



DEAG Deutsche Entertainment Aktiengesellschaft
Quarterly Financial Report (Group) as at March 31, 2016



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1. DEAG in the capital markets

The 2016 trading year began with weak performance in global equity markets. After significant declines in January and February, share prices recovered somewhat in March. The leading German index, DAX, declined by 7.2% to 9,966 during the first quarter of 2016. Over the same period, the SDAX small-cap index decreased by 3.2% to 8,810 points. During the first quarter of 2016, DEAG's share price decreased by 6.3%, from EUR 4.00 to EUR 3.75. Following increases in April, DEAG's stock was once again trading at around EUR 4.00 at the beginning of May 2016, the same level as at the end of 2015.

The year-end share price of EUR 4.00 on Xetra was also reached on 4 January 2016 and represented the high for the first quarter. Subsequently, the general stock-market weakness also affected DEAG's share price, which dropped to a low of EUR 2.45 on 11 February 2016 (Xetra closing price). The share price then recovered significantly, ending the first quarter of 2016 at EUR 3.75 per share.

During the first quarter of 2016, an average of 25,570 DEAG shares were traded daily on all German stock exchanges, almost the same level as in the prior-year period (average daily trading of 27,539 DEAG shares). The bulk of trading in DEAG shares (85.6%, compared to 87.0% in the first quarter of the previous year) again took place via the Xetra electronic trading system. During the period under review, Dero Bank AG again served as the designated sponsor, providing binding bid and ask prices for the DEAG share.

The DEAG share continues to be analysed by DZ Bank AG and by Hauck & Aufhäuser. In a research flash dated 19 April 2016, DZ Bank again issued a "buy" recommendation for DEAG's shares, citing a "fair value" of EUR 4.80 per share. Hauck & Aufhäuser, in its 18 April 2016 research study, referred to a target price of EUR 5.00 per DEAG share and continued to classify the share as a "buy".

To provide structural support for an ideal implementation of the adopted growth strategy, DEAG's Supervisory Board has decided to expand DEAG's Executive Board. Effective 1 April 2016, the new Chief Financial Officer (CFO) is business-administration graduate (Diplom-Kaufmann) and financial expert Ralph Quellmalz (46), who as of that date is also in charge of Investor Relations. The previous CFO, Christian Diekmann, in future as COO and CDO, will have Executive-Board-level responsibility for the operating business and for accelerating implementation of the digital strategy.

DEAG places a high priority on continuous, transparent communication with investors, analysts and representatives of the financial press. DEAG's Executive Board will continue in financial year 2016 to cultivate and expand the contacts it has developed over many years. This includes holding numerous road shows and one-on-one discussions with representatives of the aforementioned target groups. In addition, DEAG will take part in several important capital-market conferences.

Investors and interested parties can obtain detailed information on developments at DEAG from the Investor Relations section of our website at www.deag.de/ir. In addition, DEAG will provide regular, timely ad-hoc announcements and corporate news releases regarding business performance and trends. Qualified contact persons will also be happy to furnish further information via e-mail (deag@edicto.de) or by phone (+49 69 90 550 55 2).

2. Business performance and trend

Results of operations

During the first quarter of 2016, which went positive, DEAG Deutsche Entertainment AG reported EUR 31.3 million of sales revenues (previous year: EUR 38.9 million), reflecting the seasonal structure of events during the current financial year. Gross profit totalled EUR 6.8 million (previous year: EUR 9.0 million), representing a gross margin of 22% (previous year: 23%).

The company posted positive first-quarter EBIT of EUR 0.3 million. The decrease from the prior-year figure was in line with expectations and was primarily attributable to differences in business performance caused by seasonal factors.

The financial result totalled EUR -0.4 million, compared to EUR 0.2 in the prior-year quarter. Part of it represents non-cash expenditures relating to the sale of the equity investment in JHH GmbH & Co. KG, which was reported at 31 December 2015 under the balance-sheet item "Assets held for sale". The full purchase price has been received.

After taking into account the amount spent on taxes, the result from continuing operations totalled EUR -0.04 million. Earnings per share from continuing operations totalled -2 cents per share.

The result from discontinued operations mainly includes earnings from the discontinued music publisher/label business segment. Prior-year amounts in the consolidated income statement have been adjusted accordingly.

Net assets and financial position

Compared to the previous balance-sheet date, the balance sheet total decreased slightly (by EUR 3.9 million, or 3.5%) to EUR 108.8 million (31 December 2015: EUR 112.7 million).

On the assets side, current assets decreased by EUR 3.0 million to EUR 64.4 million. The decrease reflects the sale of the equity investment in JHH GmbH & Co. KG (EUR -7.0 million) and considerably lower trade receivables (EUR -4.2 million). These changes were partially offset by increases in liquid funds (EUR +2.4 million) and down payments (EUR +3.9 million).

The changes in long-term assets mainly consist of scheduled depreciation of fixed assets.

On the liabilities and equity side, aside from a reduction in equity (EUR -1.5 million), the main change was the decrease in long-term liabilities (EUR -2.2 million).

At the end of the first quarter, equity after minority interests totalled EUR 22.9 million (31 December 2015: EUR 24.4 million). In addition to the results for the period, the decrease reflected currency-translation differences included under other comprehensive income with no effect on the income statement. The equity ratio was 21% (31 December 2015: 22%).

Cash and cash equivalents increased by EUR 2.6 million to EUR 28.3 million during the period under review. While the change in cash holdings due to operating activities amounted to EUR -5.4 million, positive cash inflows from investment and financing activities totalled EUR 6.8 million and EUR 1.3 million, respectively.

In addition to the liquid funds reported on the balance-sheet date, unutilised credit facilities totalling EUR 15.1 million (31 December 2015: EUR 16.3 million) were also available.

Risk report

A risk provision of EUR 4 million was already set up on 31 December 2015 for the rock festivals, which will take place in the reporting period. With regard to festivals, current information confirms previous assumptions.

For further information, please see our remarks in the risk report included in the combined management report and Group management report for 2015 contained in the 2015 Annual Report (pp. 17-22), which readers can review and/or download from the Investor Relations section of the company's website (www.deag.de/ir).

3. Performance and trends by segment

DEAG's reporting continues to follow the same segment structure, which provides a clear, accurate picture of the Group's business activities:

The Live Touring segment covers the tour business. This includes activities by the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Manfred Hertlein Veranstaltungs GmbH (Würzburg), Wizard Promotions Konzertagentur (Frankfurt am Main), Grünland Family Entertainment (Berlin), Raymond Gubbay (London, UK), the sub-group Kilimanjaro (London, UK) and The Classical Company (Zurich, Switzerland).

Regional business and the entire service business are reported in the Entertainment Services segment ("stationary business"). This segment includes 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), Blue Moon Entertainment GmbH (Vienna, Austria) and mytic myticket (Berlin).

Regarding the performance and trends of the segments, we discuss:

Live Touring:

This segment generated EUR 1.2 million of EBIT on EUR 22.6 million of sales revenues. First-quarter highlights included tours and shows by Hansi Hinterseer, Musikantenstadl, Anton & Erin, Madam Butterfly and the Family Entertainment formats Disney on Ice, Nitro Circus and Night of the Jumps, among others.

Entertainment Services:

This segment broke even with a result of EUR -0.4 million on EUR 11.2 million of sales revenues.

During the period under review, the local promoters essentially participated in the Group's own tour business.

Over the remainder of the year, both segments will benefit from the expected developments. The coming months will include highlights in rock/pop, classical music and German-language music open-air and arena concerts, featuring, among others, Andreas Gabalier, Rammstein, Iron Maiden, Muse and David Garrett. In addition, it is clear that the Family Entertainment segment will play a major role, as expected.

4. Developments in the business division Ticketing

The dynamic trend in the business division Ticketing continued into the first quarter and the myticket.de sales platform further expanded its market position. This is reflected in the number of events offered on the website, a positive trend in the conversion rate and, above all, the increasing percentage of DEAG tickets being sold via myticket.de. Around 14% of all tickets Group-wide were sold via myticket.de, compared with just under 10% in the previous year. This upward trend is expected to continue; i.e., in 2017, around 40% of all DEAG ticket sales will be transacted via myticket.de, not including additional tickets for third-party content.

5. Outlook

DEAG had a positive start to the second quarter; current information confirms the previous assumptions regarding the future business trend. DEAG expects profitability to increase substantially for the year as a whole. As a result, the Executive Board is standing by its full-year outlook for 2016.

The expectation that the DEAG Group will sell over 5.0 million admission tickets is the basis for arguing that the upward trend in the Ticketing segment will continue, with corresponding positive contributions to Group results. On average, myticket.de should account for around 40% of all DEAG tickets sold in 2017. In addition, starting in the second quarter 2015, following very positive sales for Tabaluga, admission tickets for third-party content from other major event organisers are increasingly sold via myticket.de. DEAG expects to see a marked acceleration of this upward trend in future.

As before, the Group forecast does not include the positive effect on earnings that could result from potential cash inflows that DEAG could receive during the current financial year from lawsuits and settlements. DEAG is filing claims totalling over EUR 10 million in connection with the rock festival planned last year at the Nürburgring. Any payments received would be recognised in nearly the full amount on the income statement.

6. CONSOLIDATED BALANCE SHEET (IFRS)

	Interim Report	Annual Report	Interim Report
	2016	2015	2015
	as at	as at	as at
Total Assets	31.03.2016	31.12.2015	31.03.2015
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Liquid funds	28.238	25.805	57.278
Trade receivables	8.856	13.035	11.804
Down Payments	18.217	14.364	25.162
Income tax receivables	2.439	2.411	1.669
Inventories	140	125	206
Other current financial assets	3.277	2.299	5.558
Other current non-financial assets	3.213	2.289	1.953
Assets held for sale	-	7.016	-
Current assets	64.380	67.344	103.630
Goodwill	23.625	23.625	22.957
Other intangible assets	8.901	9.559	10.396
Tangible fixed assets	799	863	2.749
Investment properties	7.940	7.940	8.350
Investments	71	71	163
According to the equity method accounted financial assets	2.712	2.930	2.888
Down Payments	-	-	363
Other long-term financial assets	176	188	250
Deferred tax assets	169	189	231
Long-term assets	44.393	45.365	48.347
Total assets	108.773	112.709	151.977

	Interim Report	Annual Report	Interim Report
	2016	2015	2015
	as at	per	as at
Liabilities and equity	31.03.2016	31.12.2015	31.03.2015
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Bank loans payable	13.500	9.847	10.616
Trade accounts payable	8.028	11.136	10.531
Accruals	6.893	8.561	4.345
Sales accruals and deferrals	41.735	41.669	65.996
Income tax liabilities	872	917	1.533
Other current financial liabilities	6.118	6.144	2.418
Other current non-financial liabilities	4.812	3.987	4.540
Current liabilities	81.958	82.261	99.979
Accruals	261	416	485
Bank loans payable	628	2.424	1.494
Other long-term financial liabilities	963	1.015	1.011
Deferred taxes	2.002	2.163	2.383
Long-term liabilities	3.854	6.018	5.373
Share capital	16.352	16.352	16.352
Capital reserve	39.944	39.944	39.646
Revaluation surplus	-	-	298
Accumulated deficit	-40.306	-39.862	-17.408
Accumulated other income	1.629	2.075	1.131
Equity attributable to DEAG shareholders	17.619	18.509	40.019
Equity attributable to non-controlling interest	5.342	5.921	6.606
Equity	22.961	24.430	46.625
Total liabilities and equity	108.773	112.709	151.977

7. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Interim Report I/2016	Interim Report I/2015
	01.01.2016 -31.03.2016	01.01.2015 -31.03.2015
	<u>in EUR '000</u>	<u>in EUR '000</u>
Revenues	31.344	38.931
Cost of revenues	-24.547	-29.952
Gross profit	6.797	8.979
Distribution costs	-3.943	-4.187
Administration costs	-3.099	-3.013
Other operating income / expenses	592	226
Operating result (EBIT)	347	2.005
Interest income and expenses	-99	-59
Result from investments and participations	-119	-
Income shares in companies accounted for using the equity method	-136	217
Financial result	-354	158
Result before taxes (EBT)	-7	2.163
Income taxes	-36	-479
Result after taxes from continued operations	-43	1.684
Result after taxes from discontinued operations	-89	-171
Group result after taxes	-132	1.513
thereof attributable to non-controlling interest	312	478
thereof attributable to DEAG shareholders	-444	1.035
Earnings per share in EUR (diluted)		
from continued operations	-0,02	0,07
from continued and discontinued operations	-0,03	0,06
Average no. of shares outstanding (undiluted/diluted)	16.352.719	16.352.719
	I/2016	I/2015
Consolidated Statement of Comprehensive Income	in EUR '000	in EUR '000
Group result after taxes	-132	1.513
(+/-) Differences from Exchange rates (independent foreign units)	-305	49
(+/-) Deferred taxes on the other total result	-	-
Amounts as may be reclassified in future periods in the profit and loss account	-305	49
Total recognized directly in other comprehensive income	-437	1.562
Thereof attributable to		
Non-controlling interest	452	565
DEAG shareholders	-889	997

8. ABBREVIATED CONSOLIDATED STATEMENT OF CASH FLOW

	Interim Report	Interim Report
	01.01.2016 -31.03.2016	01.01.2015 -31.03.2015
	<u>in EUR '000</u>	<u>in EUR '000</u>
Result from continued operations	-43	1.684
Depreciation and amortisation	358	412
Change in accruals	-1.823	-393
Changes not affecting payments	957	141
Deferred taxes (net)	-141	18
Result from valuation of affiliated companies	136	-187
Cash flow	-556	1.675
Net interest income	99	58
Change in working capital	-4.897	-2.173
Net cash from operating activities from continued operations	-5.354	-440
Net cash from operating activities from discontinued operations	-82	-162
Net cash from operating activities (total)	-5.436	-602
Net cash from investment activities from continued operations	6.771	-399
Net cash from financial activities (total)	1.292	3.650
equivalents	2.627	2.649
Effects of exchange rates	-104	574
Cash and cash equivalents at beginning of Period	25.805	54.064
Cash and cash equivalents at end of period	28.328	57.287

9. CHANGES IN CONSOLIDATED EQUITY

	Balance as at	Changes	Balance as at
	31.12.2014	01.01.2015 -31.03.2015	31.03.2015
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Share capital	16.352	-	16.352
Capital reserve	39.646	-	39.646
Revaluation surplus	298	-	298
Accumulated deficit	-18.443	1.035	-17.408
Accumulated other income	591	540	1.131
Equity attributable to DEAG shareholders	38.444	1.575	40.019
Equity attributable to non-controlling interest	5.838	768	6.606
Equity	<u>44.282</u>	<u>2.343</u>	<u>46.625</u>

Changes in consolidated equity

	Balance as at	Changes	Balance as at
	31.12.2015	01.01.2016 -31.03.2016	31.03.2016
	<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	-	39.944
Accumulated deficit	-39.862	-444	-40.306
Accumulated other income	2.075	-446	1.629
Equity attributable to DEAG shareholders	18.509	-890	17.619
Equity attributable to non-controlling interest	5.921	-579	5.342
Equity	<u>24.430</u>	<u>-1.469</u>	<u>22.961</u>

10. Additional explanatory notes pursuant to IAS 34

The following interim report, consisting of the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the changes in consolidated equity and additional explanatory notes, satisfies the requirements for quarterly reporting specified in article 51(a) of the Stock Exchange Act [Börsengesetz/BörsG].

The consolidated interim financial statements do not contain all the disclosures and information presented in a complete set of annual financial statements. The interim report should be read in conjunction with the consolidated financial statements for the period ending on 31 December 2015.

The accounting and measurement methods used in the consolidated financial statements as at 31 December 2015 were maintained without any changes. Please consult the 2015 consolidated notes to the Annual Report (pp. 29-44).

Changes in the underlying parameters relate to exchange rates. Based on materiality considerations, the parameters required for calculating pension obligations were maintained without any changes.

Other disclosures

There were transactions with related parties during the period under review. Such related-party transactions were conducted at standard market terms and conditions; the Group considers these to be of minor importance. Please consult the relevant comments in the consolidated financial statements as at 31 December 2015 for more information on the type and scope of the related parties.

DEAG's Supervisory Board has expanded DEAG's Executive Board and restructured the departments and responsibilities. Ralph Quellmalz was appointed as Chief Financial Officer effective 1 April 2016. In addition to his role as COO (Chief Operating Officer), Christian Diekmann – who previously also served as Chief Financial Officer – in future will also hold the title of CDO (Chief Digital Officer) and will focus on further developing the Group's growing potential for creating value through digital technologies, as evidenced by the increasing importance of the ticketing platform www.myticket.de. In addition, Christian Diekmann will spend more time on developing new business.

The report has not been audited, nor has it been subjected to an audit review.

Berlin, 31 May 2016

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