million in the traditionally softest quarter of each financial year. After adjusting the previous year's figure (EUR 27.0 million) for the sales contribution of Raymond Gubbay Limited (EUR 6.5 million), which was deconsolidated in 2018, this equates to organic growth of 24%.

Gross profit of EUR 6.5 million was achieved (previous year: EUR 6.0 million), which corresponds to a gross margin of 26% (previous year: 22%). All five divisions Rock/Pop, Arts+Exhibitions, Family Entertainment, Classics & Jazz and Ticketing contributed to the growth.

As a result of the increase in sales, DEAG also increased its earnings and accordingly further improved the profitability of the Group. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 25% to EUR 1.0 million compared to the previous year (EUR 0.8 million). The previous year's figure included a contribution of EUR 0.3 million attributable to Raymond Gubbay Limited. Leasing accounting in accordance with IFRS 16 had a positive effect on EBITDA in the reporting period. Due to the recognition of depreciation on rights of use and effects from the discounting of leasing liabilities – instead of the leasing expenses previously recognised under other operating expenses – Group EBITDA increased compared to the previous year.

EBIT for the first quarter was slightly positive, but down from the previous year that included a contribution from Raymond Gubbay Limited.

The financial result decreased to EUR -1.0 million and mainly includes net interest income, which decreased as a result of the bond issue; interest expenses also increased due to the change in lease accounting.

After taking tax expenses into account, income from continuing operations amounted to EUR -1.4 million.

ASSET AND FINANCIAL POSITION

Compared to the previous balance sheet date, the balance sheet total increased slightly by EUR 0.8 million or 0.6% to EUR 133.8 million (31 Dec. 2018: EUR 133.0 million).

On the assets side, current assets increased slightly by EUR 0.2 million to EUR 64.1 million. The increase was mainly due to advance payments made, which increased by EUR 5.1 million to EUR 14.5 million. By contrast, trade receivables (EUR -2.5 million) and cash and cash equivalents (EUR -1.9 million) decreased. Together with the further increase in deferred sales of EUR 43.7 million, these balance sheet items are evidence of the promising future development and the very high level of funds already received from pre-sales, in particular for events and projects that will be realised in the further course of the financial year, primarily in the second and fourth quarter.

On the liabilities side, current liabilities in particular increased by EUR 3.3 million. Within current liabilities, trade payables and provisions decreased significantly by a total of EUR 7.5 million. Both items had increased significantly as of 31 December 2018 due to the density of events in the final quarter.

In June 2016, DEAG successfully issued a convertible bond with a total nominal amount of EUR 5.7 million and an interest rate of 6.00% as part of a private placement. In June 2018, EUR 1.4 million of this total nominal amount was repaid so that convertible bonds with a nominal amount of EUR 4.3 million and a maturity date of 30 June 2019 were still outstanding. By the date of publication, a total of around 53% had been converted into new DEAG shares. Other investors have also announced further declarations of conversion to DEAG, with the result that the Executive Board expects a complete conversion.

Shareholders' equity after minority interests amounted to EUR 13.0 million at the end of the past quarter (EUR 12.3 million as of 31 March 2018). The equity ratio is around 10%. Taking into account the complete conversion of the bond, the equity ratio would be around 13% with lower debt.

Cash and cash equivalents amounted to EUR 34.6 million after EUR 38.2 million in the previous year. Whereas the change from operating activities amounted to EUR -1.1 million (previous year: EUR -4.8 million), the cash flow from financing activities amounted to EUR 83 thousand (previous year: cash flow of EUR 1.3 million). DEAG currently has financing facilities of EUR 19.1 million at its disposal, which were not utilized as of March 31, 2019 with EUR 8.3 million. Including sight deposits with subsidiaries, the cash and cash equivalents held entirely by the Group amounted to around EUR 39.9 million, which, in addition to another EUR 5 million from the not yet placed tranche of the corporate bond, are available to finance additional internal and external growth, among other objectives.

DEVELOPMENT OF THE SEGMENTS

DEAG reports in an unchanged segment structure. This presents the activities of the Group clearly and accurately:

The **Live Touring segment** (“traveling business”) includes the tour business. This includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Wizard Promotions Konzertagentur (Frankfurt/Main), Grünland Family Entertainment (Berlin), Global Concerts Touring GmbH (Munich), Christmas Garden Deutschland GmbH (Berlin), the subgroup Kilimanjaro (London, UK), including the Flying Music Group and The Classical Company (Zurich, Switzerland).

The **Entertainment Services segment** (“stationary business”) comprises the regional business and the entire service business. These include the activities of the AIO Group (Glattpark, Switzerland), Global Concerts (Munich), Concert Concept (Berlin), Grandezza Entertainment (Berlin), River Concerts (Berlin) and Elbklassik (Hamburg), handwerker promotion e. gmbh (Unna), LiveGeist Entertainment GmbH (Frankfurt/Main), Kultur- und Kongresszentrum Jahrhunderthalle GmbH (Frankfurt/Main), FOH Rhein Main Entertainment GmbH, (Frankfurt/Main) as well as mytic myticket (Berlin) and Kultur im Park GmbH (Berlin).

Segment performance at a glance:

LIVE TOURING

With sales of EUR 15.4 million (previous year: EUR 22.3 million), EBITDA amounted to EUR 1.1 million. The decline mainly relates to the sales contribution of EUR 6.5 million of Raymond Gubbay Limited, which was no longer included in the reporting period.

Previous year: Very successful Family Entertainment formats such as Disney on Ice and Flying Music’s Thriller Live contributed to this positive development in the first quarter. With Till Brönner, Joja Wendt and Anna Netrebko, the Classics & Jazz division also featured a few highlights in the first quarter. The Rock/Pop division started financial year 2019 with acts such as Bastille, Alison Moyet und Joan Baez. As in previous years, the Arts+Exhibition division, despite the extremely successful Harry Potter exhibition, will focus on the Christmas business in the fourth quarter.

ENTERTAINMENT SERVICES

With sales of EUR 11.9 million (previous year: EUR 10.2 million), EBITDA amounted to EUR 1,0 million.

The local tour operators mainly benefited from the Group’s own tour business in the reporting period.

Both segments will benefit from the expected positive development in the further course of the financial year. Highlights in the coming months will be Rock/Pop open-air and arena concerts with Ed Sheeran, Böhse Onkelz, KISS, the sold-out Scottish Festival Belladrum or the Open Air with LaBrassBanda on Munich’s Königsplatz. It is also becoming apparent that the Family Entertainment and Arts+Exhibition divisions, the latter especially in the fourth quarter, will also play the expected strong role.

RISK AND OPPORTUNITY REPORT

For information on DEAG’s risks and opportunities, please refer to the Risk Report in the Combined Management Report and Group Management Report 2018 (p. 21 ff.) published in the Annual Report as of 31 December 2018.

FORECAST REPORT

The Executive Board expects the positive development to continue for the rest of the year, also as a result of the investments in companies in the three core markets of Germany, England and Switzerland, which are currently close to completion, and is optimistic that sales and EBITDA will grow moderately compared to 2018.

The forecast is based on the assumption of a constant exchange rate and does not take into account any changes in the competitive environment.

Due to the nature of DEAG’s business activities as the parent company, its future development is closely linked to that of the Group. For this reason, reference is made to the above forecast of the Group, which also reflects management’s expectations regarding the development of the parent company.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements based on current assumptions and forecasts made by DEAG's management. Such statements are subject to risks and uncertainties. These and other factors could cause the results, financial position, developments or performance of the company to differ materially from the estimates provided here. The company assumes no obligation whatsoever to update such forward-looking statements or to adjust them to suit future events or developments.

// CONSOLIDATED BALANCE SHEET

TOTAL ASSETS

	31.03.2019	31.12.2018	31.03.2018
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Liquid funds	34.559	36.427	38.225
Trade receivables	7.781	10.289	14.337
Down Payments	14.463	9.357	24.069
Income tax receivables	2.549	2.180	917
Inventories	74	74	103
Other current financial assets	2.426	2.886	1.893
Other current non-financial assets	2.237	2.692	2.182
Current assets	<u>64.089</u>	<u>63.905</u>	<u>81.726</u>
Goodwill	23.997	23.915	26.256
Other intangible assets	13.536	13.203	8.469
Tangible fixed assets	19.414	19.409	2.397
Investment properties	5.625	5.625	5.340
Investments	2.148	1.899	766
According to the equity method accounted financial assets	1.214	1.182	1.460
Loans to associated companies	-	-	1.221
Down Payments	3	4	231
Other long-term financial assets	2.503	2.545	1.529
Deferred tax assets	1.296	1.294	722
Long-term assets	<u>69.736</u>	<u>69.076</u>	<u>48.391</u>
Total assets	<u>133.825</u>	<u>132.981</u>	<u>130.117</u>

TOTAL LIABILITIES AND EQUITY

	31.03.2019	31.12.2018	31.03.2018
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Bank loans payable	12.450	10.101	17.952
Trade accounts payable	6.064	11.866	7.577
Accruals	6.567	8.257	4.943
Convertible bond	4.300	4.300	1.363
Contract liabilities	43.698	34.658	70.661
Income tax liabilities	1.247	1.021	805
Other current financial liabilities	4.125	3.705	4.598
Other current non-financial liabilities	3.311	4.527	2.574
Current liabilities	<u>81.762</u>	<u>78.435</u>	<u>110.473</u>
Accruals	239	238	-
Bond	18.860	18.921	-
Convertible bond	-	-	4.185
Bank loans payable	1.333	1.500	766
Contract liabilities	-	181	-
Other long-term financial liabilities	15.240	15.467	314
Deferred taxes	3.349	3.291	2.120
Long-term liabilities	<u>39.021</u>	<u>39.598</u>	<u>7.385</u>
Share capital	18.396	18.396	18.396
Capital reserve	42.508	42.508	42.508
Retained earnings	-466	-466	-
Accumulated deficit	-53.462	-52.107	-54.495
Accumulated other income	1.592	1.563	608
Equity attributable to DEAG shareholders	<u>8.568</u>	<u>9.894</u>	<u>7.017</u>
Equity attributable to non-controlling interest	4.474	5.054	5.242
Equity	<u>13.042</u>	<u>14.948</u>	<u>12.259</u>
Total liabilities and equity	<u>133.825</u>	<u>132.981</u>	<u>130.117</u>

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP PROFIT AND LOSS ACCOUNTING

	01.01.2019 -31.03.2019	01.01.2018 -31.03.2018
	<u>in EUR '000</u>	<u>in EUR '000</u>
Sales	25.466	26.968
Cost of sales	-18.965	-20.929
Gross profit	6.501	6.039
Distribution costs	-2.871	-2.746
Administration costs	-3.853	-3.040
Other operating income / expenses	258	87
Operating result (EBIT)	35	340
Interest income and expenses	-918	-277
Result from investments	-2	-
Income shares in companies accounted for using the equity method	-51	56
Financial result	-971	-221
Result before taxes (EBT)	-936	119
Income taxes	-70	-145
Result after taxes from continued operations	-1.006	-26
Result after taxes from discontinued operations after taxes	-1	-76
Group result after taxes	-1.007	-102
thereof attributable to non-controlling interest	348	315
thereof attributable to DEAG shareholders (Group result)	-1.355	-417
Earnings per share in EUR (diluted/undiluted) from continued operations	-0,07	-0,02
from continued and discontinued operations	-0,07	-0,02
Average no. of shares outstanding (undiluted)	18.396.808	18.099.995

Consolidated Statement of Comprehensive Income

from 01.01.2019 to 31.03.2019	I/2019 in EUR '000	I/2018 in EUR '000
Group result after taxes	-1.007	-102
Other result		
(+/-) Differences from exchange rates (independent foreign units)	-57	-16
Amounts as may be reclassified in future periods in the profit and loss account	-57	-16
Total result	-1.064	-118
Thereof attributable to		
Non-controlling interest	261	327
DEAG Shareholders	-1.325	-445

// ABBREVIATED STATEMENT OF CASH FLOW

	01.01.2019 -31.03.2019	01.01.2018 -31.03.2018
	<u>in EUR '000</u>	<u>in EUR '000</u>
Result from continued operations	-1.006	-26
Depreciation and amortisation	954	451
Change in accruals	-1.723	-1.885
Changes not affecting payments	-15	12
Deferred taxes (net)	56	9
Result from valuation of associated companies	51	-56
Cash flow	-1.683	-1.495
Net interest income	918	277
Change in working capital	-351	-3.551
Net cash from operating activities from continued operations	-1.116	-4.769
Net cash from operating activities from discontinued operations	-1	-76
Net cash from operating activities (total)	-1.117	-4.845
Net cash from investment activities from continued operations	-379	-53
Net cash from financial activities (total)	-83	1.346
equivalents	-1.579	-3.552
Effects of exchange rates	-289	-39
Cash and cash equivalents at beginning of Period	36.427	41.816
Cash and cash equivalents at end of period	34.559	38.225

// DEVELOPMENT OF EQUITY WITHIN THE GROUP

	31.12.2017	01.01.2018 -31.03.2018	31.03.2018
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Share capital	18.396	-	18.396
Capital reserve	42.508	-	42.508
Accumulated deficit	-54.078	-417	-54.495
Accumulated other income	638	-30	608
Equity attributable to DEAG shareholders	7.464	-447	7.017
Equity attributable to non-controlling interest	5.154	88	5.242
Equity	<u>12.618</u>	<u>-359</u>	<u>12.259</u>

	31.12.2018	01.01.2019 -31.03.2019	31.03.2019
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Share capital	18.396	-	18.396
Capital reserve	42.508	-	42.508
Retained earnings	-466	-	-466
Accumulated deficit	-52.107	-1.355	-53.462
Accumulated other income	1.563	29	1.592
Equity attributable to DEAG shareholders	9.894	-1.326	8.568
Equity attributable to non-controlling interest	5.054	-580	4.474
Equity	<u>14.948</u>	<u>-1.906</u>	<u>13.042</u>

// CONDENSED NOTES

NOTES PURSUANT TO IAS 34

This quarterly financial report, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the statement of changes in equity and selected explanatory notes, has been prepared in accordance with IAS 34 and the applicable provisions of the German Securities Trading Act (WpHG).

The interim consolidated financial statements as of 31 March 2019 do not contain all the disclosures and information presented in a complete set of annual financial statements. It is advisable to read the quarterly financial report together with the consolidated financial statements as of 31 December 2018.

The accounting, consolidation, currency translation, accounting and valuation principles applied in the consolidated financial statements as of 31 December 2018 were retained unchanged. Please refer to the notes to the 2018 consolidated financial statements printed in the Annual Report (pages 51-66).

The report has not been audited. Nor has it been reviewed by an auditor.

OTHER DISCLOSURES

Further explanatory notes required by IAS 34.15ff are not relevant, of secondary importance or there have been no material changes since 31 December 2018.

Berlin, 29 May 2019

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board



Prof. Peter L. H. Schwenkow



Christian Diekmann



Detlef Kornett



Roman Velke

A large outdoor concert at night. The stage is illuminated with bright lights, and a massive crowd of people is visible in the foreground. The background shows a large structure, possibly a stadium or arena, with a blue and white patterned facade. The overall atmosphere is vibrant and energetic.

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