



DEAG Deutsche Entertainment Aktiengesellschaft

QUARTERLY REPORT
AS OF 30/09/2017

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// CONTENTS

| | |
|---|-----------|
| // DEAG ON THE CAPITAL MARKET | 02 |
| // INTERIM GROUP MANAGEMENT REPORT | 04 |
| // INTERIM CONSOLIDATED FINANCIAL STATEMENTS | 08 |
| // Consolidated Balance Sheet | 09 |
| // Consolidated Statement of Comprehensive Income | 11 |
| // Abbreviated Consolidated Statement of Cash Flow | 12 |
| // Changes in Consolidated Equity | 13 |
| // Selected Explanatory Notes to the Financial Statements | 14 |
| // LEGAL NOTICE | 17 |

// DEAG ON THE CAPITAL MARKET

DEAG – THE SHARE

The DEAG share recorded an upward trend in the third quarter of 2017. On 3 July 2017, the share started the third quarter of 2017 at EUR 2.55. This was followed by a slight downward movement until the share reached its interim low on 25 August 2017 at a closing price of EUR 2.43. Then, however, the share rose again significantly until it reached EUR 2.94 on 11 September 2017, the highest level it reached in the reporting period.

Over the course of the reporting period, the overall performance was positive. In the period between 30 August 2017 and 11 September 2017, the price showed a strong increase from EUR 2.43 to its peak of EUR 2.94 in the reporting period. The share closed at a price of EUR 3.02 on November 21, 2017. This corresponds to market capitalisation of EUR 55.6 million.



CAPITAL MEASURES AND INVESTOR RELATIONS

On May 22, 2017, DEAG Deutsche Entertainment Aktiengesellschaft (DEAG), Berlin, successfully placed its cash capital increase with subscription rights from authorized capital by issuing all 2,044,089 new shares. Gross proceeds from the issue were EUR 4,905,813.60. We intend to use the gross proceeds to finance the planned expansion of the business in the UK and to finance the further growth of the DEAG Group. Issuing 2,044,089 new bearer shares with a notional interest in the share capital of EUR 1.00 per share after registration in the commercial register has increased the company’s share capital by EUR 2,044,089.00 from EUR 16,353,334.00 to EUR 18,397,423.00. The new shares are entitled to participate in profit from January 1, 2016.

The DEAG share is currently being followed by the research experts at Hauck & Aufhäuser. The average price target is EUR 5.00. Analyst studies are available on DEAG’s website in the area of Investor Relations / Research Comments.

We attach great importance to the information requirements of the capital market and meet the highest transparency requirements by listing in the Prime Standard of the Frankfurt Stock Exchange. We carried out numerous other IR activities in addition to our statutory obligations in the first quarter of 2017:

- Participation in the DVFA Spring and Fall Conferences 2017 and the Zurich Capital Market Conference 2017
- Numerous individual discussions with investors at home and abroad
- Publication of 16 corporate news, ad hoc announcements and one press release

In order to meet our aspirations and those of our share- and stakeholders, the DEAG Executive Board is planning to intensify its investor relations activities on an ongoing basis. Among other topics, the goal is also to become more visible in the capital market in the UK, in line with the positive operating performance there. As a result, the Executive Board is planning to arrange for a second listing on the Alternative Investment Market of the London Stock Exchange. In addition, DEAG will also be intensifying its dialogue with international investors through roadshows and capital market conferences.

// INTERIM GROUP MANAGEMENT REPORT

SIGNIFICANT EVENTS IN THE REPORTING PERIOD

The business activities in DEAG's core markets have developed very positively across all divisions. After a strong first half of the year, the sold-out tour of the Rolling Stones, the open-air concert by Andreas Gaballier in Olympiastadion in Munich as well as the appearance of Anna Netrebko and Yusif Eyvazov at the Berlin Waldbühne were highlights in the third quarter. Besides these highlights, DEAG was able to arrange attractive events across all business units and to retain the world stars Anna Netrebko and Yusif Eyvazov for the long term. DEAG sees a positive business development for the fourth quarter, which was anticipated to be quite strong, as it was last year. With events such as the "The Good Life" tour by Till Brönner, the tour of Rolando Villazón, the "Best.Night.Ever. Tour 2017" of the Chippendales and the additional concerts by the pianist Joja Wendt, DEAG will offer additional exclusive highlights by the end of the year. In the Family Entertainment segment, Disney on Ice will once again host one of the most popular family shows in Germany in the fourth quarter of 2017. In addition, the successful Christmas business with the Christmas Gardens will be expanded to seven venues in 2017. In addition to the three events Christmas at Kew, Christmas at Blenheim and Christmas Garden Berlin, three new Christmas Gardens are planned in the final quarter, including Christmas at the Botanics in Edinburgh.

DEAG's development in its profitable second home market UK was also driven forward during the reporting period. The turnover generated by the acquisition of the British event organizer Flying Music Group in the UK is expected to increase the DEAG Group's sales in the UK to more than EUR 100 million in financial year 2018. In addition, DEAG has an even more heterogeneous and broader range of events and is one of the leading promoters and theatre producers in the UK.

With the expansion of DEAG's business fields through the acquisition of the Flying Music Group and the discontinuation of direct event activities in Austria, DEAG now has only profitable business units and sees itself on the right path to sustained profitable growth. Its increased profitability in the first nine months compared to the previous year, as well as the well-filled event pipeline with more than 2.2 million pre-sold tickets to future events for the first time ever, enable DEAG to take a positive view of the fourth quarter and the next financial year.

RISK AND OPPORTUNITY REPORT

To obtain more information on the risks and opportunities at DEAG, we kindly refer you to the Risk Report in the combined Management Report and Group Management Report for 2016 published in the Annual Report as of 31 December 2016 (p. 11 ff.).

FORECAST REPORT

As in the previous year, the company expects the peak season to bring very strong Christmas sales and therefore significant sales and earnings contributions in the fourth quarter of 2017. The event pipeline is also well filled, with roughly 2.2 million pre-sold tickets to future events that were sold for the first time in the third quarter. Based on current business development and the strong fourth quarter that can be expected, the Executive Board is looking forward to the continuing course of business in 2017 and confirms its forecast. Furthermore, other new events from the profitable Christmas Gardens series as well as continuation of its profitable expansion strategy in its second home market in the UK through the acquisition of the Flying Music Group, should have a positive impact. Overall, DEAG considers itself to be well prepared to continue to grow and increase its profitability in 2018.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements based on current assumptions and forecasts made by DEAG management. Such statements are subject to risks and uncertainties. These and other factors could lead to material differences between the results, financial position, development and performance of the company and the estimates made here. The company does not assume any obligation to update these forward-looking statements or adapt them to future events and developments.

// INTERIM CONSOLIDATED FINANCIAL STATEMENTS

| | |
|--|----|
| Consolidated Balance Sheet _____ | 09 |
| Consolidated Statement of Comprehensive Income _____ | 11 |
| Abbreviated Consolidated Statement of Cash Flow _____ | 12 |
| Changes in Consolidated Equity _____ | 13 |
| Selected Explanatory Notes to the Financial Statements _____ | 14 |

// CONSOLIDATED BALANCE SHEET

ASSETS

| | Interim Report | Annual Report | Interim Report |
|---|----------------|----------------|----------------|
| | 2017 | 2016 | 2016 |
| | 30.09.2017 | 31.12.2016 | 30.09.2016 |
| | in EUR '000 | in EUR '000 | in EUR '000 |
| Liquid funds | 29.909 | 28.378 | 21.437 |
| Trade receivables | 7.430 | 15.312 | 17.969 |
| Down Payments | 12.310 | 12.905 | 21.068 |
| Income tax receivables | 367 | 1.031 | 1.430 |
| Inventories | 67 | 64 | 125 |
| Other current financial assets | 2.658 | 2.796 | 3.060 |
| Other current non-financial assets | 2.240 | 2.455 | 1.761 |
| Current assets | 54.981 | 62.941 | 66.850 |
| Goodwill | 25.826 | 24.117 | 24.021 * |
| Other intangible assets | 9.196 | 7.909 | 8.137 |
| Tangible fixed assets | 2.527 | 1.046 | 822 |
| Investment properties | 5.340 | 5.340 | 5.340 * |
| Investments | 748 | 279 | 431 |
| Loans to associated companies | 1.218 | 1.209 | - |
| According to the equity method accounted financial assets | 2.348 | 2.367 | 2.552 |
| Other long-term financial assets | 1.510 | 1.863 | 1.968 |
| Deferred tax assets | 538 | 308 | 399 |
| Long-term assets | 49.251 | 44.438 | 43.670 |
| | 104.232 | 107.379 | 110.520 |

* Adjustment previous year pursuant to IAS 8.42 (see note 57, Annual Report 2016)

LIABILITIES

| | Interim Report | Annual Report | Interim Report |
|---|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2016 |
| | 30.09.2017 | 31.12.2016 | 30.09.2016 |
| | <u>in EUR '000</u> | <u>in EUR '000</u> | <u>in EUR '000</u> |
| Bank loans payable | 18.564 | 16.353 | 18.042 |
| Trade accounts payable | 9.994 | 13.554 | 10.795 |
| Accruals | 4.117 | 10.171 | 4.231 |
| Sales accruals and deferrals | 42.973 | 37.310 | 48.316 |
| Income tax liabilities | 899 | 944 | 192 |
| Other current financial liabilities | 4.619 | 3.673 | 5.927 |
| Other current non-financial liabilities | 1.984 | 6.837 | 2.861 |
| Current liabilities | 83.150 | 88.842 | 90.364 |
| Accruals | 52 | 227 | 279 |
| Convertible bond | 5.468 | 5.388 | 4.510 |
| Bank loans payable | 48 | 100 | 588 |
| Other long-term financial liabilities | 451 | 464 | 607 |
| Deferred taxes | 1.990 | 1.641 | 1.878 |
| Long-term liabilities | 8.009 | 7.820 | 7.862 |
| Share capital | 18.396 | 16.352 | 16.352 |
| Capital reserve | 42.508 | 40.081 | 40.061 |
| Accumulated deficit | -54.305 | -51.845 | -49.571 * |
| Accumulated other income | 1.432 | 1.403 | 1.307 |
| Equity attributable to DEAG shareholders | 8.031 | 5.991 | 8.149 |
| Equity attributable to non-controlling interest | 5.042 | 4.726 | 4.145 |
| Equity | 13.073 | 10.717 | 12.294 |
| Total liabilities and equity | 104.232 | 107.379 | 110.520 |

* Adjustment previous year pursuant to IAS 8.42 (see note 57, Annual Report 2016)

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED PROFIT AND LOSS STATEMENT

| | Interim Report III/2017 | Interim Report III/2016 | 6 Month Report 01.01.2017 30.09.2017 | 6 Month Report 01.01.2016 * 30.09.2016 |
|--|----------------------------|----------------------------|--|--|
| | in EUR '000 | in EUR '000 | in EUR '000 | in EUR '000 |
| Sales | 21.174 | 18.982 | 108.108 | 93.458 |
| Cost of sales | -16.038 | -16.553 | -87.905 | -78.629 |
| Gross profit | 5.136 | 2.429 | 20.203 | 14.829 |
| Distribution costs | -3.610 | -1.658 | -11.266 | -12.154 |
| Administration costs | -3.083 | -3.365 | -9.093 | -9.752 |
| Other operating income / expenses | 347 | -106 | 1.249 | 7.228 ** |
| Operating income (EBIT) | -1.210 | -2.700 | 1.093 | 151 |
| Interest income and expenses | -332 | -22 | -835 | -384 |
| Result from investments | 57 | -217 | 58 | -183 ** |
| Income shares in companies accounted for using the equity method | -244 | -327 | -29 | -80 |
| Financial result | -519 | -566 | -806 | -647 |
| Result before taxes (EBT) | -1.729 | -3.266 | 287 | -496 |
| Income taxes | 351 | 29 | 121 | 350 |
| Group result from continued operations after taxes | -1.378 | -3.237 | 408 | -146 |
| | -632 | -402 | -2.536 | -1.477 |
| Group result from discontinued operations after taxes | | | | |
| Group result after taxes | -2.010 | -3.639 | -2.128 | -1.623 |
| thereof attributable to non-controlling interest | -300 | -107 | 386 | -321 |
| thereof attributable to DEAG share-holders (Group result) | -1.710 | -3.532 | -2.514 | -1.302 |
| Earnings per share in EUR (undiluted) | | | | |
| from continued operations | -0,06 | -0,19 | 0,00 | 0,01 |
| from continued and discontinued operations | -0,09 | -0,22 | -0,15 | -0,09 |
| Average no. of shares outstanding (undiluted) | 18.396.193 | 16.352.719 | 17.325.480 | 14.838.578 |

* Change according to IFRS 5

** Adjustment previous year pursuant to IAS 8.42 (see note 57, Annual Report 2016)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | III/2017 from 01.01.2017 to 30.09.2017 in EUR '000 | III/2016 in EUR '000 | 01.01.-30.09.17 in EUR '000 | 01.01.-30.09.16 in EUR '000 |
|--------------------------------|--|-------------------------|--------------------------------|--------------------------------|
| Group result after taxes | - 2.010,00 | - 3.639,00 | - 2.128,00 | - 1.623,00 |
| Other result | 98,00 | - 326,00 | - 75,00 | - 1.568,00 |
| Total result | - 1.912,00 | - 3.965,00 | - 2.203,00 | - 3.191,00 |
| Thereof attributable to | | | | |
| Non-controlling interest | - 154,00 | - 1.036,00 | 415,00 | - 1.861,00 |
| DEAG Shareholders | - 1.758,00 | - 2.929,00 | - 2.618,00 | - 1.330,00 |

// ABBREVIATED CONSOLIDATED STATEMENT OF CASH FLOW

| | Interim Report 01.01.2017 -30.09.2017 <u>in EUR '000</u> | Interim Report 01.01.2016 -30.09.2016 <u>in EUR '000</u> |
|--|---|---|
| Result from continued operations | 408 | -146 * |
| Depreciation and amortisation | 983 | 1.091 |
| Change in accruals | -7.711 | -4.467 |
| Changes not affecting payments | -486 | -6.253 * |
| Deferred taxes (net) | -302 | -495 |
| Result from valuation of affiliated companies | 29 | 80 |
| Cash flow | -7.079 | -10.190 |
| Net interest income | 835 | 618 |
| Change in working capital | 11.474 | 971 |
| Net cash from operating activities from continued operations | 5.230 | -8.601 |
| Net cash from operating activities from discontinued operations | -2.536 | -1.477 * |
| Net cash from operating activities (total) | 2.694 | -10.078 |
| Net cash from investment activities from continued operations | -5.270 | -153 |
| Net cash from financial activities (total) | 4.064 | 6.836 |
| equivalents | 1.488 | -3.395 |
| Effects of exchange rates | 43 | -973 |
| Cash and cash equivalents at beginning of Period | 28.378 | 25.805 |
| Cash and cash equivalents at end of period | 29.909 | 21.437 |

* Adjustment previous year pursuant to IAS 8.42 (see note 57, Annual Report 2016) and in application of IFRS 5

// CHANGES IN CONSOLIDATED EQUITY

| | Balance as at | | Changes | | Balance as at |
|---|----------------------|----------|---------------------------|-----|----------------------|
| | 31.12.2015 | | 01.01.2016- 30.09.2016 | | 30.09.2016 |
| | <u>in EUR '000</u> | | <u>in EUR '000</u> | | <u>in EUR '000</u> |
| Share capital | 16.352 | | - | | 16.352 |
| Capital reserve | 39.944 | | 117 | | 40.061 |
| Accumulated deficit | - 48.269 | * - | 1.302 | * - | 49.571 |
| Accumulated other income / loss | 2.075 | - | 768 | | 1.307 |
| Equity attributable to DEAG shareholders | 10.102 | - | 1.953 | | 8.149 |
| Equity attributable to non-controlling interest | 5.921 | - | 1.776 | | 4.145 |
| Equity | <u>16.023</u> | - | <u>3.729</u> | | <u>12.294</u> |

* Adjustment previous year pursuant to IAS 8.42 (see note 57, Annual Report 2016)

| | Balance as at | | Changes | | Balance as at |
|---|----------------------|---|---------------------------|---|----------------------|
| | 31.12.2016 | | 01.01.2017- 30.09.2017 | | 30.09.2017 |
| | <u>in EUR '000</u> | | <u>in EUR '000</u> | | <u>in EUR '000</u> |
| Share capital | 16.352 | | 2.044 | | 18.396 |
| Capital reserve | 40.081 | | 2.427 | | 42.508 |
| Accumulated deficit | - 51.845 | - | 2.460 | - | 54.305 |
| Accumulated other income / loss | 1.403 | | 29 | | 1.432 |
| Equity attributable to DEAG shareholders | 5.991 | | 2.040 | | 8.031 |
| Equity attributable to non-controlling interest | 4.726 | | 316 | | 5.042 |
| Equity | <u>10.717</u> | | <u>2.356</u> | | <u>13.073</u> |

// SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

EXPLANATORY NOTES PURSUANT TO IAS 34

This quarterly financial report consisting of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, changes in equity and selected additional disclosures was prepared in accordance with IAS 34 and the applicable provisions of the German Securities Trading Act (WpHG).

The consolidated interim statement as of 30 September 2017 does not include all the disclosures and information that is presented in the full annual financial statements. The quarterly financial report should be read in conjunction with the consolidated financial statements from 31 December 2016.

The accounting, consolidation, currency translation and valuation principles applied in the consolidated financial statements as of 31 December 2016 were also used in this report in an unchanged manner. Please refer to the 2016 consolidated notes to the Annual Report (pp. 38-57).

This report has neither been audited nor reviewed.

CHANGES TO THE SCOPE OF CONSOLIDATION

In the consolidated interim financial statements, DEAG, as the parent company, includes those companies in which the control concept is met. Companies that were established, acquired or sold during the reporting period were included from the date of establishment, the date of acquisition or until the date of sale.

The following changes in the scope of consolidation took place in the period under review:

On 13 February 2017, DEAG sold its stake in Manfred Hertlein Veranstaltungen GmbH based in Würzburg (Live Touring segment), which it held through GOLD Entertainment GmbH, which was operated jointly with Sony Music. The purchase price has already been paid. The company contributed to the Group in 2016 with assets of approx. EUR 10.1 million, revenues of approx. EUR 21.3 million and EBIT of EUR 0.2 million.

On 18 August 2017, DEAG, via its British subsidiary Kilimanjaro Ltd., acquired 60% of the shares of British promoter Flying Music Group Holding Ltd, London. The purchase price may increase later, depending on the future business development in the years to 2019. In the past financial year 2016/2017, the Flying Music Group, which has been profitable since its founding, generated sales of around EUR 20 million.

As of 30 September 2017, the purchase price allocation has not yet been completed, as the closing balance sheets and acquired intangible assets are still being looked into. Therefore, the business combination cannot be finalised yet.

EQUITY

On 23 May 2017, DEAG successfully placed its cash capital increase with subscription rights from authorised capital by issuing all of the 2,044,089 new shares offered.

Gross issue proceeds were EUR 4,905,813.60. DEAG intends to use gross proceeds to finance the planned expansion of the business in the UK and the further growth of the DEAG Group.

The deadline for subscription to the new shares began on 5 May 2017 and ended on 22 May 2017. New shares not issued by the end of the subscription offer were sold to qualified investors in the Federal Republic of Germany and in selected countries excluding the United States of America and outside Canada, Japan and Australia as part of a private placement. The placement price was the purchase price.

The share capital of the company has thus increased by EUR 2,044,089.00 from EUR 16,353,334.00 to EUR 18,397,423.00 by issuing 2,044,089 new bearer shares with a notional share in the share capital of EUR 1.00 per share after registration in the commercial register. The new shares are entitled to participate in profit from 1 January 2016.

The new shares were admitted to trading in the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange without a prospectus and were included in trading as of 26 May 2017.

The capital increase was accompanied by Hauck & Aufhäuser Privatbankiers KGaA, Frankfurt/Main, as the sole Lead Manager.

// LEGAL NOTICE

// EDITING AND COORDINATION

DEAG Deutsche Entertainment Aktiengesellschaft
cometis AG

// FURTHER INFORMATION

For analysts and investors

Investor Relations: deag@cometis.de

This quarterly financial report and other current information on DEAG are also available on the Internet at www.deag.de/ir

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DEAG Deutsche Entertainment Aktiengesellschaft

DEAG DEUTSCHE ENTERTAINMENT AKTIENGESELLSCHAFT

Potsdamer Straße 58
10785 Berlin

Phone: +49 (0) 308 10 75-0
Fax: +49 (0) 308 10 75-519

info@deag.de
www.deag.de

A large-scale concert scene at night. The stage is illuminated with blue and white lights, featuring a large screen displaying a close-up of a performer. A massive crowd of people is visible in the foreground, filling the lower half of the frame. The background shows the complex structure of the stage and lighting rig.

**DEAG DEUTSCHE ENTERTAINMENT
AKTIENGESELLSCHAFT**

Potsdamer Straße 58
10785 Berlin

Tel.: +49 (0) 308 10 75-0
Fax: +49 (0) 308 10 75-519

info@deag.de
www.deag.de