DEAG entertainment GROUP

DEAG Deutsche Entertainment Aktiengesellschaft

ANNUAL REPORT 2017

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// 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 is present at seven locations in its core markets.

DEAG produces and profitably organizes a broad range of events and concerts. As an integrated entertainment Group, DEAG has extensive expertise in the organization, 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 realizes 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”.

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 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

// CONTENTS

// LETTER TO THE SHAREHOLDERS

LADIES AND GENTLEMEN,

DEAR SHAREHOLDERS,

Now in 2018, we can look back with satisfaction on fiscal year 2017 and also celebrate our company's 40th anniversary. Over four decades, we have presented outstanding artists and unique events including Michael Jackson and David Bowie at the 1987 Concert for Berlin in front of the Berlin Wall and the Rolling Stones' German tours. We were able to build up artists such as David Garrett and have now had the Jahrhunderthalle in Frankfurt under our direction for almost 20 years with more than 13 million visitors to date. Just as great artists and their music evolve yet remain unmistakable, so too have we always moved with the times and continued to developed DEAG.

Today, after a successful 2017 in which we fulfilled all our expectations, DEAG is a leading entertainment service company and provider of live entertainment in Europe. Germany, the UK and Switzerland are our core markets. With our business divisions Rock/Pop, Classics&Jazz, Family-Entertainment and Arts+Exhibitions as well as our ticketing platform MyTicket, we have a stable business model with a diversified event profile. We generate our sales with a large number of events for various target audiences, with a clear focus on profitability.

With sales of EUR 159.8 million (previous year: EUR 179.5 million), we succeeded in significantly improving earnings before interest and taxes (EBIT) to EUR 5.1 million. This corresponds to an increase in EBIT of EUR 7.3 million compared with EBIT in 2016 of EUR -2.2 million before non-operating effects from the sale of the Jahrhunderthalle in Frankfurt/Main and the discontinuation of operations in Austria. Our business in the UK, which we further strengthened in August 2017 with the acquisition of the Flying Music Group, made a significant contribution to this positive development. Our business in Germany and Switzerland was also satisfactory. Our events in 2017 once again offered bright highlights across all business divisions. Disney on Ice, which drew around 150,000 visitors, is one example in the Family-Entertainment division while Aerosmith at Königsplatz in Munich and the Rolling Stones' tour of Germany were highlights from Rock/Pop. We continued the expansion of our Arts+Exhibitions division, which included seven Christmas Garden programs in 2017 and the "Potsdamer Schlössernacht" 2018. In Classics&Jazz, we laid the foundation for positive business development in the future by extending our long-term contract with global stars Anna Netrebko and Yusif Eyvazov until 2022. We also made further progress with our ticketing business in the past fiscal year. More and more of our events are sold over our own ticketing platform, with the ticket volume for third party content also consistently on the rise. Our UK ticketing business developed particularly well. We reached an important milestone in 2017: the Group's ticketing business already contributes an upper six-digit amount to EBIT. Significant contribution margins were already generated in our core markets of Germany and the United Kingdom in 2017.

Under the umbrella of DEAG as an entertainment service company, we now unite a harmonious mixture of established international companies from various entertainment sectors with which we organize programs for popular artists, while we also constantly develop, promote and position new, innovative events on the market. In light of this, we can enjoy a well-filled event pipeline for fiscal year 2018 with currently 2.5 million pre-sold tickets.

We have laid the foundation for positive business development in 2018 and beyond. Our business model offers stability with excellent growth prospects. In the United Kingdom, for example, we see considerable sales opportunities, far-reaching synergy potential and strategic options for the Group's overall business in Europe thanks to our diversified event portfolio. We also anticipate clearly profitable, high-growth business development in the future, particularly in the Family-Entertainment and Arts+Exhibitions divisions.

We therefore expect sales growth of at least 20% and a disproportionate increase in our EBIT of at least 40% in fiscal year 2018. The main event focus in the current fiscal year will once again be on the fourth quarter. We believe the path we have taken has positioned us well for future challenges. We will continue along this path and continue to develop our business model continously. We would like to thank you, dear shareholders, for the trust you have placed in us and look forward to continuing on this path together.

Sincerely yours,

Prof. Peter L.H. Schwenkow

// REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

During fiscal year 2017, the Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft dealt closely with the situation and development of the company on a regular basis. In accordance with legal requirements and the recommendations of the German Corporate Governance Code (GCGC), we continuously monitored the Executive Board with regard to its management of the company and advised it regularly on matters related to managing the company. We were always able to convince ourselves of the legality, purpose and regularity of its management. The Supervisory Board was involved in all decisions of fundamental importance to the company in a timely and direct manner. Furthermore, the operative and strategic development of the Group was also 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, planning and situation of the company, including its risk situation and risk management. Documents relevant to making decisions were made available by the Executive Board in due time in advance of Supervisory Board meetings. Deviations in the development of business from the plans and objectives were explained in detail and the underlying causes were analyzed. The members of the Supervisory Board always had ample opportunity to comment critically on the reports submitted and resolutions proposed by the Executive Board, and to submit their own suggestions. In particular, we thoroughly discussed all business transactions of relevance to the company on the basis of written and oral reports by the Executive Board and verified them for plausibility. On many occasions, the Supervisory Board dealt in detail with the company's risk situation, liquidity planning and equity. The Supervisory Board gave the Executive Board its consent to individual business transactions to the extent that this was necessary in accordance with the law, the Articles of Incorporation and the Rules of Procedure.

The Supervisory Board met eight times in fiscal year 2017. Four of these sessions were physical meetings and four were conference calls. With the exception of Mr. Christian Angermayer, all members of the Supervisory Board were in attendance at more than half of the meetings. The members of the Executive Board participated in the Supervisory Board meetings unless the Chairman of the Supervisory Board had decided otherwise. Urgent matters were decided on the basis of written resolutions. All resolutions were passed on the basis of detailed resolution proposals and discussions with the Executive Board. Between the Supervisory Board meetings, the Chairman of the Supervisory Board was also in close personal contact with the Executive Board members. He subsequently informed the other members of the Supervisory Board about the current development of the business and key transactions.

Focus of the discussions of the Supervisory Board

The Annual Financial Statements and the Consolidated Financial Statements for fiscal year 2016 were discussed with the auditors at the Supervisory Board meetings held on April 7, 2017, and April 24, 2017. In this context, the Supervisory Board had dealt intensively with the situation of the company and its subsidiaries. Following detailed discussion and examination of the documents submitted by the Executive Board and after taking note of the Auditor's Report on the main results of its audit, the Supervisory Board decided to approve the Annual Financial Statements and the Consolidated Financial Statements for 2016 as well as the Combined Management Report and Group Management Report, as there was no reason to raise any objections.

By resolution of May 2, 2017, the Supervisory Board approved a cash capital increase with subscription rights from authorized capital. The capital increase was carried out on May 23, 2017, and entered in the company's commercial register on May 24, 2017.

The Executive Board reported particularly on the Quarterly Financial Statements of March 31, 2017, and the current business development at the Supervisory Board meeting on May 31, 2017. In view of the Supervisory Board member Martina Bruder leaving the Board, the Supervisory Board decided on June

26, 2017, to propose Prof. Dr. Katja Nettesheim as a candidate for election to the Supervisory Board at the Annual General Meeting. Mrs. Bruder had waived her election to the Supervisory Board for professional reasons. By written resolution in circulation on August 11, 2017, the Supervisory Board approved the stake in the British organizer the Flying Music Group. At the Supervisory Board meeting on August 30, 2017, the Executive Board reported on the Interim Financial Statements of June 30, 2017, and the operative forecast 1/2017. By resolution of the Supervisory Board on September 30, 2017, the closure of activities in Austria was resolved. The Supervisory Board meeting on October 11, 2017, dealt with the report of the Executive Board on the forecast 2/2017 and the current course of business. The 2018 financial calendar was also adopted. By circular resolution of November 30, 2017, the Supervisory Board approved the stake in Kultur im Park GmbH. At the meeting of the Supervisory Board on November 21, 2017, the Executive Board reported on the Quarterly Financial Statements as of September 30, 2017, and on forecast 3/2017. The Supervisory Board meeting on December 15, 2017, focused on the adoption of the 2018 budget and the resolutions on the recommendations of the GCGC. The extension of two management contracts at two Group companies was also discussed by the Supervisory Board.

Composition of the Executive Board and the Supervisory Board

The composition of the Executive Board did not change in the reporting period nor in the period directly thereafter. The Executive Board consists of the four members Prof. Peter L.H. Schwenkow, Christian Diekmann, Detlef Kornett and Ralph Quellmalz.

By resolution of the Annual General Meeting on June 27, 2017, the composition of the Supervisory Board was reduced from four to three members. The corresponding amendment to the Articles of Association was entered in the company’s commercial register on July 12, 2017. The regular term of office of all members of the Supervisory Board ended at the close of the 2017 Annual General Meeting, with Mr. Christian Angermayer and Mrs. Martina Bruder stepping down from the Supervisory Board. The following three members were elected to the Supervisory Board at the Annual General Meeting: Mr. Wolf-D. Gramatke, Mr. Michael Busch and Prof. Dr. Katja Nettesheim. The new term of office ends with the Annual General Meeting that resolves on the ratification of the actions of the Supervisory Board for fiscal year 2021. At the subsequent constituent Supervisory Board meeting, Mr. Wolf-D. Gramatke was elected Chairman and Mr. Michael Busch Deputy Chairman of the Supervisory Board. No Supervisory Board committees were formed since the Supervisory Board consists of only three members. All decisions were made as a collective body. There were no conflicts of interest on the Supervisory Board during the reporting period.

Corporate Governance and Declaration of Conformity

The implementation of the recommendations of the new version of the German Corporate Governance Code dated February 7, 2017, was the subject of the Supervisory Board on May 15, 2017, and December 15, 2017. On May 15, 2017, the Supervisory Board adjusted the targets in accordance with No. 5.4.1 GCGC and published them in the Corporate Governance Report. On December 15, 2017, the Executive Board and Supervisory Board issued the annual declaration of compliance with the recommendations of the Code in accordance with Section 161 of the German Stock Corporation Act (AktG) after the Supervisory Board had reviewed the efficiency of its activities. The Supervisory Board has also decided on a competence profile for the Supervisory Board. The joint Declaration of Conformity between the Executive Board and the Supervisory Board is permanently accessible on DEAG’s website at www.deag.de/ir. Further information on the implementation of the recommendations of the German Corporate Governance Code can be found in the Corporate Governance Report and in the Notes to the Consolidated Financial Statements.

Audit of the Annual and Consolidated Financial Statements

On June 27, 2017, the Annual General Meeting of DEAG selected Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, as auditor and Group financial statement auditor for fiscal year 2017. The auditor audited the 2017 Financial Statements of DEAG Deutsche Entertainment Aktiengesellschaft, the 2017 Consolidated Financial Statements of the DEAG Group and the Combined Management Report and Group Management Report and issued an unqualified audit certificate in each case.

The Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report and the Group Management Report of the DEAG Group for fiscal year 2017 were discussed in detail with the auditor's representatives at the meeting of the Supervisory Board held on March 21, 2018. The auditor reported on the main findings of his audit. He also assessed the effectiveness of the internal controlling system in terms of accounting, which did not lead to any objections. At the Supervisory Board meeting on March 29, 2018, the Annual Financial Statements and Consolidated Financial Statements were further discussed with the auditor. The Consolidated Financial Statements, the Group's Consolidated Financial Statements and Group Management Report as well as the auditor's reports were made available to all members of the Supervisory Board for review and resolution. After the Supervisory Board examined and discussed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, no objections were raised to the results of the audit of the Annual Financial Statements and Consolidated Financial Statements by the auditor.

After final examination, the Supervisory Board had no objections to the Annual Financial Statements of DEAG Deutsche Entertainment Aktiengesellschaft for fiscal year 2017 and approved them as established pursuant to Section 172 AktG. In addition, the Supervisory Board approved the Consolidated Financial Statements and the Group Management Report of the DEAG Group for fiscal year 2017 as prepared by the Executive Board and raised no objections on the basis of the final results of its examination.

The Supervisory Board would like to thank the management as well as all DEAG Group employees for their work in fiscal year 2017.

Berlin, March 2018

For the Supervisory Board

Wolf-D. Gramatke

Chairman of the Supervisory Board

// DEAG SHARE

1. DEAG ON THE CAPITAL MARKET

The DEAG share was characterized by volatility in the 2017 reporting period. On January 2, 2017, the share started 2017 at an opening price of EUR 2.76 per share. After rising to a high of EUR 3.40 on February 10, a sideways movement followed until the middle of the second quarter. Subsequently, the share price fell to its lowest level of EUR 2.31 on July 14 as a result of the capital increase carried out on May 24. With the publication of the figures for the third quarter, the share price recovered significantly towards the end of the year.

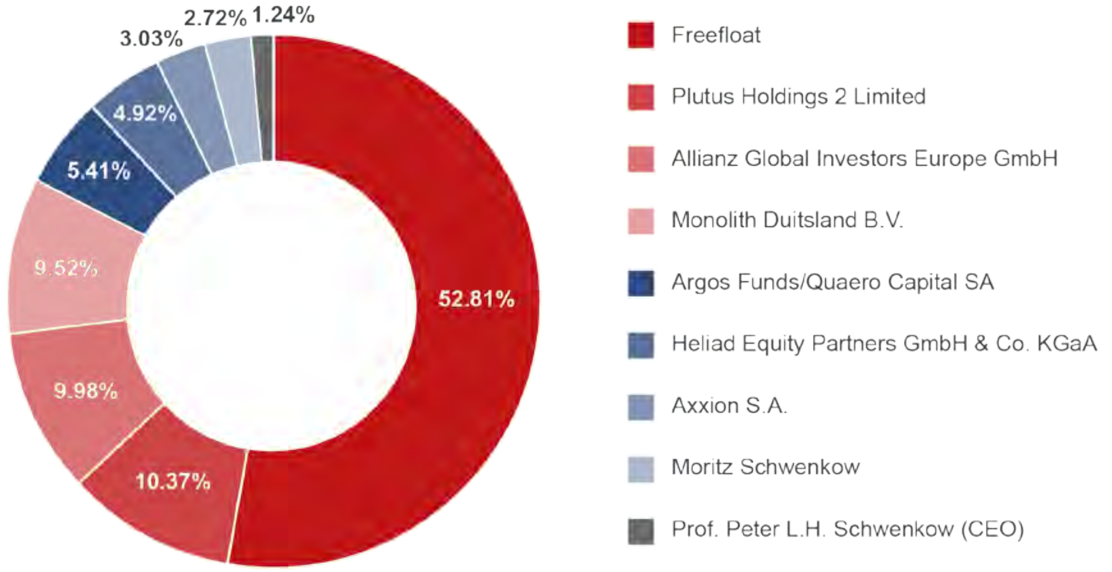
The share ended the year on December 29, 2017, at a closing price of EUR 3.00, which corresponds to market capitalization of EUR 55.2 million.

In the first months of 2018, the price moved with the market, which was subject to a downward movement, particularly in February 2018. After a subsequent sideways movement, the DEAG share closed at EUR 2.64 on March 15, 2018.

1.1 STOCK KEY DATA

ISIN	DE000A0Z23G6
WKN	A0Z23G
Number of outstanding shares (Dec. 31, 2017)	18,397,423
Year-end price (Dec. 29, 2017)	EUR 3.00
High (Jan. 1 – Dec. 31, 2017)	EUR 3.40
Low (Jan. 1 – Dec. 31, 2017)	EUR 2.31
Market capitalization on Dec. 31, 2017	EUR 55.2 million
Designated sponsor(s)	Dero Bank AG (until February 8, 2018) / Hauck & Aufhäuser

1.2 SHAREHOLDER STRUCTURE*



Disclosures based on the latest voting rights notification pursuant to § 21/33 WpHG

As of March 24, 2018

1.3 CAPITAL MEASURES AND INVESTOR RELATIONS

On May 23, 2017, DEAG announced the successful placement of all 2,044,089 new no-par value shares offered as part of a cash capital increase with subscription rights from authorized capital. The company was able to raise additional capital amounting to EUR 4.9 million from the placement. The funds were used to finance the planned expansion of the UK business and the continued growth of the DEAG Group.

Research experts at Hauck & Aufhäuser currently follow the DEAG share. The target price is EUR 5.00 (as of Nov. 27, 2017). Analyst studies are available on DEAG Deutsche Entertainment AG's website under Investor Relations/Research Comments.

We attach the greatest importance to the need for information on the capital market and meet the highest transparency requirements with our listing on the Prime Standard of the Frankfurt Stock Exchange. In addition to our legal obligations, we also undertook numerous other IR activities in the reporting period 2017:

- Participation in five capital market conferences
- Numerous one-on-one meetings with investors in Germany and abroad
- Publication of 14 corporate news items and press releases

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. One goal is to become more visible on the capital market in the UK – in line with the positive operational development in that country. Therefore, the Executive Board is planning a secondary listing on the Alternative Investment Market (AIM) of the London Stock Exchange. In addition, DEAG will increasingly enter into dialogue with international investors by conducting roadshows and participating in capital market conferences.

In order to maintain close contact with investors and analysts, DEAG Deutsche Entertainment AG took part in the DVFA Spring Conference on May 9, 2017, the Small Cap Conference (SCC) on September 5, 2017, the Zurich Capital Market Conference (ZKK) on September 6, 2017, the German Equity Forum in Frankfurt/Main from November 27 to November 29, 2017, and the Munich Capital Market Conference (MKK) on December 12, 2017, among other events. With the objective of presenting its business model and the company, DEAG presented itself at the conferences and held numerous individual discussions with investors, analysts and financial journalists.

DEAG will also intensify its dialogue with the capital market in the future and therefore plans to participate in several capital market conferences and roadshows in 2018. In addition, DEAG will intensify its dialogue with international investors again this year.

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

1.4 ANNUAL GENERAL MEETING

The Annual General Meeting of DEAG was held on June 27, 2017, in the “Meistersaal” in Berlin. All resolutions were adopted with majorities of at least 85.7%. Both the Executive Board and the Supervisory Board were discharged by a large majority for the last fiscal year 2016. In addition, the Annual General Meeting approved the proposal of the company to reduce the size of the Supervisory Board back to three members and elected Wolf-D. Gramatke (Chairman), Prof. Dr. Katja Nettesheim and Michael Busch (Deputy Chairman) to its Supervisory Board through the end of fiscal year 2021. Detailed information on the Annual General Meeting is available on the company's website in the Investor Relations section.

1.5 FINANCIAL CALENDAR 2018

April 12, 2018	Solventis Aktienforum (Frankfurt a.M.)
April 25, 2018	MKK – Münchner Kapitalmarkt Konferenz
May 15 - 16, 2018	DVFA Frühjahrskonferenz (Frankfurt a.M.)
May 31, 2018	Group quarterly report (3M)
June 27, 2018	Annual General Meeting (Berlin)
August 31, 2018	Semi-annual financial report (6M)
September 4, 2018	DVFA Herbstkonferenz (SCC)
November 26 – 28, 2018	EKF – German Equity Forum (Frankfurt/ Main)
November 30, 2018	Group quarterly report (9M)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// COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2017

// COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2017

1. PRINCIPLES OF THE COMPANY AND GROUP

1.1 BUSINESS MODEL INCLUDING OBJECTIVES AND STRATEGY

DEAG Deutsche Entertainment AG is a leading player in the live entertainment industry with a national focus on Germany, Switzerland and the UK. As a live entertainment provider with an integrated business model, DEAG has extensive expertise in the organization, marketing and holding of events, as well as in ticket sales for its own content and third-party content via its own ticketing platform MyTicket. With its broadly diversified event portfolio and around 4,000 events in 2017, DEAG is increasingly targeting less competitive, attractive niche markets and positioning itself in these with strong, profitable content at an early stage. In 2017, 57.8% of sales were generated in Germany and Switzerland and 42.2% in the UK.

With its experienced management, DEAG has very good access to national and international artists and, as an expert on live entertainment events, is also an important cooperation partner for major media companies. Its network includes, among others, strong partners such as Sony Music Entertainment, ProSiebenSat.1 Media SE/Starwatch Entertainment, Ringier AG and Axel Springer SE. With these targeted partnerships and cooperation agreements, DEAG is opening up further growth potential in the areas of Rock/Pop, Classics&Jazz, Family-Entertainment and Arts+Exhibitions. Through its subsidiaries in its core markets Germany, Switzerland and the UK, DEAG is now an established player in the live entertainment industry. We further strengthened our market position in the UK by acquiring the Flying Music Group in August 2017. International activities are to be expanded even further in the future. Besides the expansion of the operative business and additional partnerships, its growth is also to be advanced inorganically through the selective acquisition of competitors.

In the live business, DEAG is active as a tour promoter and a regional organizer. The company currently sells more than 5 million tickets per year. DEAG has strong international content for further growth in the years to come. With its ticketing business, DEAG is thus currently primarily represented in the European growth markets of Germany and the UK. In the medium term, content is to be marketed via its own ticketing platforms and the platforms will furthermore serve as attractive alternatives for third-party content producers.

DEAG thus continued to systematically implement its strategy for profitable business development in fiscal year 2017 by concentrating on the growth markets Germany, the UK and Switzerland, while activities in Austria were discontinued at the end of the fourth quarter.

1.2 GROUP STRUCTURE, INVESTMENTS, LOCATIONS AND EMPLOYEES

In the segments “Live Touring” and “Entertainment Services”, DEAG reports on the business development of the DEAG Holding as the Group parent with its 37 affiliated companies at seven locations in Germany, Switzerland and the UK.

The Live Touring segment (“touring business”) comprises the touring business. It includes 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), Raymond Gubbay (London, UK), the sub-group Kilimanjaro (London, UK), including the activities of the Flying Music Group and The Classical Company (Zurich, Switzerland) included in the Group for the first time as of August 1, 2017. The activities of Manfred Hertlein Veranstaltungs GmbH (Würzburg) were deconsolidated as of January 31, 2017.

The Entertainment Services division ("stationary business") includes the regional business as well as the entire service business. This in turn includes the activities of the AIO Group (Glattpark, Switzerland), Global Concerts (Munich), Concert Concept (Berlin), Grandezza Entertainment (Berlin), River Concerts (Berlin), Elbklassik (Hamburg), handwerker promotion e. gmbh (Unna), LiveGeist Entertainment GmbH (Frankfurt/Main), mytic myticket (Berlin) and since December 31, 2017, Kultur im Park GmbH (Berlin).

On September 28, 2017, the Executive Board resolved to discontinue the live entertainment activities in Austria as well as the plan for the complete winding up and discontinuation of this business division up to the liquidation of Blue Moon Entertainment GmbH and established the discontinuation of the geographical business segment Austria as of December 31, 2017. DEAG no longer conducts any active business there. As a result, this division was reported as a discontinued operation in the income statement for the reporting year and the previous year.

As of December 31, 2017, the employee structure was as follows: A total of 193 employees (previous year: 195) worked for the DEAG Group in Germany and abroad. An average of 33 people were employed by the DEAG Holding on an annual average (previous year: 33).

1.3 CONTROL SYSTEM AND PERFORMANCE INDICATORS

Financial management is organized centrally at DEAG. In order to minimize the risks and take advantage of Group-wide optimization potentials, the company bundles important financial decisions within the Group. In the project business, the gross margin as well as the break-even ticket number are used as the most important control variables. Sales, EBIT, consolidated profit and the corresponding margin are the key factors in the Group's overall management. In the case of company acquisitions, the amortization period of the purchase price is an important decision criterion in addition to the company-specific indicators. The Group controls its capital with the objective of ensuring that all Group companies are able to operate under the going concern assumption while maximizing their income for the company's stakeholders by optimizing the ratio of equity to borrowed capital. The fulfilment of covenant criteria in connection with the financing utilized is monitored on an ongoing basis.

2. ECONOMIC REPORT

2.1 OVERALL ECONOMIC ENVIRONMENT AND INDUSTRY-SPECIFIC ECONOMIC CONDITIONS

In the reporting period, the German economy was characterized by solid and steady economic growth. According to the first calculations of the Federal Statistical Office, the gross domestic product (GDP) rose by about 2.2% in 2017 compared to the previous year. The Federal Statistical Office sees the main reason for the positive economic development in domestic consumption, driven in particular by private consumer spending. For 2018 and 2019, the German Institute for Economic Research (DIW) in Berlin forecasts economic growth of 1.9% and 1.6% for Germany. According to estimates by the DIW, the economy in the UK suffered significant capital outflows last year directly related to the Brexit decision on June 23, 2016. The economists at the DIW forecast economic growth of 1.4% for the UK in 2018 and a GDP growth of 1.7% in 2019. For the euro zone, the German Institute for Economic Research cites above all private consumption as an economic growth driver. The DIW sees the overall improvement in the labour market as the reason for this. With respect to economic growth in the euro zone, the economists from Berlin expect a rise in the gross domestic product of 1.9% in 2018 and 1.6% in 2019.

According to a study conducted by the auditing company PricewaterhouseCoopers (PwC) in the fall of 2017, the firm expects average annual growth of 2.4% for the German media and entertainment industry by 2021. This robust growth will be supported by both increasing advertising revenues and rising consumer spending. According to the auditing company's forecast, the latter is expected to grow by an average of 2.6% annually, whereby this will mainly be driven by digital advertising revenues. Sales revenues are expected to grow by an average of 2.1% annually. The digital business is the key growth driver for PwC. For example, annual growth in the digital revenues of the entertainment and media industry is expected to average 5.8%.

According to the Federal Association of the Event Industry (bdv), the German event market reached a peak volume of around EUR 5 billion in the twelve-month period from July 2016 to June 2017. 28.5 million visitors who visited an average of nearly four concerts were counted in Germany alone, resulting in 113.5 million tickets in the period under review.

According to PwC’s forecast for the entertainment and media market in the UK from early June 2017, PwC anticipates annual growth of 3% for this market from 2017 to 2021 and thus sees that the industry is growing twice as fast as the gross domestic product of the UK.

The development of online ticket sales in Germany is also positive. According to the bdv, the Internet is the most important point of sale for ticket sales, accounting for 40% of all tickets sold in Germany. This percentage is significantly higher with music events (47.0%) than for non-music events (30.6%).

Experience has shown that live entertainment is a very emotional product that shows above-average decoupling from economic developments as a highly individual experience. Here, consumer demand in the live entertainment market is strongly characterized by the attractiveness of the events and stands in direct competition with other leisure offers such as sporting events in view of consumers’ time and financial capacity.

DEAG operates in an attractive, but also very competitive market environment. In response to this, DEAG identifies less competitive, attractive niche markets and positions itself in them with strong content at an early stage. With its broad product portfolio and clear regional focus on the growth markets Germany, Switzerland and the UK, DEAG therefore offers events and concerts in all genres that are aimed at an audience in almost every age group. Overall, the entertainment market is experiencing a positive development and therefore opens up further growth potential for DEAG. Live Events are becoming more and more important for artists, as sales from the sale of recorded music have fallen significantly in recent years and the proceeds from streaming have not been able to compensate for this loss. This strengthens DEAG’s position in the entertainment market as a leading organizer of events and concerts.

2.2 BUSINESS DEVELOPMENT

The business activities in DEAG’s core markets have developed very positively across divisions. After a strong first half of the year with highlights such as Aerosmith at Königsplatz in Munich, KISS and Classical Spectacular, the sold-out German tour of the Rolling Stones, the open air concert by Andreas Gabalier at the Olympic Stadium in Munich, the performance of Anna Netrebko and Yusif Eyvazov at Berlin Waldbühne, the Riverdance Shows, as well as the successful Christmas Gardens, were the highlights of the second half of the year. As in the previous year, the season highlight of 2017 came in the fourth quarter with very strong Christmas business and their associated significant sales contribution of 32%. As in the previous year, the successful Family-Entertainment and Arts+Exhibition formats made a significant contribution to the positive development of the fourth quarter.

Besides the Rolling Stones concerts in Germany and the Matapaloz Festival, the Rock/Pop division recorded further exclusive highlights in 2017 with events such as Iron Maiden, Chippendales, Ed Sheeran, Die Toten Hosen and additional concerts by pianist Joja Wendt.

In the Classics&Jazz area, DEAG once again offered top events such as Ludovico Einaudi, Till Brönner's “The Good Life” tour and Rolando Villazón’s tour. Classical stars Anna Netrebko and Yusif Eyvazov also extended their exclusive cooperation with DEAG on a long-term basis until 2022. This cooperation covers open airs, concerts, sponsoring and TV rights and lays the foundation for the future positive business development in the Classics&Jazz division.

As in the previous year, the annual highlight in the Arts+Exhibitions division included the Christmas Garden events, which were offered at seven locations in 2017. DEAG was also able to offer attractive content in the area of Family-Entertainment. Highlights in this area included events like the Riverdance shows, the Kiel Christmas Market, the Christmas Circuses and the “Got Me Started” tour by TINI. As in the previous year, Disney on Ice was again an absolute success and was attended by 150,000 visitors in 2017.

With the acquisition of the British promoter Flying Music Group in August, the profitable business in Great Britain was expanded to include another company. Thus, DEAG has an even more heterogeneous and broader range of events, making it one of the leading promoters and theater producers in the UK. With this diversified event portfolio, DEAG has considerable revenue potential and strategic options for the Group's overall business in Europe. With its event expertise, the Flying Music Group complements the international event portfolio of DEAG in a complementary manner and enables the company to continue to grow particularly in Family-Entertainment and the area of theater events. The sales generated by the DEAG Group in the UK are expected to increase to more than EUR 100 million in fiscal year 2018.

Through its interest in TimeRide GmbH, a provider of virtual reality entertainment, DEAG has positioned itself early on in the live entertainment market for virtual reality. TimeRide GmbH plays a pioneering role here in Germany. As its exclusive partner for ticket sales, DEAG therefore sees good conditions to benefit from the growth opportunities offered by virtual entertainment offerings in the coming years.

The ticket business including the British market is profitable by a six-digit figure. DEAG's content is increasingly being sold via its own ticketing platforms. MyTicket is also becoming increasingly attractive for third-party content.

2.3 INCOME, ASSETS AND FINANCIAL POSITION

2.3.1 Income Position of the Group

The DEAG Group generated sales of EUR 159.8 million in the past fiscal year compared with EUR 179.5 million in the previous year. This decline is mainly due to temporary effects from the change in the scope of consolidation between the first and third quarters of 2017. For example, DEAG deconsolidated Manfred Hertlein Veranstaltungs GmbH in January by selling its shares and integrated a third UK subsidiary into the Group later than originally expected with the acquisition of Flying Music Group Holding Ltd. in August. Already in 2018, the effects will completely level off again. Without the consolidation of the activities of both companies, revenue in 2017 and 2016 would have amounted to EUR 151.8 million and EUR 158.1 million, respectively, and the sales level in 2017 would have been only slightly below that of the previous year. In the final quarter of 2017, DEAG generated sales of EUR 51.7 million, or 32% of total annual sales. The Group benefited from a high event density in all three national markets.

Gross profit from sales amounted to EUR 29.3 million after EUR 30.8 million the previous year, which corresponds to a gross margin of 18% (previous year: 17%).

At EUR 13.1 million, sales expenses fell by 37% compared to the previous year (previous year: EUR 20.7 million). This already includes the up-front costs for sales and marketing for future events that were not recognizable. The significant increase in deferred revenue to EUR 67.6 million compared with the previous year (EUR 37.3 million) illustrates the satisfyingly high level of advance sales with more than 2.5 million tickets sold.

Other operating income amounted to EUR 2.6 million compared with EUR 8.1 million in the previous year. The previous year's figure mainly includes EUR 5.8 million in income in connection with the Jahrhunderthalle transaction, whereby the income resulted from the sale of the 49% stake in Jahrhunderthalle in Frankfurt/Main in March 2016. This item mainly includes EUR 0.8 million in income from changes in the scope of consolidation, EUR 0.4 million in insurance compensation and EUR 1.0 million in other income.

Other operating expenses increased slightly from EUR 0.8 million to EUR 1.2 million in the reporting year, remaining virtually unchanged. This includes special effects in connection with the acquisition of the Flying Music Group in the amount of EUR 0.4 million. These include in particular legal and consulting costs.

Depreciation on property, plant and equipment and intangible assets of EUR 1.5 million (previous year: EUR 1.6 million) in 2017 includes scheduled depreciation and one-off write-downs of order backlog disclosed in connection with the initial consolidation of Flying Music Group Holding Ltd.

With earnings before interest and taxes (EBIT) of EUR 5.1 million (previous year: EUR 3.7 million), DEAG was able to meet its earnings forecast for the year under review. Before non-operating effects from the sale of Jahrhunderthalle in Frankfurt/Main in 2016, EBIT even improved significantly by EUR 7.3 million.

The financial result in the past fiscal year amounted to EUR -2.1 million (previous year: EUR -1.5 million). The decline was caused by the interest result, which was burdened for the full year 2017 for the first time due to the convertible bond issued in mid-2016, and the reduced share of earnings from financial assets accounted for using the equity method as a result of non-cash write-downs (EUR 0.8 million).

Taxes on income amounted to EUR 0.6 million after EUR 0.5 million in 2016.

Earnings after taxes from discontinued operations in the reporting year in the amount of EUR -3.0 million (previous year: EUR -3.9 million) mainly pertained to the discontinued division Austria (including Blue Moon Entertainment GmbH). On September 28, 2017, the Executive Board resolved to discontinue the business unit’s activities and to completely liquidate and discontinue the company up to its full liquidation, and on December 31, 2017, it established the discontinuation of the geographical business unit of Austria. The company no longer conducts any active business there. The items in the income statement were adjusted accordingly for the year under review and the previous year. The revenues attributable to Blue Moon Entertainment in 2017 and 2016 of EUR 4.0 million and 6.1 million respectively are no longer included in the Group’s sales.

Consolidated profit from continued operations after minority interests amounted to EUR 0.8 million (previous year: EUR 0.3 million), which corresponds to earnings of EUR 0.04 per share (previous year: EUR 0.02 per share).

Possible positive earnings effects in connection with alleged recourse and insurance claims in the context of the rock festival at Nürburging planned in 2015 are not included in the business figures. The respective costs in the amount of EUR 0.2 million – mainly for legal counsel – were an additional burden in the fiscal year.

2.3.2 Business Development by Segment

DEAG reports using an unchanged segment structure. This reflects the Group’s activities correctly and clearly:

The touring business is reported in the **Live Touring** segment (“touring business”). These include the activities of DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Manfred Hertlein Veranstaltungs GmbH (Würzburg) until January 31, 2017, Wizard Promotions Konzertagentur (Frankfurt/Main), Grünland Family Entertainment (Berlin), Global Concerts Touring GmbH (Munich), Raymond Gubbay (London, UK), the sub-group Kilimanjaro (London, UK) including the activities of the Flying Music Group consolidated for the first time on August 1, 2016, and The Classical Company (Zurich, Switzerland).

The **Entertainment Services** segment (“stationary business”) includes regional business as well as the entire services business. These in turn includes the activities of the AIO Group (Glattpark, Switzerland), Global Concerts (Munich), Concert Concept (Berlin), Grandezza Entertainment (Berlin), River Concerts (Berlin), Elbklassik (Hamburg), handwerker promotion e. gmbh (Unna), LiveGeist Entertainment GmbH (Frankfurt/Main), mytic myticket (Berlin) and Kultur im Park GmbH since December 31, 2017 (Berlin).

Segment performance at a glance:

Business development of the segments:

Sales in EUR millions	2017	2016	Change from the previous year
Live Touring	107.1	122.9	-15.8
Entertainment Services	66.4	72.4	-6.4

Segment performance:

Operating result (EBIT) in EUR millions	2017	2016	Change from the previous year
Live Touring	7.5	5.2	+2.3
Entertainment Services	1.6	3.9	-2.3

Live Touring

Sales in the Live Touring segment in 2017 of EUR 107.1 million were below the previous year's level of EUR 122.9 million. This decline is mainly due to temporary effects from the change in the scope of consolidation between the first and third quarters of 2017, as both Manfred Hertlein Veranstaltungs GmbH and Flying Music Group Holding Ltd. were allocated to this segment. Excluding the consolidation of the activities of both companies, segment sales would have amounted to EUR 99.1 million and EUR 101.5 million in 2017 and 2016, respectively. As expected, segment EBIT amounted to EUR 7.5 million, a significant improvement on the previous year (previous year: EUR 5.2 million).

Entertainment Services

Sales in the Entertainment Services segment amounted to EUR 66.4 million in the past fiscal year after EUR 72.8 million in the previous year. The decline relates in particular to the discontinuation of some high-turnover events, including the Rockavaria rock festival, which did not take place in 2017. Adjusted for the income in connection with the Jahrhunderthalle transaction (EUR 5.8 million), the (operating) segment EBIT in 2017 developed clearly positively at EUR 1.6 million compared with the previous year (EUR -1.9 million).

In the year under review, local organizers benefited from the Group's own touring business in particular.

The Group's own MyTicket sales platforms grew in 2017 along the lines of the Executive Board's expectations and are already contributing an upper six-digit amount to EBIT. In order to accelerate further growth in the ticketing business, DEAG is continuing to pursue an organic expansion strategy. MyTicket already has a presence in important European markets and is also active for third-party organizers in addition to DEAG's own content. The Executive Board sees the course of business in 2017 as confirmation of its goal of successively expanding the ticket share of its own content and thus making an increasingly significant contribution to consolidated earnings.

2.3.3 Assets Position of the Group

As of December 31, 2017, the balance sheet total increased significantly by EUR 24.6 million or 22.9 % to EUR 132.0 million (December 31, 2016: EUR 107.3 million).

Current assets rose by EUR 20.5 million to EUR 83.4 million (December 31, 2016: EUR 62.9 million). While cash and cash equivalents and trade receivables increased by EUR 13.4 million and EUR 10.6 million respectively as a result of the strong business activity in the fourth quarter, advance payments decreased by EUR 2.0 million.

Non-current assets rose by EUR 4.1 million to a total of EUR 48.5 million (December 31, 2016: EUR 44.4 million) as of the balance sheet date. This development is attributable to increased goodwill (EUR +2.2 million) and property, plant and equipment (EUR +1.4 million), mainly due to the consolidation of the activities of the Flying Music Group.

Current liabilities as of the balance sheet date amounted to EUR 112.7 million, an increase of EUR 23.9 million compared to the previous year (EUR 88.8 million). Deferred revenues increased by EUR 30.3 million to EUR 67.6 million. The increase in this item by more than 80% reflects the very high number of tickets sold for future shows as of December 31, 2017, in the amount of 2.5 million. Trade payables (EUR -3.1 million), provisions (EUR -3.4 million) and other current non-financial liabilities (EUR -2.1 million) decreased.

Non-current liabilities amounted to EUR 6.4 million (December 31, 2016: EUR 7.8 million). The decrease relates to the portion of the convertible bond (EUR 1.4 million) issued in mid-2016, which matures in 2018 and was reclassified to current liabilities. The remaining amount of the convertible bond remains allocated to non-current liabilities.

Equity amounted to EUR 12.8 million (December 31, 2016: EUR 10.7 million), which still corresponds to an equity ratio of 10%. The changes in equity relate to the Group's current income, the capital increase successfully placed in May and dividend payments to other shareholders.

2.3.4 Financial Position of the Group

in EUR millions	**2017**	**2016**
Cash inflow / outflow from operating activities (total)	**16.7**	**-5.1**
Cash inflow from investing activities (total)	**-5.6**	3.2
Cash inflow from financing activities (total)	**2.2**	4.9
Change in cash and cash equivalents	**13.3**	**3.0**
Exchange rate effects	**0.1**	-0.4
Financial assets on Jan. 1	**28.4**	**25.8**
Financial assets on Dec. 31	**41.8**	**28.4**

Cash inflow from operating activities (total) amounted to EUR 16.7 million compared to a cash outflow of EUR 5.1 million in the previous year. The positive change in the financial position is mainly due to the significantly improved annual result on the one hand and on the other hand to the 132% year-on-year increase in the prepayment balance to EUR 56.6 million (previous year: EUR 24.4 million). The prepayment balance is an indicator of a strong increase in advance sales compared to the previous year. Cash outflow from investing activities (total) essentially resulted from payments for the acquisition of the Flying Music Group (EUR 2.1 million) and the transfer of cash in connection with the deconsolidation of Manfred Hertlein Veranstaltungs GmbH (EUR 3.1 million). Cash inflow from financing activities relates to the balance of the borrowing and repayment of financial debts, the proceeds from the capital increase and dividend payments to other shareholders. Overall, including the exchange rate effects, financial assets increased by EUR 13.4 million in the reporting period.

2.3.5 Income, Assets and Financial Position of DEAG (Holding)

The following statements on DEAG Holding comply with the provisions of German commercial law.

Income position

In the fiscal year, DEAG showed an annual net loss of EUR 6.0 million (previous year: EUR 5.8 million). This includes one-time non-cash value adjustments of receivables amounting to EUR 6.1 million (previous year: EUR 3.3 million), which were almost exclusively necessary in connection with the discontinuation of the activities of Blue Moon Entertainment GmbH so that future periods will no longer have to factor that burden. Without these expenses, the annual result would have been balanced again for the first time after 2016 and 2015 (EUR -8.5 million). DEAG's income mainly resulted from service income, commissions and royalties and amounted to EUR 3.4 million in 2017 (previous year: EUR 3.7 million). Expenses mainly related to material expenses, including personnel expenses in the amount of EUR 3.4 million (previous year: EUR 3.7 million). The interest result decreased to EUR -0.8 million. Income from investments amounted to EUR 4.6 million compared to EUR 1.4 million in the previous year, demonstrating the significantly improved profitability of DEAG's shareholdings.

Assets position

The balance sheet total decreased slightly from EUR 50.8 million in the previous year to EUR 47.5 million as of December 31, 2017. DEAG's equity amounted to EUR 20.3 million (December 31, 2016: EUR 21.4 million), which corresponds to an equity ratio of 42.7% (December 31, 2016: 42.3%). The change in equity relates to the annual result and the capital increase carried out in May, which led to an increase in DEAG's share capital by EUR 2,044,089.00 from EUR 16,353,334.00 to EUR 18,397,423.00 through the issue of 2,044,089 bearer shares with a pro rata amount of EUR 1.00 per share.

Financial assets as of December 31, 2017, amounted to EUR 15.4 million (December 31, 2016: EUR 14.4 million). At EUR 30.7 million, receivables from affiliated companies were down on the previous year (EUR 32.5 million).

As of the balance sheet date in 2017, cash and cash equivalents remained unchanged at EUR 0.1 million. In total, DEAG has credit lines of EUR 20.6 million, EUR 4.0 million of which were not utilized as of December 31, 2017.

Liabilities decreased compared to the previous year. This was attributable to reduced liabilities to credit institutions of EUR 12.9 million (December 31, 2016: EUR 15.3 million) due to scheduled repayments; these concern operating credit lines and financing of acquisitions. Liabilities to affiliated companies increased to EUR 4.7 million, compared to EUR 3.6 million in the previous year, and relate to current deferrals and liabilities from profit transfers. Other liabilities are almost unchanged from the previous year at EUR 2.8 million and mainly include prepayments from cooperation agreements.

2.4 OVERALL STATEMENT ON THE ECONOMIC SITUATION OF THE COMPANY

In the Executive Board's view, the company's performance in 2017 underscores that the right steps towards sustained positive business development were taken by expanding the event portfolio to include further attractive formats with a clear focus on profitability and the consistent termination of unprofitable business activities. The performance of the business model was impressively demonstrated in fiscal year 2017, in particular with another successful fourth quarter.

Overall, DEAG generated sales before consolidation of EUR 176 million in the year under review, which was below the previous year's level. Sales in 2017 after consolidation amounted to EUR 159.8 million (previous year: EUR 179.5 million). EBIT in 2017 amounted to EUR 5.1 million (previous year: EUR 3.7 million). Thus EBIT improved by EUR 1.4 million compared to EBIT in 2016. Before non-operating effects from the sale of the Jahrhunderthalle in Frankfurt am Main in 2016, EBIT even improved significantly by EUR 7.3 million.

The Executive Board's target of slightly exceeding the sales figures for 2016 in 2017 was not achieved. The main reason for this is that individual planned projects, particularly in Switzerland, could not be realized to the planned extent or were postponed to future periods. In addition, Flying Music Group Holding Ltd. was not integrated into the Group until August, later than originally expected.

In terms of EBIT, DEAG showed a significant improvement after a transitional year in 2016 and was able to build on and in some cases exceed the results of previous years. EBIT of EUR 4.2 million for the 2014 reporting year – the last year mostly unaffected by festival activities in 2015 and 2016 – was exceeded by EUR 0.9 million or 21%. The earnings forecast for 2017, according to which EBIT was in the mid to upper single-digit million-euro range, was achieved.

Both segments improved their earnings significantly compared to the previous year, with the Entertainment Services segment being relieved by EUR 3.0 million and EUR 3.2 million respectively after the closure of the Blue Moon Entertainment (Austria) division in 2017 and 2016.

The Executive Board considers the business development in 2017 as a whole as confirmation that the business model is intact and profitable and that the measures being taken are correct. In view of the positive developments in the segments, the ticketing segment and the well-filled event pipeline for 2018, the Executive Board assumes that the strategy being pursued will be increasingly reflected in sales growth and higher profitability.

3. CORPORATE GOVERNANCE

We have summarised the corporate governance declaration to be made pursuant to Sections 289f and 315d HGB for DEAG Deutsche Entertainment AG and the Group. The statements apply accordingly to DEAG Deutsche Entertainment AG and the Group, unless stated otherwise below.

3.1 DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTIONS 289f AND 315d HGB (GERMAN COMMERCIAL CODE)

3.1.1. Direction and management by the Executive Board

The Executive Board of DEAG manages the company on its own responsibility and represents DEAG in transactions with third parties. The Executive Board is strictly separate from the Supervisory Board. No member of the Executive Board may at the same time be a member of the Supervisory Board. The Executive Board defines the company objectives and the strategic orientation of the DEAG Group. It controls and monitors the Group's business units by planning and defining the company's budgets, by allocating funds and management capacities, by monitoring and deciding on important individual measures and by controlling operational management. Its activities and decisions are guided by the interests of the company. It is committed to the goal of sustainably increasing the value of the company.

The Executive Board makes its decisions on the basis of the laws, the Articles of Incorporation of DEAG and the rules of procedure of the Executive Board in principle by a simple majority. In the case of a tie, the vote of the Chairman of the Executive Board decides. The Chairman of the Executive Board has no veto rights against resolutions by the Executive Board. In addition, each member of the Executive Board is individually authorized to exercise his/her duties in the areas of work assigned to him/her.

The Executive Board reports regularly, promptly and comprehensively on all questions of planning, business development, risk analysis and risk management relevant to the company, and consults with the Supervisory Board on the strategic direction of the company. For certain transactions defined in the Articles of Incorporation and the Rules of Procedure of DEAG, the Executive Board must obtain the approval of the Supervisory Board before conclusion.

On May 1, 2015, the "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" entered into force. By September 30, 2015, all listed companies must set targets for the share of women on the Supervisory Board, Executive Board and the two management levels below the Executive Board.

The Supervisory Board has decided that the target figure for women's participation in the Supervisory Board should be 30%. The current share of women on the Supervisory Board amounts to 33%. In the Executive Board, the women's share is 0%. The current target for women's participation in the Executive Board is 0% as no change in the Management Board is currently planned. The Executive Board has also decided that the proportion of women in the first management level below the Executive Board (divisional Board members) should reach 30%. With a ratio of 33 % (as of December 2017) at the divisional Board level, the company has already achieved its target. The company has no other management levels.

The Executive Board and Supervisory Board have not yet adopted an independent diversity concept in accordance with Section 289f Para 2 No. 6 of the German Commercial Code (HGB) regarding the composition of the body entitled to represent the company and of the Supervisory Board with regard to aspects such as age, gender and educational or professional background. The Executive Board and Supervisory Board are of the opinion that, next to the objectives for the composition of the Executive Board and Supervisory Board and the measures implemented and aimed for in the company to promote diversity, an additional diversity concept does not bring any substantial added value. However, the Executive Board and Supervisory Board will again examine in fiscal year 2018 whether it makes sense to draw up an independent diversity concept.

3.1.2 Supervisory Board Report

The Supervisory Board Report is published together with this Management Report on the company's website at www.deag.de in the Investor Relations section.

3.1.3. Declaration of Conformity in accordance with section 161 AktG (Stock Corporation Act)

On December 15, 2017, the Executive Board and Supervisory Board of DEAG issued the Declaration of Compliance with the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) in the current version from February 7, 2017, and made it permanently available to shareholders. The full declaration is published on the company's website (www.deag.de/ir).

3.2 EXPLANATORY REPORT OF THE EXECUTIVE BOARD IN ACCORDANCE WITH SECTIONS 289a AND 315a HGB (GERMAN COMMERCIAL CODE)

As of December 31, 2017, the subscribed capital now amounts to EUR 18,397,423.00 following the capital increase on May 23, 2017. It consists of 16,353,334 bearer ordinary shares in the form of no par value shares with a calculated share in the share capital of EUR 1.00 per share and 2,044,089 new no par value bearer shares with a notional share in the share capital of EUR 1.00 per share issued as part of the capital increase on May 23, 2017. There are no different share classes or shares with special powers conferring control rights. There are also no statutory restrictions on the voting rights or the transfer of shares. The Executive Board is not aware of any such agreements between shareholders.

The Executive Board contracts each contain a notice of termination in favour of the Executive Board members in the event of a change of ownership. With regard to compensation agreements between the company and members of the Executive Board or employees, please refer to the disclosures in the Notes to the Consolidated Financial Statements.

Plutus Holdings 2 Limited directly and / or indirectly controls more than 10% of the company's shares. Insofar as employees have invested in the company's capital, they exercise their voting rights directly.

The Executive Board is appointed by the Supervisory Board in accordance with section 84 AktG. The number of members of the Executive Board is determined by the Supervisory Board, which also determines the duration of the Executive Board mandates. The Supervisory Board is authorized to make amendments to the Articles of Incorporation, which concern only their version. The General Meeting also decides on amendments to the Articles of Incorporation. The Executive Board is authorized, subject to the approval of the Supervisory Board, to issue new shares once or more than once from the Authorized Capital approved by the General Meeting and from the Conditional Capital of the company resolved by the General Meeting, thereby increasing the company's capital.

Conditional capital

The share capital of DEAG has been conditionally increased by an amount of EUR 6,800,000.00 (Conditional Capital 2014/I) in accordance with the resolution of the General Meeting on June 26, 2014.

A contingent capital increase may only be implemented to the extent that the holders of option or conversion rights, which are attached to the convertible and/or warrant bonds issued by the company up to June 25, 2019, due to the authorization of the Executive Board on June 26, 2014, or option rights or the holders of the convertible bonds to be issued by the company pursuant to the authorization resolution of the General Meeting on June 26, 2014, until June 25, 2019. The new shares will participate in the profits from the beginning of the fiscal year in which they are created by exercising conversion and option rights or by complying with conversion obligations. The Executive Board is authorized, subject to the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

The resolution on conditional capital (2014/I) was entered in the commercial register on September 9, 2014.

In the previous year, DEAG issued a convertible bond with the exclusion of shareholders' subscription rights at the nominal value. We refer to Note 25 of the Notes to the Consolidated Financial Statements.

Authorized capital

The General Meeting on June 26, 2014, created new authorized capital with the abolition of the unused authorized capital (Authorized Capital 2011/I). The Executive Board was authorized, subject to the approval of the Supervisory Board, to increase the share capital by a total of EUR 8,176,667.00 by June 25, 2019 (Authorized Capital 2014/I).

The decision on Authorized Capital 2014/I was entered in the commercial register on September 9, 2014.

On May 2, 2017, the Executive Board resolved, with the approval of the Supervisory Board, to partially utilize the authorized capital created on June 26, 2014, to increase the share capital of DEAG from EUR 16,353.334.00 by EUR 2,044,089.00 to EUR 18,397,423.00 by issuing 2,044,089 bearer shares with a pro rata amount of EUR 1.00 per share.

The capital increase was entered in the commercial register on May 24, 2017.

The authorized capital (2014/I) amounted to EUR 6,132,578.00 after partial utilization.

Acquisition of treasury shares (section 71 (1) no. 8 AktG)

DEAG is authorized by resolution of the General Meeting on June 25, 2015, pursuant to section 71 (1) no. 8 of the German Stock Corporation Act (AktG) to acquire treasury shares up to 10% of the capital stock at the time the resolution is passed by June 24, 2020, with the approval of the Supervisory Board. The decision is to be made by the Executive Board. Such a purchase may only be effected via the stock market or through a public purchase offer addressed to all shareholders. This authorization has not yet been exercised. On December 31, 2017, the company held 615 treasury shares.

3.3 REMUNERATION REPORT

The Supervisory Board determines the remuneration of the Executive Board. In addition to fixed remuneration, the members of the Executive Board also receive a variable component (bonus).

The bonuses for the Executive Board are calculated on the basis of individually agreed contractual arrangements based on the results achieved (EBITDA, EBIT) by the Group. In addition, the Supervisory Board may decide to pay additional remuneration, whereby the total remuneration to be achieved is limited by contract for each member of the Executive Board. Furthermore, benefits are provided, for example, in the form of granting a company car or as grants for health and long-term care insurance.

The total compensation granted to the Executive Board in 2017 amounted to a total of EUR 2.0 million (previous year: EUR 1.8 million); EUR 1.9 million in benefits (previous year: EUR 1.8 million) were received in the year under review. This figure includes compensation for activities in subsidiaries included in the Consolidated Financial Statements (EUR 128 thousand, 2016: EUR 98 thousand).

The remuneration of the Supervisory Board is regulated in the Articles of Association. From January 1, 2017, on, the fixed annual remuneration of the Supervisory Board will amount to EUR 28,000.00. In return, there is no variable remuneration. The Chairman of the Supervisory Board receives twice the remuneration, his deputy 1.5 times. The members of the Supervisory Board also receive an attendance fee of EUR 1,000.00 for each meeting, as well as reimbursement of all expenses and value added tax on their remuneration.

4. REPORT ON OPPORTUNITIES AND RISKS

4.1 INTERNAL MONITORING AND RISK MANAGEMENT SYSTEM

Pursuant to section 91 (2) AktG, the Executive Board is obliged to take appropriate measures and, in particular, to set up a monitoring system in order to identify the risks that pose a threat to the company and the Group early on. Risks are an inherent part of business activity. This requires that the strategic and operational risks be recognized, assessed and reported.

At the same time, DEAG and the DEAG Group are always exposed to a number of general market and business risks, as well as various specific risks, which are particularly linked to the industry, as this is a volatile business.

A monitoring system has been set up at DEAG and the DEAG Group with which the company's and the Group's continued existence can be secured by recognizing threatening developments at an early stage. The monitoring of business activity for the early detection of threatening risks is currently being carried out to a large extent by the Executive Board and the Corporate Controlling Division at headquarters. The focus of the risk management system is on liquidity planning, project calculations and monitoring of the advance sales figures of all operating subsidiaries as well as the ongoing forecast of the earnings situation of the individual companies and the Group. Group management is based on financial (sales and EBIT) and non-financial (ticket sales) performance indicators. The risks identified are regularly checked with the business unit responsible over the course of the year with the aim of eliminating or minimizing existing risks. As part of this process, the opportunities and risks are identified, quantified jointly by the Executive Board and the Managing Directors of the subsidiaries, and control measures are defined which are regularly reviewed and adapted as necessary.

Regular forecasts and plan/actual comparisons are prepared for the individual business segments. At the business level, pre-calculations and post-calculations are carried out for projects. The most important operational control variable is break-even utilization, the achievement of which is monitored by means of a regular query of the advance sales figures. Liquidity planning is regularly prepared for the Group's core business areas. By transferring accounting to the holding company or through a standardized exchange of information with the subsidiaries, the Executive Board is constantly informed of the earnings, assets and financial situation.

Group-wide risk management is the responsibility of DEAG's commercial department. It provides the instruments, processes and know-how required for risk management.

The preparation of the individual financial statements – including the holding company – according to the respective national law is the responsibility of the executive bodies. The accountants of the individual companies – including the holding company – are supervised and professionally supported by the Head of Finance and Accounting and the Chief Financial Officer at headquarters. Specialists are assigned certain topics. Their expertise is checked at headquarters and the results are then processed in the accounting department of the respective individual company.

The Consolidated Financial Statements are prepared by the parent company's accounting department in accordance with IFRS, which also defines the main processes and sets the deadlines. There are binding instructions for intercompany coordination and other financial statements.

Standard software is used to illustrate the accounting processes in the individual financial statements and to prepare the Consolidated Financial Statements, with the respective access rights of the parties clearly defined.

The separation of functions and the dual control principle are consistently implemented in all processes in the accounting department. Where gaps can arise due to the small size of the area, these are attended to by knowledgeable employees in other areas.

The internal control system in the financial reporting system continuously monitors these principles. The risks relevant to the DEAG Group with regard to a reliable control environment as well as proper financial reporting are recorded centrally in a risk catalogue. This is reviewed and updated annually by the Head of Finance and Accounting and the Chief Financial Officer.

Under the provisions of the German Commercial Code, we are obliged to point out the opportunities and risks of future development. This Combined Management Report and Group Management Report, as well as further information on the fiscal year, include future-oriented assumptions and estimates that involve risks which could cause actual results to differ from our expectations.

4.2 RISK REPORT

4.2.1. Market/competition

The DEAG Group operates in a competitive market. Our aim is to recognize changes in the market at an early stage and to react to them. Nevertheless, the market environment can change surprisingly, which could lead to risks for the Group’s business. This applies, for example, to possible changes in leisure and consumption behaviour, which could adversely affect ticket sales in live entertainment. The DEAG Group’s business is largely dependent on ticket sales.

In addition, the conditions for the availability of artists who meet the taste of the audience might change, and new, strong competitors could possibly enter the market and compete with the DEAG Group.

Furthermore, business success, particularly in the Rock/Pop division, is dependent on the extent to which DEAG’s subsidiaries succeed in counteracting the artists’ increasing payment demands for performing. The decline in the volume of recording media sales increases the importance of the organizers, which improves our bargaining position.

The DEAG Group’s business is also determined by the condition that appropriate venues are available. The DEAG Group has access to the Jahrhunderthalle in Frankfurt/Main with its 49% shareholding in the Kultur und Kongresszentrum Jahrhunderthalle GmbH, which acts as an operating company on the basis of a leasing contract. The remaining venues are rented for the respective event. If the artists are unable to perform at the respective locations, this can adversely affect the Group’s business.

In addition, there is a dependency on artists, agents, producers and other actors in the industry with regard to existing business relationships and the establishment of new business relationships.

The availability of distribution channels, particularly pre-sale systems, also has a major impact on business success.

The Group’s course of business is also influenced by the fact that it is still possible to attract, retain or, in the event of a departure, compensate for the loss of qualified employees and industry know-how for the company. This is especially the case in the entertainment industry, which is strongly dependent on the relationships and contacts of individual persons. The members of the Executive Board of DEAG and the Managing Directors of its subsidiaries and shareholdings are particularly important in this regard. The business success in the Rock/Pop segment depends on the successful integration of acquired holdings in Germany as well as possible further company acquisitions. In the Classical&Jazz division, further success depends on the extent to which well-established top stars can be committed in the medium and long term, and new generation artists can move forward. The Group counters this risk with a broad portfolio of artists.

Terrorist attacks are unfortunately becoming more common at major events like soccer matches or concerts. If such attacks continue to occur in the future, it cannot be ruled out that this will have a negative impact on the demand for event tickets.

The DEAG Group works with various insurance companies. These insurance policies are intended to cover risks associated with business activities, with the performance and cancellation of concerts and other events in particular. Chief among these is the risk that concerts or other events must be cancelled at short notice because the respective artist cannot perform. If a company included in the Consolidated Financial Statements is not at all or not adequately insured in such a case or in the case of other claims, the obligations arising from the respective loss could have a materially adverse effect on the company's earnings, assets and financial position.

4.2.2. Valuation of goodwill and other intangible assets

Due to the uncertainties in the DEAG Group's operating business referred to earlier, further depreciation of the goodwill or financial assets as well as the other intangible assets of the Group recognized in the context of the purchase price allocation cannot be excluded in the future if the actual results of the subsidiaries differ from expectations. This applies both to existing and perhaps new goodwill from other company acquisitions. Impairment tests are carried out for the goodwill of each Group's cash generating unit.

Within the Group, part of the difference between the purchase price and the equity of the acquired company shares is allocated to the order backlog as well as the artist and agent relations. This part is depreciated according to plan.

4.2.3. Investment property

The Group continues to report the sale of the sub-lots located around Frankfurt's Jahrhunderthalle (section 17 of the Consolidated Financial Statements) in the balance sheet under the item "Investment property".

In 2015, DEAG established a 50:50 joint venture with a Frankfurt-based real estate investor in the context of the "Jahrhunderthalle" transaction and sold the land intended for development with a depreciation condition.

With the granting of a building permit, the transfer of ownership is to be carried out and the entire real estate or parts thereof are to be fully developed and marketed by the joint venture under the responsibility of the real estate investor. In the case of a positive and successful development of the properties, an additional profit would be generated which would exceed the book value (EUR 5.3 million). Concrete planning procedures have thus far been blocked due to legal concerns regarding the proximity of the Hoechst Industrial Park and the resulting legal questions concerning the applicability of the so-called Seveso III Directive, according to which minimum distances between construction projects and certain operating areas must be observed. DEAG nevertheless considers the creation of building rights to be realistic in the medium term and sees itself strengthened in this regard by the latest developments. For example, the city of Frankfurt/Main and the industrial park operators have reached an agreement under which the operators of the industrial park will not take any legal action in the future against (residential) construction projects outside a radius of 500m (measured from the border of operations). In return, the city of Frankfurt/Main undertook not to plan and approve any particularly vulnerable uses such as residential buildings, schools and retirement homes located within the 500m radius. The legal certainty created by this agreement now enables the construction of up to 3,000 apartments near the industrial parks, especially in the parking town of Unterliederbach next to the Jahrhunderthalle and the associated infrastructure development, e.g. with retail trade. The concrete effects of the agreement on the properties owned by DEAG are currently being reviewed.

If the building capacity is not approved as planned or if the estimated prices per square meter are significantly reduced for other reasons, there is a risk of a substantial impairment which would have a negative impact on the company's assets and earnings situation. On the basis of a valuation certificate, which was last received on December 31, 2015, a change in the value of these land values by 5.0% upwards or downwards would result in an estimated value adjustment of EUR 397 thousand or EUR -397 thousand respectively.

4.2.4. Financial liabilities

The financing of the operating business depends on the ability of the companies of the DEAG Group to generate sufficient cash flow in a volatile business or to arrange external financing sources (debt or equity).

For this reason, DEAG has agreed with four house banks on a comprehensive framework without further maturity limits, which is to be used for the purposes of acquisition financing (EUR 5.1 million), the pre-financing of touring and concert events (EUR 6.0 million) as well as the operating business (EUR 10.0 million). Of the latter, EUR 0.5 million is accounted for by a subsidiary.

In addition, DEAG successfully placed a convertible bond in the amount of EUR 5.7 million in 2016. The term of the convertible bond started on June 30, 2016, and runs for two years until June 30, 2018, with an extension option at the same conditions for an additional year until June 30, 2019. In exercising the extension option, EUR 4.3 million of the EUR 5.7 million was extended for another year until June 30, 2019.

The current rate of return on the respective draws and claims is, on the one hand, based on the general development of the EURIBOR, on the other hand on agreed balance sheet and income ratios (financial covenants), which can lead to an increase or a reduction in interest payments.

The financial and non-financial covenants toward credit institutions are monitored on an ongoing basis and the interest margins to be derived therefrom are coordinated with the relevant credit institutions by mutual agreement.

The respective financing conditions reflect the favourable market level and DEAG's rating. The framework lines could be terminated on the basis of the general terms and conditions as long as the DEAG Group's net assets, financial position and results of operations have deteriorated sustainably compared to the date of the respective grant, and compensatory measures such as the appointment or reinforcement of bank collateral to hedge the respective claims will not succeed.

DEAG is dependent on successful ticket sales and thus positive business developments in the financing of its operations, including organic and external growth. In individual cases, DEAG has entered into commitments
(in particular for payments to performing artists) and has had to provide advance payments in terms of liquidity since there are temporary differences between the disbursements and payments from ticket sales. In such cases, the relevant pre-production costs would have to be covered by other sources, such as other untied financial resources or by drawing on the credit lines from domestic banks.

Besides the cash and cash equivalents available on the balance sheet date, a total of EUR 4.3 million in unused credit lines are still available. On the basis of current forecasts on earnings (EBIT) and the liquidity derived from it, the Executive Board estimates the financial position of the company and the Group to be in order. With regard to the forecast, please refer to 6. Forecast Report.

Should the course of business differ from planning, e.g. as a result of a significant decline in ticket sales which permanently and sustainably worsens the earnings power of the DEAG Group, liquidity shortages could occur if the planned financial inflows and credit lines are not sufficiently available. DEAG would then have to rely on being able to obtain additional financing sources (debt or equity).

4.2.5. Financial instruments

The DEAG Group is exposed to interest rate, currency, creditworthiness and liquidity risks with regard to its assets, liabilities and operating business.

Parts of the interest paid by the Group's borrowings are directly EURIBOR-based. Capital costs are thus partially subject to interest rate risk. In view of the current interest rate trend, the Executive Board considers the risk for DEAG and the Group to be low, so no interest rate hedges were arranged during the reporting period.

Payments for artists, orchestras, show productions, etc. are partly USD-based and are therefore subject to the currency risk against the euro, the CHF or the GBP. The same applies to dividends paid by foreign subsidiaries in CHF and GBP. The company regularly performs analyses to anticipate the effects of currency fluctuations and to assess whether hedging transactions are beneficial. No currency hedging transactions were carried out during the period under review.

With regard to the receivables from business partners, DEAG and the DEAG Group are dependent on the continued existence as well as their creditworthiness and thus their ability to pay. Active receivables management is carried out to reduce the risk. In addition, advance payments are agreed. In the period under review, provision was made for individual adjustments to some receivables.

Potential liquidity risks are covered by short-term and medium-term plans. The task of financial management is to ensure the timely handling of all liabilities. In addition, compliance with financial and non-financial covenants with credit institutions is monitored on an ongoing basis. The company has both long-term and short-term credit relationships.

The portfolio of primary financial instruments is shown in the balance sheet; the amount of the financial assets corresponds to the maximum default risk. To the extent that there are default risks in the case of financial assets, these risks are recorded through valuation adjustments.

4.2.6. Tax risks

DEAG has established a risk management system for the holding company and its major subsidiaries. This includes measures for the recording, valuation and reduction of potential tax risks. Experts are consulted with on special topics. Their findings are reviewed at headquarters and the results are then taken into account accordingly.

In the case of sufficiently concrete, assessable tax risks that are likely to occur, existing tax credits have been reduced or corresponding provisions have been passivated.

In addition, other operating obligations could result from future operating audits, the amount of which cannot currently be reliably estimated.

4.2.7. Litigation and lawsuits

The Group currently carries out both active and passive legal proceedings. Where risks are discernible, these risks are generally recognized in the annual financial statements on the one hand by making valuation adjustments on the assets and on the other by way of provisions. Only procedural costs were recorded in the reporting year. There are no individual contingent liabilities arising from passive proceedings. (Potential) asset reductions of EUR 0.45 million could become more concrete; the risk is currently regarded as unlikely, however.

Potential assets in connection with court claims for damages and contract fulfilment have not been recognized as of the balance sheet date. The claims excluding interest amounted to EUR 11.9 million in total.

4.2.8. Holding structure

The company itself carries out almost no operations, but acts as the holding company of the DEAG Group. At the present time, the company’s assets are largely made up of the shares in its operating subsidiaries. With these, the company is partly linked by control and profit transfer agreements. The company itself is therefore dependent on the fact that the operating companies of the DEAG Group are able to generate and transfer profits. On the other hand, the company is obliged to compensate for any losses that may be incurred against the parties involved in control and profit transfer agreements. This may have a materially adverse effect on the company’s net assets, financial position and results of operations.

In order to avoid or minimize these risks, the company operates a risk management system at Group level in which all subsidiaries are involved (see 5.1 Internal Control and Risk Management System). Through this risk management system, the opportunities and risks at the Group level are recorded and assessed, control measures are defined and monitored and the uniform Group accounting process is ensured.

4.3 OPPORTUNITIES REPORT

The DEAG Group expects the business to develop successfully in 2018 and in the following years. With its broad portfolio, the Group is able to react flexibly to changes in trends.

In addition, the company sees opportunities for exceptionally good business development, particularly in the following areas:

» **Inorganic growth opportunities:** Through future selective M&A measures, DEAG sees increased growth opportunities in its target markets. DEAG has an excellent M&A track record.

» **Growth market UK:** DEAG is a well-established player in the UK live entertainment market and has made a name for itself as one of the biggest organizers of top events. The Executive Board wants to pick up on this momentum and further expand the UK business and continue this success story with Flying Music Group (FMG). By acquiring a majority stake in the British promoter, DEAG has an even more heterogeneous and broader range of events. With this diversified event portfolio, DEAG has considerable revenue potential and strategic options for the Group’s overall business in Europe. FMG complements the international event portfolio of DEAG in an ideal manner. Besides the positive effects on DEAG’s international Live Entertainment business, the Executive Board expects growth stimulus for DEAG’s ticketing business in the UK (myticket.co.uk) to result from the up to 500,000 additional tickets per year.

» **Family-Entertainment:** Especially in the area of Family-Entertainment, the company sees above-average growth opportunities for the future thanks to its attractive content and newly established formats and can look forward to a promising offering for 2018 and beyond. The advance sales for various shows, such as Disney on Ice in Germany, indicate this with their promising starts. DEAG can benefit from a broad and reliable target audience, internationalization through licensing models and rising ticket sales, especially in distribution via the ticketing platform. With these event formats, the company meets the spirit of the times. For example, around 150,000 tickets were sold for Disney on Ice in 2017 – and the number is rising. By 2020, 360,000 tickets sold are realistic in the opinion of the Executive Board. The Executive Board therefore sees excellent prerequisites for further profitable growth. The Executive Board wants to take advantage of these opportunities and continue the expansion course it has embarked on.

» **Arts+Exhibitions:** The company also sees very good growth opportunities in the Arts+Exhibitions division. Events such as the Christmas Gardens are proof of the company’s success in this area. In 2017, the concept was offered at seven locations in the UK and Germany. For the future, DEAG plans to gradually expand the Christmas Garden programs to other locations. The Arts+Exhibitions division was also expanded by holding the “Potsdamer Schlössernacht” in 2018. Since September 2017, DEAG has been a shareholder in TimeRide GmbH, a provider of virtual reality (VR) entertainment. Thus, DEAG has positioned itself early in the live entertainment market for virtual reality. In addition, the company secured partly exclusive ticket sales through the Group’s own distribution platform MyTicket.de. TimeRide has been active in Cologne for the first time since the fourth quarter of 2017. The response in the first three months was outstanding with around 40,000 tickets sold. For 2018, the organizers expect around 100,000 Time Ride visitors in Cologne. By 2020, up to 14 such time trips in European metropolises are to be offered annually to more than one million visitors.

» **Ticketing:** In the live business, DEAG is active as a tour promoter as well as a local organizer. The Group sells more than 5 million tickets per year. These tickets have a high and steadily increasing additional potential for DEAG, especially if they are sold via the Group’s own MyTicket sales platforms. These ticketing platforms are not under pressure, like other ticket providers, to make content companies use this system for ticket sales. myticket receives highly attractive content from Rock and Pop to Classical and from Family-Entertainment to Heavy Metal – all from our own company. At the same time, the attractiveness of MyTicket for third-party content is steadily increasing. An important milestone was already reached with MyTicket in 2017: the Group’s ticketing business already contributes an upper six-digit figure to our EBIT. As a result of the acquisition of the Flying Music Group in 2017, the Executive Board expects additional growth impulses for the ticketing business in the UK (myticket.co.uk) in the future from the up to 500,000 additional tickets per year.

Litigation CNG: DEAG is asserting claims totalling EUR 8.9 million in connection with the planned Rock festival at Nürburgring. Incoming payments would be almost completely recognized in profit or loss as the related expenses were also recognized in the first three quarters of 2015.

» **Special income from the development and sale of the Jahrhunderthalle properties:** DEAG founded a 50:50 joint venture in 2015 in connection with the Jahrhunderthalle transaction with a real estate investor based in Frankfurt/Main. With the granting of a building permit for the plots around the Jahrhunderhalle, the entire site or parts thereof are to be completely developed and marketed by the joint venture under the leadership of the real estate investor. In the event of the positive and successful development of the properties, additional profit would be generated that exceeds the book value (EUR 5.3 million). Up to now, concerns regarding the proximity to the Hoechst Industrial Park and resulting legal issues concerning the applicability of the so-called Seveso III Directive according to which minimum distances between construction projects and certain operating areas have to be met have blocked actual planning procedures. Nevertheless, DEAG considers the creation of building law to be realistic in the medium term and is encouraged by the latest developments. For instance, the city of Frankfurt and the industrial park operators had reached an agreement according to which the operators of the industrial park will initiate no legal action against residential construction projects outside a radius of 500 m (measured from the operating boundary). In return, the city of Frankfurt/Main has obligated itself not to plan and approve any residential buildings, schools or convalescent homes particularly in need of protection within the 500 m radius. The legal certainty created by this agreement now allows the construction of up to 3,000 homes close to the industrial parks, in particular in the parking city of Unterliederbach next to the Jahrhunderthalle, and related infrastructure such as retail. The concrete effects of the agreement on the properties owned by DEAG are currently being reviewed.

5. FORECAST REPORT

In fiscal year 2017, DEAG was able to establish itself on the market as a live entertainment service provider with a broadly diversified business model. The foundation has been laid for the company's sustainably profitable development, the business model has been further stabilized, loss-making areas of the business were eliminated and new growth opportunities have been created. Today DEAG earns its money with a variety of established and profitable event formats.

The Executive Board is very optimistic about the current fiscal year 2018 and expects profitable growth in both sales and earnings. Consistent further development of the Rock/Pop, Classics&Jazz, Family-Entertainment and Arts+Exhibitions divisions, as well as with the MyTicket ticketing platform, have given the business model additional stability while safeguarding new growth opportunities. The Executive Board expects a very positive development, particularly in the Family-Entertainment and Arts+Exhibitions business divisions. This is also reflected in the well-filled event pipeline and the 2.5 million tickets already sold for future events, which form a solid basis for positive business development in 2018. DEAG's focus is firmly on its profitability. As a consequence of its clear focus on profitability, non-profitable business activities, such as in Austria, were terminated in 2017. These will no longer burden earnings in 2018. Dynamic operational development is also expected for activities in the UK, which will be further supported by far-reaching Group-wide synergy effects from the acquisition of the Flying Music Group.

Against this backdrop, the Executive Board is forecasting sales growth of at least 20% and a disproportionately increase in our EBIT of at least 40% for 2018. Its focus of events in the current fiscal year will again be on the fourth quarter.

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.

Berlin, March 29, 2018

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L. H. Schwenkow   Christian Diekmann

Detlef Kornett   Ralph Quellmalz


FIRMENLOUNGE

// CONSOLIDATED FINANCIAL STATEMENT

// CONSOLIDATED BALANCE SHEET

TOTAL ASSETS

in EUR '000	Notes	31.12.2017	31.12.2016
Liquid funds	7	41,816	28,378
Trade receivables	8	25,926	15,312
Down Payments	9	10,949	12,905
Income tax receivables		1,178	1,031
Inventories	10	120	64
Other current financial assets	11	1,824	2,796
Other current non-financial assets	11	1,636	2,455
Current assets		**83,449**	**62,941**
Goodwill	13, 14	26,321	24,117
Other intangible assets	13, 15	8,719	7,909
Tangible fixed assets	16	2,459	1,046
Investment properties	17	5,340	5,340
Investments	18	706	279
According to the equity method accounted financial assets	18	1,366	2,367
Loans to associated companies	19	1,221	1,209
Down Payments	9	95	-
Other long-term financial assets	19	1,542	1,863
Deferred tax assets	20, 39	762	308
Long-term assets		**48,531**	**44,438**
TOTAL ASSETS		**131,980**	**107,379**

TOTAL LIABILITIES AND EQUITY

in EUR '000	Notes	31.12.2017	31.12.2016
Bank loans payable	21, 28	16,884	16,353
Trade accounts payable	22	10,457	13,554
Accruals	23	6,810	10,171
Convertible bond	25	1,350	-
Sales accruals and deferrals	24	67,642	37,310
Income tax liabilities		638	944
Other current financial liabilities	26	4,242	3,673
Other current non-financial liabilities	26	4,703	6,837
Current liabilities		**112,726**	**88,842**
Accruals	23	-	227
Convertible bond	25	4,145	5,388
Bank loans payable	21, 28	31	100
Other long-term financial liabilities	27	309	464
Deferred taxes	20, 39	2,151	1,641
Long-term liabilities		**6,636**	**7,820**
Share capital		18,396	16,352
Capital reserve	25, 29	42,508	40,081
Accumulated deficit		-54,078	-51,845
Accumulated other income	29	638	1,403
Equity attributable to DEAG shareholders		**7,464**	**5,991**
Equity attributable to non-controlling interest	29	5,154	4,726
Equity	29	**12,618**	**10,717**
TOTAL LIABILITIES AND EQUITY		**131,980**	**107,379**

// CONSOLIDATED INCOME STATEMENT

in EUR '000	Notes	01.01. to 31.12.2017	01.01. to 31.12.2016 *
Sales	31	159,802	179,545
Cost of sales	32	-130,470	-148,713
Gross profit		**29,332**	**30,832**
Distribution costs	33	-13,062	-20,723
Administrative expenses	34	-12,636	-13,597
Other operating income	35	2,581	8,056
Other operating expenses	36	-1,164	-847
Operating income (EBIT)		**5,051**	**528**
Interest income and expenses	37	-1,195	-997
Income from investments	38	71	134
Income shares in companies accounted for using the equity method	18	-982	-663
Financial result		**-2,106**	**-1,524**
Result before taxes (EBT)		**2,945**	**2,197**
Income taxes	39	-601	-485
Group result from continued operations after taxes		**2,344**	**1,172**
Group result from discontined operations after taxes	40	**-3,045**	**-3,911**
Group result after taxes		**-701**	**-2,199**
thereof attributable to non-controlling interest		1,586	1,377
thereof attributable to DEAG shareholders (Group result)		**-2,287**	**-3,576**
Earnings per share in EUR (undiluted)			
from continued operations	29	0.04	0.02
from continued and discontinued operations	29	-0.13	-0.22
Earnings per share in EUR (diluted)			
from continued operations	29	0.04	0.02
from continued and discontinued operations	29	-0.13	-0.22
Average number of shares in circulation (undiluted)	29	17,595,358	16,352,719

* Adjustment previous year (Note 40)

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000	2017	2016
Group result after taxes	**-701**	**-2,199**
Other result		
(+/-) Differences from exchange rates (independent foreign units)	-1,135	-1,510
Amounts as may be reclassified in future periods in the profit and loss account	**-1,135**	**-1,510**
(+/-) Actuarial profit/loss recorded in equity	124	85
(+/-) Deferred taxes on the other total result	-25	-17
amounts, not reclassified in income statement	**99**	**68**
Total recognized directly in other comprehensive income	**-1,036**	**-1,442**
Total result	**-1,737**	**-3,641**
Thereof attributable to		
Non-controlling interest	1,361	607
DEAG Shareholders	-3,052	4,248

// CONSOLIDATED STATEMENT OF CASH FLOW (Note 43)

In EUR´000	2017	2016	
Group result from continued operations after taxes	2,344	1,712	*
Depreciation and amortisation	1,494	1,431	*
Expenditure from retirement of fixed assets	-114	-12	
Changes not affecting payments	-1,243	-349	
Change in other accruals	-6,009	1,289	
Income from the Jahrhunderthallen-transaction	-	-5,808	
result of change in scope of consolidation	-831	-	
Deferred taxes (net)	-245	-641	
Result from valuation of associated companies	982	663	
Cashflow vor Änderungen Nettoumlaufvermögen	**-3,622**	**-1,715**	
Net interest income	1,195	995	*
Changes to receivables, inventories and other assets	-8,488	-933	
Changes to other loan capital without financial debts	30,513	284	
Net cash outflow from continued operations	**19,598**	**-1,369**	
Net cash outflow from discontinued operations	-2,947	-3,808	*
Net cash outflow from operating activities (total)	**16,651**	**-5,177**	
Outflows for investments in...			
...Intangible assets	-454	-362	*
...Tangible assets and financial investments	-770	-3,431	*
Inflow/Spending from the acquisition of consolidated companies	63	-	
Payments from the sale of consolidated companies	-3,114	-	
Payments from the acquisition of consolidated companies	-2,100	-	
Inflow/Spending from the sale of consolidated companies	-	6,877	
Inflow/Spending from repayment of loans	800	-	
Assets disposals	4	24	
Interest Income	96	121	
Net cash inflow from investing acitvities (total)	**-5,475**	**3,229**	
Capital increase DEAG Deutsche Entertainment AG	4,471	-	
Proceeds from new borrowing	4,815	7,058	
Repayment of financial debts	-4,353	-4,936	
Cash proceeds from the convertible bond	-	5,700	
Cost of the convertible bond	-	-208	
Interest expenditure	-1,016	-864	
Dividend portions of other shareholders	-1,733	-1,802	
Payments to/from other shareholders	-31	-	
Net cash inflow from financing activities (total)	**2,153**	**4,948**	
Changes in cash and cash equivalents	**13,329**	**3,000**	
Effect of exchange rate changes	109	-427	
Cash and cash equivalents as at 01.01.	28,378	25,805	
Cash and cash equivalents as at 31.12.	**41,816**	**28,378**	

* Adjustment previous year (Note 40)

// DEVELOPMENT OF EQUITY WITHIN THE GROUP (Note 29)

	Number of shares issued	Authorized DEAG shares in EUR´000	DEAG capital reserve in EUR´000	Accumulated deficit in EUR´000	Accumulated other income in EUR´000	Attributable to DEAG shareholders in EUR´000	Attributable to non-controlling interest EUR´000	Equity in EUR´000
As at 31.12.2015	**16,352,719**	**16,352**	**39,944**	**-48,269**	**2,075**	**10,102**	**5,921**	**16,023**
Total result	-	-	-	-3,576	-672	-4,248	607	**-3,641**
capital increase	-	-	-	-	-	-	-	**-**
Dividend	-	-	-	-	-	-	-1,802	**-1,802**
Acquisition of shares of other shareholders	-	-	-	-	-	-	-	**-**
Other changes	-	-	137 [1]	-	-	137	-	**137**
As at 31.12.2016	**16,352,719**	**16,352**	**39,944**	**-51,845**	**1,403**	**5,991**	**4,726**	**10,717**
Total result	-	-	-	-2,287	-765	-3,052	1,361	**-1,691**
capital increase	2,044,089	2,044	2,427	-	-	4,471	-	**4,471**
Dividend	-	-	-	-	-	-	-1,733	**-1,733**
Acquisition/ Sale of shares of other shareholders	-	-	-	-	-	-	800	**800**
Other changes	-	-	-	54 [2]	-	54	-	**54**
As at 31.12.2017	**18,396,808**	**18,396**	**42,508**	**-54,078**	**638**	**7,464**	**5,154**	**12,618**

[1] Equity component convertible bonds
[2] Acquisition (54 EUR'000)

// NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

DEAG Deutsche Entertainment Aktiengesellschaft (DEAG) is an Aktiengesellschaft (stock corporation under German law) founded in Germany with its registered office in Germany, 10785 Berlin, Potsdamer Straße 58. The company is registered in the Commercial Register of the Charlottenburg District Court under the commercial register number HRB 69474 B.

DEAG Deutsche Entertainment AG is a leading company in the live entertainment industry with a national focus in Germany, Switzerland and the UK. As a live entertainment service company with an integrated business model, DEAG offers comprehensive expertise in the organization, marketing and execution of events as well as in ticket distribution for its own content and third-party content via its own ticketing platform MyTicket. With its broadly diversified event portfolio and around 4,000 events in 2017, DEAG addresses less competitive and attractive niche markets in an increasingly targeted manner and positions itself at an early stage with its extremely profitable content.

DEAG's core business areas include Rock/Pop, Classics&Jazz, the strongly growing Family Entertainment division and Arts+Exhibitions. The Family Entertainment area in particular is fundamental for the further development of DEAG's own content. Its network of strong partners allows DEAG to put itself in an excellent market position as an internationally active live entertainment Group.

These Consolidated Financial Statements of DEAG as of December 31, 2017, were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as applicable in the EU and in conformity with the provisions under German commercial law to be applied in accordance with section 315e (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 (IFRS IC). DEAG prepares the Consolidated Financial Statements for the smallest and largest group of companies.

The Consolidated Financial Statements are based 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 of the reporting date in accordance with section 342 of the 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. Interim Financial Statements were prepared for companies included in the full consolidation with a different fiscal year than from July 1 to June 30 or August 1 - July 31.

The Individual Financial Statements as well as the Interim Financial Statements of the consolidated companies were prepared effective as of the reporting date of the Consolidated Financial Statements. Carrying values for tax provisions are not included in the Consolidated Financial Statements. The reconciliation of the values in accordance with the IFRS standards was carried out on the level of the Group outside the Individual Financial Statements prepared under German commercial law, in a so-called Handelsbilanz II.

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

For the preparation of the Consolidated Financial Statements, discretion, 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 receivables and liabilities. This applies in particular to the annual impairment test of goodwill.

The basis of the impairment test was the value in use of the CGUs, whose calculation was based on projected earnings as a function of the CGUs from one to three-year planning. The value in use was determined using the discounted cash flow method. These calculations must be based on assumptions based on management estimates. If there are developments beyond management's control, future carrying amounts may differ from the originally expected estimates. If actual development deviates from the expected one, the premises and, if necessary, the carrying amounts of the goodwill of EUR 26,321 thousand (previous year: EUR 24,117 thousand) are adjusted accordingly. Reference is made to our comments in Note 14.

In addition, estimates and assumptions are required in the valuation and impairment of receivables and advance payments, the measurement and estimation of the probability of occurrence of provisions and contingent liabilities and estimates of the amount of deferred tax assets on loss carryforwards.

In addition, management made discretionary decisions in the area of the scope of consolidation. Please refer to our comments in Note 3.

2. AMENDMENTS TO ACCOUNTING STANDARDS

In the Consolidated Financial Statements, all standards of the IASB as well as the applicable IFRIC and/or SIC to be adopted on the closing date as mandated by the EU were taken into account.

For fiscal years beginning with that which began on January 1, 2017, the following changes now apply on an obligatory basis.

Standard	**Title**	**Mandatory date of application for fiscal years that begin on or after**
Content		
IAS 7	*Statements of Cash Flows*	January 1, 2017
Companies are required to provide information that enables the addressees of financial statements to better assess changes in financial liabilities.		
IAS 12	*Income Taxes*	January 1, 2017
This amendment clarifies that write-downs on debt instruments measured at fair value (due to increased market interest rates) lead to the recognition of deferred tax assets for unrealized losses if the tax value corresponds to its acquisition cost.		
AIP 2014-2016	*Amendments due to the Annual Improvements Project 2014-2016 Cycle*	January 1, 2017
IFRS 12	This amendment clarifies that the disclosures also apply to shares that fall *within the scope of IFR S5 (with the exception of IFRS 12.B10-B16)*	

The amendments to standards and improvements to be applied for the first time in 2017 in a binding manner did not have any material impact on these Consolidated Financial Statements.

For fiscal years from January 1, 2017, onward, an option exists for the following amendments to be applied prematurely on a voluntary basis.

Standard	Title	Mandatory date of application for fiscal years that begin on or after
Content		
IFRS 9 Including consequential changes	*Financial Instruments*	January 1, 2018

New concept for accounting for financial instruments and abolishing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains new regulations on the three measurement categories (including the new category for fair value measurement not affecting net income), on the impairment of financial instruments according to the expected loss model and on hedge accounting.

IFRS 15	*Revenue from Contracts with Customers*	January 1, 2018

New revenue recognition standard that complies with the previous standards IAS 18 Revenue, IAS 11 Construction Contracts and replaces the corresponding interpretations. It regulates how revenue from contracts with customers – in particular in what amount and at what time or over what period of time – is to be realized. This is done using a so-called 5-step model. IFRS 15 also contains regulations on the capitalization of expenditure in connection with the acquisition or for the fulfilment of the respective customer contract.

IFRS 15	*Revenue from Contracts with Customers*	January 1, 2018

Clarification of the following aspects:

- Identification of performance obligations
- Principal agent relations
- Licensing
- Facilitation requirements for the transition to IFRS 15

IFRS 16	*Leases*	January 1, 2019

New concept for lease accounting. IFRS 16 replaces the previous regulations on lease accounting in IAS 17 and the related interpretations. The core element of IFRS 16 is to record all leases at the lessee, with minor exceptions, and the associated contractual rights and obligations on the balance sheet. The previous distinction between a finance lease and an operating lease is not applicable for lessees. The regulations for the lessors are similar to those of IAS 17.

AIP 2014-2016	Amendments due to the Annual Improvements *Project 2014-2016 Cycle*	January 1, 2018
IAS 28	This amendment clarifies that the option of measuring an investment in an associate or joint venture at fair value through profit or loss may be exercised differently for each investment on initial recognition.	
IAS 40	*Investment Property*	January 1, 2018

The amendment concerns the classification of uncompleted properties and clarifies in which cases the classification of a property as "investment property" begins or ends when the property is still under construction or development. A reclassification is made in the event of an obvious change in use.

The Group has not applied the above standards, interpretations and revisions prematurely. The Group intends to employ these standards and interpretations as of the date of their entry into force.

The Group-wide examination of the impacts of applying IFRS 15 to the Consolidated Financial Statements has been completed. However, the new standard for realization of sales will hardly have any impact on the realization of sales, since the vast majority of revenues in the Consolidated Financial Statements are realized on the basis of routine transactions (revenue realization at the time of the transfer of authority of disposal). There are no agreements within the Group that regulate several services within a contract or within several contracts (multi-element arrangements).

The changes that IFRS 9 involves include the new concept of accounting for financial instruments and the abolition of IAS 39. The standard now contains new provisions on the three measurement categories, the impairment of financial instruments according to the expected loss model and hedge accounting. From the Group-wide examination of the effects of the application of IFRS 9, it is currently estimated that the quantitative effects on the Group are minor.

The analysis of the impact of applying IFRS 16 on the Consolidated Financial Statements has nearly been completed. On the basis of accounting for assets and liabilities required by IFRS 16 in the balance sheet of the lessee, an increase in the balance sheet total is expected as of the first application date. Instead of leasing expenses, depreciation and interest expenses are subsequently recognized in the income statement by the amendments to IFRS 16 – with a correspondingly positive effect on EBITDA. Final estimates of the effects and their quantification have not yet been made. As regards the above change, no decision has yet been made on the applicable transitional method.

The impact of the other standards on the assets, financial and earnings position of the DEAG Group are still being reviewed and are expected to be of minor overall significance.

The following new and/or amended standards and interpretations have already been adopted by the IASB but have not yet come into mandatory effect.

Standard	**Title**	**Mandatory date of application for fiscal years that begin on or after**
Content		
IAS 19	Employee Benefits	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019
IFRS 9	Financial Instruments (early repayment regulations with negative compensation)	January 1, 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
AIP 2015-2017	Amendments due to the Annual Improvements Project 2015-2017 Cycle	January 1, 2019

The Group intends to apply these standards and interpretations as of the date of their entry into force.

The impact of these standards on the assets, financial position and earnings position of the DEAG Group are still being reviewed and are expected to be of minor overall significance.

3. PRINCIPLES OF CONSOLIDATION

Scope of consolidation

DEAG, as the parent company, includes in the Consolidated Financial Statements those companies fulfilling the control concept due to a dominant influence. Companies established, acquired or sold during the fiscal year are included from the date of establishment or acquisition or up until the date of sale.

On the balance sheet date, the scope of consolidation was comprised of 37 (previous year: 34) fully consolidated German and foreign companies, in addition to DEAG. Nine (previous year: nine) investments are consolidated as joint ventures and/or associated companies at equity. Five (previous year: four) associated companies and nine (previous year: nine) investments 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 shares in subsidiaries in the Individual Financial Statements of the parent company was eliminated for the purpose of consolidation. Interim profits and losses arising from the intra-group sale of equity holdings were reversed. The differential amounts included in the values reported for holdings in joint ventures are established by applying the same principles.

The asset-related variations arising from capital consolidation were recorded as goodwill in the consolidated balance sheet, after exposure of hidden reserves or charges for the acquired company (revaluation). If there is a negative difference, it is reassessed that all acquired assets and liabilities have been properly identified and that all assets or liabilities additionally identified in this review have been recognized. Any remaining negative difference is recognized in profit or loss.

Any changes in respect of the participating interests of the Group in subsidiaries which do not result in a loss of control over these subsidiaries are reported as equity transactions. The carrying amounts of the shares held by the Group and the non-controlling shares are adjusted in such ways that they reflect the changes of the stakes in the subsidiaries. Any difference between the amount by which the non-controlling shares are adjusted and the fair value of the consideration paid and received is to be recorded directly in equity and allocated to the shareholders of the parent company.

Receivables, liabilities and accruals as well as expenses and income between companies included in the Consolidated Financial Statements and any intermediate results of intra-group deliveries and services are 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 joint ventures and associated companies valued by applying the equity method were reported as pro-rata equity.

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

Segments	Company	Shareholdings
Live Touring	DEAG Concerts GmbH, Berlin	100%
	Global Concerts Touring GmbH, Munich (previously: coco tours Veranstaltungs GmbH, Berlin)	100%
	Grünland Family Entertainment GmbH, Berlin	100%
	GOLD Entertainment GmbH, Berlin	100%
	Wizard Promotions Konzertagentur GmbH, Frankfurt/Main	75.1%
	DEAG Classics AG, Berlin	51%
	Raymond Gubbay Ltd., London (UK)	51%
	KBK Konzert- und Künstleragentur GmbH, Berlin	51%
	Kilimanjaro Holdings Limited, London (UK)	51%
	Kilimanjaro Live Limited, London (UK)	51%
	Wakestock Limited, London (UK)	51%
	Matterhorn Events Limited, London (UK)	51%
	Flying Music Holdings Limited, London (UK)	30.6%
	The Flying Music Group Limited, London (UK)	30.6%
	Flying Music Company Limited, London (UK)	30.6%
	Flying Entertainment Limited, London (UK)	30.6%
	The Classical Company AG, Zürich (Switzerland)	25.5%
Entertainment Services	Concert Concept Veranstaltungs-GmbH, Berlin	100%
	Global Concerts GmbH, Munich	100%
	Elbklassik Konzerte GmbH, Hamburg	100%
	Friedrichsbau Varieté Stuttgart Betriebs- und Verwaltungs GmbH, Stuttgart	100%
	Broadway Varieté Management GmbH, Berlin	100%
	River Concerts GmbH, Berlin	100%
	AIO Group AG, Glattpark (Switzerland)	100%
	Good News Productions AG, Glattpark (Switzerland)	100%
	The Smart Agency AG, Glattpark (Switzerland)	100%
	Fortissimo AG, Glattpark (Switzerland)	100%
	Venue Consulting AG, Glattpark (Switzerland)	100%
	LiveGeist Entertainment GmbH, Frankfurt/Main	75.1%
	handwerker promotion e. gmbh, Unna	51%
	Pro Media GmbH, Unna	51%
	Grandezza Entertainment GmbH, Berlin	51%
	Viel Vergnügen GmbH, Essen	51%
	Kultur im Park GmbH, Berlin	51%
	mytic myticket AG, Berlin	50.2%
Discontinued operations	DEAG Music GmbH, Berlin	100%
	Blue Moon Entertainment GmbH, Vienna (Austria)	100%

On January 30, 2017, Axel Springer SE and Starwatch Entertainment GmbH increased their shares in mytic myticket AG by 4.9% to 24.9%. DEAG holds 50,2% of the shares.

On February 13, 2017, DEAG sold its stake in Manfred Hertlein Veranstaltungs GmbH based in Würzburg, which it held through GOLD Entertainment GmbH, which is operated jointly with Sony Music. The purchase price has already been paid. In connection with this transaction, DEAG increased its stake in the currently not operating Gold Entertainment GmbH to 100%.

On August 18, 2017, DEAG acquired 60% of the shares of the British promoter Flying Music Group Holding Ltd, London, via its British subsidiary Kilimanjaro Ltd.

On December 14, 2017, DEAG acquired 51% of the shares of Kultur im Park GmbH, Berlin, via its subsidiary Concert Concept Veranstaltungs-GmbH.

With DEAG Classics AG, Berlin, DEAG is essentially entitled to 51% of the voting and capital rights. However, the Supervisory Board has a parity-based composition to represent the two shareholders. DEAG Classics AG, Berlin, is nonetheless reported within the DEAG Group as a fully consolidated subsidiary, as DEAG – while taking into account the limits defined for the Executive Board by the rules of procedure – has the right of ultimate decision on the Executive Board, and approval of the Supervisory Board is only necessary for extraordinary transactions. Any amendment to the rules of procedure for the Executive Board requires a unanimous decision.

For The Classical Company AG, Zurich, Switzerland, the control concept in accordance with IFRS 10.7 is fulfilled, since DEAG Classics AG has the right to appoint management and approve the annual budget. With a 25.5% interest, the company continues to be classified as a controlling interest, while 74.5% of the equity interests are attributable to non-controlling shareholders.

DEAG Music and Blue Moon Entertainment are allocated to the discontinued operations. We refer to our comments in Note 40.

The following companies are run as joint ventures and reported in accordance with the provisions of the equity method and hence the pro-rata equity:

Segments	Company	Shareholdings
Live Touring	A.C.T. Artist Agency GmbH, Berlin	50%
Entertainment Services	JHH Entwicklungsflächen GmbH & Co. KG, Frankfurt/Main	50%
	JHH Entwicklungsflächen Verwaltungs GmbH, Frankfurt/Main	50%

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

Segments	Company	Shareholdings
	EIB Entertainment Insurance Brokers GmbH, Hamburg	49%
Entertainment Services	Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main	49%
	Verescon AG, Berlin	44%
	Rock the Ring AG, Hinwil (Switzerland)	35%
Live Touring	Twin Peaks Festival Limited, London (UK)	25.5%
	Seefestspiele Berlin GmbH, Berlin	20.4%

The companies are included in the consolidated financial statements at equity.

AIO Group AG, Glattpark, (Switzerland), holds a 35% stake in Rock the Ring AG, Hinwil (Switzerland).

Kilimanjaro Holdings Limited, London (UK) holds a 50% stake in the Twin Peaks Festival Limited, London (UK).

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

The following companies are separately and jointly immaterial to the Consolidated Financial Statements of DEAG and are not relevant to the presentation of a true and fair view of the Group's net assets, financial position and operating results, and are therefore not consolidated: 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 (UK), Manchester Concerts Orchestra Limited Manchester (UK) and Raymond Gubbay Productions Limited, London (UK). All of the above companies are inactive and there are no current results available for the Manchester Chamber Orchestra Limited, Manchester (UK), Manchester Concerts Orchestra Limited, Manchester (UK) and Raymond Gubbay Productions Limited, London (UK).

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

Name of company	Seat of company	Share in the capital	Equity (in EUR thousands)	Earning in fiscal year (in EUR thousands)
EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH	Berlin	100.0%	-1	0
Manchester Concerts Orchestra Limited	Manchester, UK	30.6%[1]	0 [2]	-[2]
Manchester Chamber Orchestra Limited	Manchester, UK	51.0%[1]	0 [2]	-[2]
Palast Management und Veranstaltungs-GmbH i.L.	Berlin	100.0%	-108	2
Raymond Gubbay Productions Limited	London, UK	51.0%[1]	0 [2]	-[2]

[1] The shares in the companies Manchester Chamber Orchestra Limited, Raymond Gubbay Productions Limited and Manchester Concerts Orchestra Limited are held directly by Raymond Gubbay Limited at 100% each, the last with 60%.

[2] Figures relate to fiscal year 2016/2017. Amounts are stated in pound sterling.

The group of consolidated companies of DEAG Group changed as follows in fiscal year 2017:

Segment	Company	Addition
Live Touring	Flying Music Holdings Limited, London (UK)	Aug. 1, 2017
	The Flying Music Group Limited, London (UK)	Aug. 1, 2017
	Flying Music Company Limited, London (UK)	Aug. 1, 2017
	Flying Entertainment Limited, London (UK)	Aug. 1, 2017

Segment	Company	Addition
Entertainment Services	Kultur im Park GmbH, Berlin	Dec. 31, 2017

Segment	Company	Disposal
Live Touring	Manfred Hertlein Veranstaltungs GmbH, Würzburg	Feb. 1, 2017
	ULAB Verwaltungs GmbH & Co. KG, Berlin	Mar. 13, 2017

The assets and liabilities of ULAB Verwaltungs GmbH & Co. KG, Berlin, were incorporated into Global Concerts Touring GmbH, Munich, on March 13, 2017.

4. Foreign Currency Translation Principles

The Consolidated Financial Statements are drawn up in euros, the functional currency of the parent company and the reporting currency of the Group. Unless stated otherwise, data is presented in EUR thousands. The amounts are rounded in commercial terms. The functional currency of the foreign subsidiaries in Switzerland is the Swiss franc (CHF) and in the UK the pound sterling (GBP). The functional currency of the domestic subsidiaries of the Group as well as of the foreign subsidiary in Austria 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 into the functional currency at the cash price valid on the day of the business transaction. 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 conversion differences are recognized income statement-related. Non-monetary items that were assessed 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 that were assessed at their present value in a foreign currency were exchanged using the rate valid on 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 as part of consolidation. The translation of income and expenditure is made at the average rate of the fiscal year. The resulting currency differences are recognized as a separate component of equity. The cumulative amount recognized in the equity 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 the company changed as follows:

	Exchange rate in EUR		**Average exchange rate in EUR**	
	2017	**2016**	**2017**	**2016**
1 pound sterling	1.1271	1.1680	1.1631	1.2212
1 Swiss franc	0.8546	0.9312	0.9352	0.9173

5. Balance Sheet Accounting and Valuation Principles

Notes on the Balance Sheet

The Consolidated Financial Statements are based on the principle of historic costs of acquisition and manufacture, except for financial instruments which are reported at their fair value on the balance sheet date.

Intangible assets purchased are capitalized at cost of acquisition and depreciated in a straight line over an anticipated useful life of three to fifteen years.

Intangible assets – normally artist and agent relationships and order books – which are acquired within the framework of a business combination are recorded separately from the goodwill and assessed at the time of acquisition at their fair value. During the following periods, these intangible assets are assessed like individually acquired assets at their acquisition costs less cumulated amortizations and impairments. In the case of artist and agent relationships, the depreciation period is generally 15 years, while order bookings are amortized after completion of the respective concert events.

For acquired trademarks for which a certain useful life cannot normally be defined, there is no depreciation until the management decides to continue the trademark only over a certain period of time. The trademarks are subjected to an impairment test annually and, if necessary, written down.

Goodwill obtained in connection with acquisitions is capitalized in accordance with IFRS 3 (Business Combinations) at its acquisition costs. The option to apply the Full Goodwill method is not being used.

Such goodwill is subject to annual impairment tests on the basis of cash-generating units 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 assessed at cost of acquisition plus incidental acquisition costs less acquisition cost reductions and, in the case of items subject to wear and tear, less use-related depreciation. Depreciation is in a straight line over the expected useful life.

Scheduled depreciation of fixed assets is essentially based 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 a financial investment is being assessed at fair value according to IAS 40.30/40.33.

Shares in joint ventures and associated companies are reported at equity. Differential amounts resulting from initial consolidation are allocated following the same principles as for full consolidation.

A joint venture is based on a contractual agreement by virtue of which the Group and other contracting parties carry out a business activity which is subject to joint control; this is the case if the strategic financial and business policy associated with the business activity of the joint venture requires the consent of all parties involved in the joint control. Shares in joint ventures are reported at equity. The consolidated income statement includes the part of the Group in the income and expenditure as well as in equity changes of the investments valued at equity. If the Group's share in the loss of the joint venture exceeds the share valued at equity, this share is written down to zero. Other losses are not reported unless the Group has a contractual obligation or has made payments for the benefit of the joint venture. Unrealized profits or losses from transactions of affiliated entities with the joint venture are eliminated against the investment value of the joint venture (losses not exceeding the amount of the investment value).

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.

Deferred expenses and deferred income are formed 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. These are mainly reported under prepayments made. Deferred income that relates to income from the sale of prepaid tickets for events after the balance sheet date is reported as sales accruals and deferrals.

Accruals 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 flows.

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 they are consumed within a period of 5 years. Further 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 liabilities are recognized in the balance sheet in the amount as long as there is a possibility of offsetting with the same tax authorities.

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. Actuarial profits and losses are immediately recognized in other income with no effect on the result.

Financial instruments are contracts which lead to a financial asset in one company and to a financial liability or an equity instrument in another company.

Financial assets within the meaning of IAS 39 are categorized as follows:

- as at fair value through profit or loss
- as held-to-maturity investments
- as loans and receivables
- as available-for-sale financial assets

As of the balance sheet date and during the previous year, there has not been any allocation of financial assets to the categories “held-to-maturity investments” and no voluntary classification of financial assets to the category “financial assets at fair value through profit or loss” in the DEAG Group.

Financial liabilities within the meaning of IAS 39 are categorized as follows:

- as at fair value through profit or loss
- as financial liabilities measured at amortized cost

The Group defines the categorization of its financial assets and/or financial liabilities with the first-time recognition and reviews this allocation at the end of each fiscal year, insofar as this is admissible and appropriate. The subsequent measurement of the financial assets and financial liabilities depends on their categorization.

At the first-time measurement of financial assets and/or financial liabilities, they are measured at their fair value. If there is no measurement at fair value through profit or loss, transaction costs are included in addition, which are directly attributable to the acquisition of the financial asset or issue of the financial liability.

Financial assets include in particular trade receivables, loans, other receivables and assets as well as cash and cash equivalents.

Loans and receivables are non-derivative financial assets which are not quoted in an active market and for which fixed or determinable payments are deposited.

The Group reports loans and receivables at amortized cost less impairments. Any valuation allowances made reflect the assessment of the default risk and are shown in separate valuation allowance accounts. Objective defaults of receivables result in their derecognition.

During the reporting period, the Group did not sell any receivables within the framework of forfeiting or factoring agreements.

Financial assets held for trading are assets which are not allocated to one of the above-mentioned categories. Mainly equity is allocated to this category.

After first-time measurement, financial assets held for trading are measured at fair value during the following periods. Variations in respect of the fair value are reported with no effect on income in equity, possibly after taking into account deferred taxes. If such an asset is derecognized, the cumulated profit or loss in the equity is reclassified with an impact on income.

Shares in non-fully consolidated subsidiaries and other investments in the Group that are not measured at equity are shown in this category. Due to a lack of an active market and high expenditure to determine the fair value, these are as a matter of principle reported at their respective amortized cost. If there are any indications of a lower fair value, this is applied.

During the current period as well as during the previous year, there have been no reclassifications of financial assets held for trading to other categories.

Cash and cash equivalents in the balance sheet include cash on hand, cash in banks and short-term deposits with original maturities of less than three months. The measurement is made at amortized cost.

Derecognition of a financial asset takes place at the time of the expiration and/or transfer of rights to payments under the asset and hence at the time when essentially all opportunities and risks related to the property have been transferred.

If the Group transfers its contractual rights to cash flows from an asset, it measures whether and to what extent the opportunities and risks remain with it. If the Group does not fully transfer or fully retain essentially all risks and opportunities which are related to the property in respect of this asset and retains also the power of disposal in respect of the transferred asset, the Group continues to recognize the transferred asset within the scope of its ongoing commitment.

In the event of financial assets or a group of financial assets which are reported at amortized cost, the Group determines on every balance sheet date whether there is objective information in respect of an impairment. Objective information may include, for instance, financial difficulties of debtors, the default of interest and redemption payments or changes in the economic or legal environment of the Group.

In the event of objective information regarding impairment, the impairment loss is determined from the difference of the carrying value to the cash value of the expected future cash flow, discounted with the original effective interest rate of the financial asset. An impairment loss is reported immediately with an effect on income.

If the amount of an estimated impairment loss changes during one of the following reporting periods due to an event occurring objectively after the valuation allowance, the previous impairment loss is increased or reduced with an effect on income through the adjustment of the valuation allowance account.

Financial assets held for trading are subject to unscheduled depreciation if there are objective indications of a permanent decline of the fair value below the cost of acquisition. The impairment is determined from the difference between the original acquisition costs (reduced by any redemptions and amortizations) and the cash value of the expected future cash flows. Any impairment losses are reported with an effect on income. Any reversals of impairments in respect of equity instruments are not reported with an effect on income but stated directly in the other comprehensive income.

Financial liabilities include in particular trade payables, convertible bonds, liabilities to banks and other liabilities.

Financial liabilities that are measured at amortized cost are recognized as a matter of principle subject to the application of the effective interest method at amortized cost. This includes essentially trade payables as well as liabilities to banks.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization through the effective interest method is included in the income statement as part of the interest result.

Financial liabilities are measured at fair values through profit or loss. Liabilities are categorized if they are either held for trading or have been designated on a voluntary basis as assessed at fair value through profit or loss. Financial liabilities assessed at fair value through profit or loss are reported in the balance sheet at fair value. The variations of the fair value are reported as a balance position in the financial results.

A financial liability is derecognized if the obligation underlying this liability has been met, terminated or extinguished.

If the terms and conditions of an existing financing arrangement are substantially amended or if there are substantially different terms and conditions within the framework of refinancing with the same lender, such a replacement and/or change is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized through profit or loss.

Derivative financial instruments such as forward exchange transactions and interest swaps which are not accounted for as hedging instruments, are allocated within the DEAG Group in accordance with IAS 39 to the category of held for trading. The measurement of the derivative financial instruments is therefore based on their fair value. Variations in respect of the fair value are reported with an effect on income in the income statement.

Transaction costs directly connected with a capital increase are offset against the premium from the issue of shares by DEAG. These costs mainly relate to consulting costs and issue fees.

The components of the convertible bond issued as a combined financial instrument in accordance with the economic content of the agreement and the definitions in accordance with IAS 32 are recognized separately as financial liability and equity. A convertible bond which is only fulfilled by exchange of a fixed amount of cash or other financial assets against a fixed number of equity instruments is an equity instrument.

At the time of issue, the fair value of the borrowed capital component is determined using the market interest rates applicable for comparable non-convertible instruments. This amount is recognized as a financial liability on the basis of the amortized cost using the effective interest method until the conversion or maturity of the instrument is met.

The conversion option recognized as equity is determined by subtracting the value of the borrowed capital component from the fair value of the entire instrument. The resulting value, less the income tax effects, is recognized in the capital reserves and is not subsequently subjected to any valuation. No gains or losses are incurred as a result of the exercise or expiration of the conversion option.

Transaction costs related to the convertible bond are allocated to the equity and debt component in relation to the distribution of the net proceeds. The transaction costs attributable to the equity component are recognized directly in equity. The transaction costs attributable to the borrowed capital component are included in the carrying amount of the liability and are amortized over the term of the convertible bond using the effective interest method.

The balance sheet is sub-divided in accordance with IAS 1 into non-current and current assets and liabilities. Current assets and liabilities are becoming due within one year and their realization is expected within the normal business cycle or they are held for trading. In accordance with IAS 12, deferred taxes are reported as non-current assets and liabilities, respectively and not discounted.

Notes to the Income Statement

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. Ticket monies received in the respective advance booking period are shown in the revenue recognition item until then. Expenses are reported when they are incurred with recognition in the income statement. 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 to the Segments

The DEAG Group sub-divides its continued operations into the segments Live Touring and Entertainment Services.

Touring business is reported in the Live Touring segment ("traveling business"). This includes the activities of 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), Raymond Gubbay (London, UK), the sub-group Kilimanjaro (London, UK) including the activities of the Flying Music Group, which was included in the Group for the first time on August 1, 2017, as well as The Classical Company (Zurich, Switzerland). The activities of Manfred Hertlein Veranstaltungs GmbH (Würzburg) were deconsolidated as of January 31, 2017.

The Entertainment Services segment ("stationary business") reports regional business and all services business. That 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), LiveGeist Entertainment GmbH (Frankfurt/Main) as well as mytic myticket (Berlin) and Kultur im Park GmbH since December 31, 2017 (Berlin).

Segment data

	Live Touring		Entertainment Services			Total Segments	
In EUR'000	**2017**	**2016**	**2017**	**2016**		**2017**	**2016**
Sales	107,127	122,947	66,449	72,881	**	173,576	195,828
Other income	1,528	807	735	5,963		2,263	6,770
- thereof internal income	1,877	5,388	15,061	16,012	**	16,938	21,400
Total earnings	**108,655**	**123,754**	**67,184**	**78,844**		**175,839**	**202,598**
Cost of sales*	90,112	104,626	55,260	59,781	**	145,372	164,407
Operative expenses	10,246	13,489	10,042	15,065	**	20,288	28,554
Depreciations and amortisation (for information only)							
-scheduled	1,123	1,095	316	282	**	1,439	1,377
Segment result (EBIT)	7,505	5,183	1,644	3,914	**	9,149	9,097
Book value of segment assets	82,870	60,663	50,021	49,013	**	132,891	109,676
Investments	7,136	437	1,895	1,848		9,031	2,285
External funding of segments	69,724	49,372	75,898	71,368		145,622	120,740
Full-time employees as at 31.12.	94	79	73	80		167	159
Return on sales	7,0%	4.2%	2,5%	5,4%		5,3%	4,6%

* Data include proportional, scheduled depreciation

** prior-year figures w ere adjusted

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

The exchange of services between segments and between the segments and the holding company is adjusted in the consolidation column in the following reconciliation overview. The consolidation column also includes the services of DEAG Holding. 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. No sales revenues are generated with external customers who amount to at least 10% of the total sales revenues.

Reconcilation from Segment to Group Data

	Total of segments		**Consolidation (incl. Holding)**		**Group**		
In EUR'000	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	
Sales	173,576	195,828	-13,774	-16,283	159,802	179,545	*
Other Income	2,263	6,770	318	1,286	2,581	8,056	*
- thereof internal income	16,938	21,400	-16,938	-21,400	-	-	
Total earnings	**175,839**	**202,598**	**-13,456**	**-14,997**	**162,383**	**187,601**	
Cost of sales	145,372	164,407	-14,902	-15,694	130,470	148,713	*
Operative expenses	20,288	28,554	5,410	5,766	25,698	34,320	
Segment result (EBIT)					9,149	9,097	*
Unallocated expenditure and income (incl. DEAG and consolidation effects)					-4,098	-5,376	*
Operating result (EBIT)					**5,051**	**3,721**	
Income shares in companies accounted for using the equity method					-982	-663	
Other financial result					-1,124	-861	*
Result before taxes (EBT)					**-2,945**	**2,197**	
Taxes on income and earnings					-601	-485	
result from continuing operations after taxes					**2,344**	**-1,712**	
result from discontinuing operations after taxes					-3,045	-3,911	*
Group result after taxes					**-701**	**-2,199**	
thereof attributable to other shareholders					1,586	1,377	
thereof attributable to DEAG shareholders (Group Result)					**-2,287**	**-3,576**	

* prior-year figures w ere adjusted

The result of associated companies relates to DEAG in the amount of EUR 5 thousand (previous year: EUR 7 thousand).

Other information

In EUR'000	Group 2017	Group 2016
Book value of segment assets	132,891	109,676
Real estate held as financial investment property	5,340	5,340
Shares in affiliated companies	1,366	2,367
Unallocated assets incl. consolidation transactions (1)	-7,617	-10,004
Consolidated assets	**131,980**	**107,379**
External funding of assets	145,622	120,740
Unallocated external funding of segments incl. consolidation transactions (2)	-26,260	-24,078
Consolidated external funds	**119,362**	**96,662**
Net assets (incl. shares of other shareholders)	**12,618**	**10,717**
Full-time employees at 31.12.	197	192
Return on Sales	3,2%	2,1%

(1) concerns DEAG at kEUR 47,507 (previous year: kEUR 50,575) and consolidation transactions (mainly debt consolidation at kEUR -54,258 (previous year: kEUR -52,230) betw een segments and segments and betw een segments and DEAG respectively

(2) concerns DEAG at kEUR 27,231 (previous year: kEUR 29,186) and consolidation transactions (mainly debt consolidation) betw een segments and segments and DEAG as w ell as accrual of deferred taxes kEUR 2,151 (previous year: kEUR 1,641)

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

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 Gubbay Ltd. and the Kilimanjaro Group in the UK.

In EUR'000	Group 2017	2016
Live Touring Segment Sales	107,127	122,947
thereof: Raymond Gubbay Ltd. (UK)	22,114	24,032
thereof: Kilimanjaro-Gruppe (UK)	45,324	41,825
thereof: The Classical Company AG (Switzerland)	307	1,028
Entertainment Services Segment Sales	66,449	72,881
thereof: AIO-Gruppe (Switzerland)	12,543	15,198
Book value of Live Touring Segment Assets	82,870	60,663
thereof: Raymond Gubbay Ltd. (UK)	14,521	13,173
thereof: Kilimanjaro-Gruppe (UK)	47,058	15,500
thereof: The Classical Company AG (Switzerland)	294	627

In EUR'000	Group 2017	2016
Investments of Live Touring Segment	7,136	437
thereof: Raymond Gubbay Ltd. (UK)	45	27
thereof: Kilimanjaro-Gruppe (UK)	6,888	253
thereof: The Classical Company AG (Switzerland)	-	-
Book value of Entertainment Services Segment Assets	50,021	49,013
thereof: AIO-Gruppe (Switzerland)	4,206	2,702
Investments of Entertainment Services Segment	1,895	1,848
thereof: AIO-Gruppe (Switzerland)	43	482

7. LIQUID FUNDS

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

8. TRADE RECEIVABLES

Trade receivables are comprised of the following:

In EUR'000	31.12.2017	31.12.2016
Trade receivables	26,256	15,648
Value adjustment on accounts receivable	-330	-336
Trade receivables	**25,926**	**15,312**

The itemized valuation allowances have changed by EUR - thousand (previous year: EUR 1 thousand) as a result of consumption, release by EUR 1 thousand (previous year: EUR 27 thousand) and addition by EUR 7 thousand (previous year: EUR 40 thousand).

The following trade receivables that are not yet impaired are overdue as follows:

Trade receivables

Amount in EUR'000	ss than 3 months	3 to 6 months	> 6 months
31.12.2017	262	241	64
31.12.2016	892	150	50

The gross trade receivables portfolio (receivables after 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
Trade receivables				
2017	25,359	567	330	26,256
2016	14,220	1,092	336	15,648

As far as the receivables that are neither impaired nor in default on the closing date are concerned, there are no indications that the debtors will not be able to meet their payment obligations.

9. DOWN PAYMENTS

Down payments concern essentially down payments of fees and individually attributable event costs concerning events after the balance sheet date. The payments made have been subjected to unscheduled valuation allowances in the amount of EUR - thousand (previous year: EUR 963 thousand). The impairment loss pertained to the Rock festival in Vienna in the previous year.

10. INVENTORIES

Inventories pertain to finished products and goods.

11. OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

Other current financial assets comprise the following:

In EUR'000	31.12.2017	31.12.2016
Creditors with debit balances	337	175
Receivables from assosciated companies	324	708
Loans	310	566
Deposits	264	165
Reimbursement/compensation payments	157	168
Receivables from cooperation contracts	50	533
Others	382	481
Other current financial assets	**1,824**	**2,796**

Other current non-financial assets essentially comprise the following:

In EUR'000	31.12.2017	31.12.2016
Down payments	1,013	908
Tax authorities claims	197	728
Input tax deductible in the following year	167	644
Others	259	175
Other current non-financial assets	**1,636**	**2,455**

The following non-impaired other current financial assets were overdue on the balance sheet date:

In EUR'000	till 3 months	3 - 6 months	> 6 months
31.12.2017	3	0	41
31.12.2016	138	0	436

The itemized valuation allowances of the other current financial assets amount to EUR - thousand (2016: EUR – thousands).

The gross portfolio of receivables (receivables prior to the deduction of valuation allowances) of other current financial assets 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
Other current financial assets				
2017	1,780	44	-	1,824
2016	2,222	574	-	2,796

12. INFORMATION ABOUT SUBSIDIARIES

12.1 SUMMARIZED FINANCIAL INFORMATION ON SUBSIDIARIES

Summarized financial information for subsidiaries and/or sub-groups of the Group with a non-controlling share that is material for the Group is provided below. The summarized financial information corresponds to the amounts before intragroup eliminations.

The summarized financial data of subsidiaries and/or sub-groups of the Group corresponds to the amounts of the financial statements of the company prepared in accordance with IFRS and has been adjusted accordingly for the purposes of consolidated accounting.

Material non-controlling shares in the segment Live Touring:

Sub-group Classics

In the sub-group, the activities of the tour promoter DEAG Classics AG, Berlin, Raymond Gubbay Ltd., London (UK) as well as The Classical Company AG, Zurich (Switzerland) are reported.

Sub-group Classics	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Current assets	12,777	12,447
Long-term assets	7,292	7,577
Current liabilities	7,769	9,126
Long-term liabilities	333	409
Equity attributable to DEAG shareholders	8,638	7,849
Equity attributable to non-controlling interest	3,329	2,640

	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Sales	27,828	33,785
Expenses and other income	26,146	31,698
Net income	**1,682**	**2,087**

Sub-group Classics	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Net income of attributable to DEAG Shareholders	889	1,003
Net income of attributable to non-controlling interest	793	1,084
Total net income	**1,682**	**2,087**
Other result of attributable to DEAG Shareholders	-98	-336
Other result of attributable to non-controlling interest	-104	-322
Total other result	**-202**	**-658**
Total result of attributable to DEAG Shareholders	791	667
Total result of attributable to non-controlling interest	689	762
Total result	**1,480**	**1,429**

Sub-group Classics	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Dividends paid to non-controlling interest	-	-535
Net cash flows from operating activities	1,508	-176
Net cash flows from investing activities	-183	-82
Net cash flows from financing activities	141	-1,562
total net cash flows	**1,466**	**-1,820**

Sub-group Kilimanjaro

The sub-group Kilimanjaro covers the activities of Kilimanjaro Holdings Limited, London, Kilimanjaro Live Limited, London, as well as Wakestock Limited, London, including the acquired Flying Music Group. Twin Peaks Limited is held as an associated company and is reported in financial investments.

Sub-group Kilimanjaro	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Current assets	34,304	10,220
Long-term assets	12,754	7,299
Current liabilities	39,966	10,218
Long-term liabilities	1,110	718
Equity attributable to DEAG shareholders	4,051	4,598
Equity attributable to non-controlling interest	1,931	1,985

	2017 In EUR'000	2016 In EUR'000
Sales	45,324	41,825
Expenses and other income	44,864	40,277
Net income	**460**	**1,548**
Net income of attributable to DEAG Shareholders	205	789
Net income of attributable to non-controlling interest	255	759
Total net income	**460**	**1,548**
Other result of attributable to DEAG Shareholders	-122	-467
Other result of attributable to non-controlling interest	-121	-448
Total other result	**-243**	**-915**
Total result of attributable to DEAG Shareholders	83	322
Total result of attributable to non-controlling interest	134	311
Total result	**217**	**633**

Sub-group Kilimanjaro	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Dividends paid to non-controlling interest	-473	-1,013

Net cash flows from operating activities	25,329	2,576
Net cash flows from investing activities	-6,701	-241
Net cash flows from financing activities	-967	-2,067
Total net cash flows	**17,661**	**268**

Wizard Promotions Konzertagentur GmbH

	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Current assets	4,654	6,451
Long-term assets	2,975	3,131
Current liabilities	5,534	8,225
Long-term liabilities	398	436
Equity attributable to DEAG shareholders	1,135	553
Equity attributable to non-controlling interest	562	368

	2017 In EUR'000	2016 In EUR'000
Sales	14,249	5,947
Expenses and other income	13,472	6,037
Net income/ loss	**777**	**-90**
Net income of attributable to DEAG Shareholders	584	-68
Net income of attributable to non-controlling interest	193	-22
Total net income/ loss	**777**	**-90**
Other result of attributable to DEAG Shareholders	-	-
Other result of attributable to non-controlling interest	-	-
total other result	**-**	**-**
Total result of attributable to DEAG Shareholders	584	-68
Total result of attributable to non-controlling interest	193	-22
Total result	**777**	**-90**

	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Dividends paid to non-controlling interest	-	-

Net cash flows from operating activities	1,159	1,207
Net cash flows from investing activities	-8	-3
Net cash flows from financing activities	-	-1,000
Total net cash flows	**1,151**	**1,203**

Material non-controlling shares in the Entertainment Services segment:

Sub-group Handwerker Promotion

The sub-group Handwerker Promotion includes the local business of handwerker promotion e. gmbH, Unna, and Pro Media GmbH, Unna.

Subgroup Handwerker Promotion	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Current assets	6,409	8,704
Long-term assets	1,428	1,436
Current liabilities	5,846	8,513
Long-term liabilities	-	-
Equity attributable to DEAG shareholders	1,704	1,519
Equity attributable to non-controlling interest	287	108

Subgroup Handwerker Promotion	2017 In EUR'000	2016 In EUR'000
Sales	14,947	11,666
Expenses and other income	14,582	11,511
Net income	**365**	**155**

Subgroup Handwerker Promotion	2017 In EUR'000	2016 In EUR'000
Net income of attributable to DEAG Shareholders	186	79
Net income of attributable to non-controlling interest	179	76
Total net income	**365**	**155**
Other income of attributable to DEAG Shareholders	-	-
Other income of attributable to non-controlling interest	-	-
Total other income	**-**	**-**
Total comprehensive income of attributable to DEAG Shareholders	186	79
Total comprehensive income to non-controlling interest	179	76
Total comprehensive income	**365**	**155**

	31.12.2017 In EUR'000	31.12.2016 In EUR'000
Dividends paid to non-controlling interest	-	-
Net cash flows from operating activities	-1,396	1,055
Net cash flows from investing activities	-15	12
Net cash flows from financing activities	-	-
Total net cash flows	**-1,411**	**1,067**

12.2 ACQUISITIONS

Acquisitions are accounted for under IFRS 3 (Business Combinations) using the purchase method. The following transactions had the following effects on the assets and liabilities of the Group at the time of acquisition:

Flying Music Holdings Limited

Percentage of shares and votes		
Flying Music Holdings Limited		60,0%
	Flying Music Company Limited	60,0%
	The Flying Music Group Limited	60,0%
	Flying Entertainment Limited	60,0%
Date of first consolidation		01.08.2017
Purchase price (EUR'000)		4,119
Acquisition costs (EUR'000)		361

In EUR'000	Far value at acquisition date	Adjustment amount	Reconcilable current value at acquisition date
Assets			
Goodwill			3.693
Artist and agent relationships	2	1.078	1.080
Order backlog	-	194	194
Software	33	-	33
Fixed assets	1.028	602	1.630
Liquid funds	1.811	-	1.811
Short-term assets	1.458	-	1.458
Deffered tax assets	76	126	202
	4.408	2.000	6.408
Liabilities			
Short-term liabilities	4,572	634	5,206
Long-term liabilities	117	-	117
Deferred tax assets	-	375	375
	4,689	1,009	5,698
Net assets	- 281	991	710
Equity attributable to non-controlling interest			285
Equity attributable to DEAG			425
Goodwill			3,694

Goodwill essentially reflects the future earning potential of the companies and intangible assets that cannot be individually recognized. Goodwill is not deductible for tax purposes.

In the year under review, DEAG gained control of Flying Music Group Holding Ltd and its subsidiaries (all London, UK) through the indirect acquisition of 60% of the shares.

With the acquisition of the British promoter, the profitable UK business was expanded by another com-pany. DEAG therefore has an even more heterogeneous, broader range of events, making it one of the leading promoters and theater producers in the UK. With this diversified event portfolio, DEAG has considerable revenue potential and strategic options for the Group's overall business in Europe. With its event expertise, the Flying Music Group nicely complements DEAG's international event portfolio and enables the company to continue growing, especially in the Family Entertainment segment as well as in the area of theater events.

Since August 1, 2017 (the date of initial consolidation), Flying Music Group Holding Ltd and its subsidiaries have contributed EUR 7,977 thousand to revenues, EUR 318 thousand to EBIT and EUR 44 thousand to consolidated net income after minority interests.

The Flying Music Group has a different fiscal year. The data and information on the contribution of the units to Group sales, EBIT and net income after minority interests for the period from January 1, 2017, to December 31, 2017, were not available as of the balance sheet date.

The acquisition of Flying Music Group Holding Ltd and its subsidiaries is reflected in the cash flow statement as a payment of EUR 2,100 thousand from the acquisition of consolidated companies and business units as part of the cash outflow from investing activities.

The purchase price of EUR 3,911 thousand on the balance sheet date was paid in cash. The remaining purchase price was recognized as earn out and will be due depending on the future business development of the company in the years 2018 and 2019. The prerequisite is that the average EBIT for 2017, 2018 and 2019 must reach a minimum value. The contingent purchase price payment amounts to a maximum of GBP 1,450 thousand. At the time of acquisition and on the balance sheet date, initial recognition was incomplete, as not all of the investigations with regard to the amount of the conditional purchase price and the recognition of a provision had been completed. The above purchase price allocation is therefore provisional.

Kultur im Park GmbH

Percentage of shares and votes	
Kultur im Park GmbH	51,0%
Date of first consolidation	31.12.2017
Purchase price (EUR'000)	13
Acquisition costs (EUR'000)	2

In EUR'000	Far value at acquisition date	Adjustment amount	Reconcilable current value at acquisition date
Assets			
Intangible assets	-	1,395	1,395
Liquid funds	76	-	76
Short-term assets	13	-	13
	89	1,395	1,484
Liabilities			
Short-term liabilities	273	-	273
Deferred tax assets	-	419	419
	273	419	692
Net assets	- 184	977	793
Equity attributable to non-controlling interest			388

In the year under review, DEAG gained control of Kultur im Park GmbH (Berlin) through the indirect acquisition of 51% of the shares.

With the majority takeover, DEAG is expanding its range of services in the Arts+Exhibition sector and expects further growth impulses. Unlike the transferor, DEAG has access to resources and the market, which creates a favorable bargaining position. Due to the non-existent interconnectivity of the transferor, a hypothetical acquirer with access to the relationships resulting from the acquisition has a negative difference.

Since December 31, 2017 (the date of first-time consolidation), the sub-group has contributed EUR - thousand to revenues, EUR 391 thousand to EBIT and EUR 199 thousand to consolidated net income after minority interests. This includes a gain on initial consolidation in accordance with IFRS 3.34 in the amount of EUR 391 thousand, as the share of net assets at fair value after reassessment exceeds the purchase price for the shares.

If the date of initial consolidation had been at the beginning of the reporting period, the contribution to consolidated revenues would have been EUR 961 thousand, to EBIT EUR 31 thousand and EUR 40 thousand to consolidated net income after minority interests.

The acquisition is reflected in the cash flow statement as proceeds of EUR 63 thousand from the acquisition of consolidated companies and business units as part of the inflow of funds from investment activities.

The purchase price of EUR 13 thousand was paid in cash on the balance sheet date.

13. GOODWILL AND OTHER INTANGIBLE ASSETS

The values developed as follows in fiscal years 2016 and 2017:

Acquisition or production costs In EUR'000	Goodwill	Artist and agency relationships	other rights	Soft-ware	other intangible assets
January 1, 2016	**24,021**	**18,387**	**1,628**	**1,306**	**21,321**
Additions	-	-	291	78	369
Change in scope of consolidation	-	-	-	-	-
Disposals	-	-	-27	-19	-46
Currency adjustments	96	-1,647	2	-50	-1,695
December 31, 2016	**24,117**	**16,740**	**1,894**	**1,315**	**19,949**
Depreciation in EUR'000					
January 1, 2016	**-**	**9,920**	**1,061**	**781**	**11,762**
Reclassification	-	-	-2	2	-
Additions	-	848	111	235	1,194
Disposals	-	-	-	-19	-19
Currency adjustments	-	-879	1	-19	-897
December 31, 2016	**-**	**9,889**	**1,171**	**980**	**12,040**
Balance sheet values 31.12.16	**24,117**	**6,851**	**723**	**335**	**7,909**

Acquisition or production costs In EUR'000	Goodwill	Artist and agency relationships	other rights	Soft-ware	other intangible assets
January 1, 2017	**24,117**	**16,740**	**1,894**	**1,315**	**19,949**
Additions from initial consolidation	3,693	1,274	1,428	-	2,702
Additions	-	-	357	98	455
Change in scope of consolidation	-614	-2,116	-	-98	-2,214
Disposals	-	-	-54	-3	-57
Currency adjustments	-875	-311	-18	-34	-363
December 31, 2017	**26,321**	**15,587**	**3,607**	**1,278**	**20,472**
Depreciation in EUR'000					
January 1, 2017	**-**	**9,889**	**1,171**	**980**	**12,040**
Additions	-	792	119	191	1,102
Change in scope of consolidation	-	-1,051	-	-95	-1,146
Currency adjustments	-	-205	-10	-28	-243
31.12.2017	**-**	**9,425**	**1,280**	**1,048**	**11,753**
Bilanzwerte 31.12.2017	**26,321**	**6,162**	**2,327**	**230**	**8,719**

14. GOODWILL

The goodwill reported is attributable as of December 31, 2017, in the amount of EUR 14,185 thousand (previous year: EUR 11,107 thousand) to the Live Touring segment and in the amount of EUR 12,136 thousand (previous year: EUR 13,010 thousand) to the Entertainment Services segment.

The goodwill in the Live Touring segment concerns DEAG Classics AG together with Raymond Gubbay Ltd. in the amount of EUR 5,263 thousand (previous year: EUR 5,263 thousand), which due to a joint shareholder structure, close cooperation and the existing synergy effects constitute a CGU within the segment, in the amount of EUR 1,592 thousand unchanged Wizard Promotions Konzertagentur GmbH, in the amount of EUR 853 thousand unchanged KBK Konzert- und Künstleragentur GmbH and in the amount of EUR 6,475 thousand (previous year: EUR 2,783 thousand) the sub-group Kilimanjaro. The changes in goodwill relate to the disposal in connection with the sale of the shares in Manfred Hertlein Veranstaltungs GmbH (EUR 614 thousand) and the addition due to the first-time inclusion of the activities of the Flying Music Group (addition in the sub-group Kilimanjaro in the amount of EUR 3,693 thousand).

In the Entertainment Services segment, EUR 741 thousand (previous year: EUR 741 thousand) is attributable to the German companies in this segment, EUR 1,405 thousand (previous year: EUR 1,405 thousand) to the German sub-group Handwerker Promotion and EUR 9,900 thousand (previous year: EUR 10,864) to the AIO Group.

The goodwill reflects the synergy expectations of the DEAG Group in view of the extension of the network associated with the acquisitions, the access to venues as a result of the regional expansion and the rise in ticket volume. Furthermore, it is assumed that there will be a strengthening of the Entertainment Services sector through the offering of shows and tours.

The aforementioned subdivision also applies to the determination of the CGU.

Impairment tests were carried out on a regular basis for the goodwill of each CGU. No impairment loss was identified.

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 to three-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 CGUs 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. The planning numbers of the last planning year were used for the standard year (perpetual annuity).

Pre-tax interest rates for the CGUs AIO Group, the sub-group Kilimanjaro and the sub-group DEAG Classics of 4.1% (previous year: 6.9%), 6.5% (previous year: 8.4%) and 5.9% (previous year: 8.4%), respectively, were used as discount rates; for the other CGUs, it amounted to 4.9% (previous year: 8.7%). During the standard year, no growth deductions were applied in the reporting year and the previous year. Even after raising the discount interest rate by one percentage point, goodwill does not show any sign of impairment.

15. OTHER INTANGIBLE ASSETS

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

The capitalization of the orders at hand as well as the artist and agent relationships and other rights are based in part on business combinations. The changes relate to the disposal in connection with the sale of the shares in Manfred Hertlein Veranstaltungs GmbH and the addition due to the first-time inclusion of the activities of the Flying Music Group and Kultur im Park GmbH. The artist and agent relationships are amortized on a straight-line basis over a period of 15 years, other rights according to the respective contract term. The orders at hand are amortized after the conclusion of the corresponding concert events.

The remaining term of amortization for artist and agent relationships amounts to between 3 and 12 years, for other rights between 4 and 9 years.

16. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in fiscal years 2016 and 2017 was as follows:

Acquisition or production costs In EUR'000	**Land and Buildings (historical cost)**	**Technical plant and machinery (historical cost)**	**Other fixtures and fittings, equipment (historical cost)**	**Total tangible assets**
01.01.2016	**112**	**280**	**2,205**	**2,597**
Additions	15	-	586	601
Disposals	-4	-3	-297	-307
Currency adjustments	-	-38	-55	-93
31.12.2016	**123**	**239**	**2,439**	**2,801**
Depreciation in EUR'000				
01.01.2016	**28**	**203**	**1,503**	**1,734**
Additions	12	19	308	339
Disposals	-4	-3	-249	-256
Currency adjustments	-	-29	-33	-62
31.12.2016	**36**	**190**	**1,529**	**1,755**
Balance sheet values 31.12.16	**87**	**49**	**910**	**1,046**

Acquisition or production costs In EUR'000	**Land and Buildings (historical cost)**	**Technical plant and machinery (historical cost)**	**Other fixtures and fittings, equipment (historical cost)**	**Total tangible assets**
01.01.2017	**123**	**239**	**2,439**	**2,801**
Additions from initial consolidation	1,371	259	-	2
Additions	-	31	177	208
Disposals	-	-16	-9	-28
Change in scope of consolidation	-	-	-122	-122
Currency adjustments	39	-1	-38	-
31.12.2017	**1,533**	**512**	**2,447**	**4,492**
Depreciation in EUR'000				
01.01.2017	**36**	**190**	**1,529**	**1,755**
Additions	35	68	330	433
Disposals	-	-14	-8	-22
Change in scope of consolidation	-	-	-92	-92
Currency adjustments	-	-8	-33	-41
31.12.2017	**71**	**236**	**1,726**	**2,033**
Balance sheet values 31.12.17	**1,462**	**276**	**721**	**2,459**

17. REAL ESTATE HELD AS A FINANCIAL INVESTMENT

Already in 2001, DEAG valued the plots of land held as a financial investment which are not used within the operating activities of the DEAG Group in accordance with the fair value model on the basis of sufficiently objectifiable market prices by an external expert and made a corresponding write-up/write-down in respect of the fair value on the reporting date.

Already in fiscal year 2015, DEAG set up a 50:50 joint venture together with a real estate investor based in Frankfurt/Main and sold the partial plots of land around the Frankfurt Jahrhunderthalle arena held for sale and/or development under the item "Real estate held as a financial investment" subject to a condition precedent to the joint venture. In the event of the granting of a building permit, the property transfer is to be carried out and the total area and/or parts thereof are to be developed and marketed through the joint venture under the coordination of the real estate investor.

Within the scope of the deferred sale, a minimum price was agreed between the parties for the partial real estate, which should be taken into account primarily because of the occurrence of the transaction in a transaction prior to the fair value determined to date by an appraisal of the valuation. For fiscal year 2017, the price agreed upon in 2015 was continued to be used as the best indicator of the fair value.

In the year under review, the value of EUR 5,340 thousand determined in 2015 was unchanged for the land area around the Jahrhunderthalle in Frankfurt/Main from the deferredly stipulated minimum purchase price less safety margins due to unsecured maturity. The following are the details and information on the hierarchical levels of the fair value of the Group's financial investments as of December 31, 2017, and December 31, 2016:

Valuation of the fair value

In EUR´000

	2017		**Market value**	
Assets valued at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**
Commercial real estates in Germany	5,340	-	-	5,340

In EUR´000

	2016		**Market value**	
Assets valued at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**
Commercial real estates in Germany	5,340	-	-	5,340

For the sensitivity analysis – the fluctuation of the fair value for a fictitious change in valuation assumptions – the expert valuation was made by M. F. Guntersdorf in the past, an architect and expert in the field. Although the value determined by the expert is no longer used as the fair value, the relative effects of a change in the valuation parameters are used as an estimate for the sensitivity analysis for the fixed minimum price.

On the basis of a valuation certificate, which was last received as of December 31, 2015, a change in the value of these land values by 5.0% upwards or downwards would result in an estimated value adjustment of EUR 397 thousand and EUR -397 thousand.

18. INVESTMENTS AND FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

The investments include essentially minority shareholdings in the UK in the amount of EUR 458 thousand (previous year: EUR 234 thousand) and in Switzerland EUR 45 thousand (previous year: EUR 34 thousand) as well as further minority shareholdings with a carrying amount of EUR 203 thousand (previous year: EUR 11 thousand).

The financial assets recognized at equity break down as follows:

	Current book value	
Joint Ventures	**2017**	**2016**
JHH Entwicklungsflächen Verwaltungs GmbH i.Gr., Frankfurt a.M.	10	11
JHH Entwicklungsflächen GmbH & Co. KG i.Gr., Frankfurt a.M.	2	2
A.C.T. Artist Agency GmbH, Berlin	-	-
Associated Companies		
Twin Peaks Festival Limited, London (Great Britain)	1,184	2,028
Rock the Ring AG, Hinwil (Schweiz)	91	299
EIB Entertainment Insurance Brokers GmbH, Hamburg	32	27
JHH Verwaltungs GmbH, Frankfurt a.M.	-	-
Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt a.M.	47	-
Verescon AG, Berlin	-	-
Seefestspiele Berlin GmbH, Berlin	-	-
Total	**1,366**	**2,367**

The summarized financial data concerning a material associated company of the Group is presented below. It corresponds to the amounts of the financial statements of the company prepared in conformity with IFRS and has been adjusted for the purpose of consolidated accounting.

Twin Peaks Festival Limited hosts and produces major music festivals, including “Sonisphere,” a pan-European festival focusing on Rock and Hard Rock.

Twin Peaks Festival Limited, London (Great Britain)	**Associated Companies**	
In EUR'000	**2017**	**2016**
Current Assets	19	145
Long-term Assets	-	-
Total Assets	**19**	**145**
Current Liabilities	8	129
Long-Term Liabilities	-	-
Total Liabilities	**8**	**129**

Twin Peaks Festival Limited, London (Great Britain)	Associated Companies	
In EUR'000	**2017**	**2016**
Profit and Loss Statement		
Sales	-	268
Expenses	5	246
Annual Result	**- 5**	**22**
Other comprehensive income	-	-
Total comprehensive income	**- 5**	**22**
Dividends received from associated companies	-	-

The above-mentioned assets and liabilities include the following amounts:

In EUR'000	2017	2016
Cash and cash equivalents	15	104
Current financial liabilities	-	-
Long-Term financial liabilities	-	-

Reconciliation from the summarized financial information to the carrying amount of the investment in Twin Peaks Festival Limited in the Consolidated Financial Statements:

In EUR'000	2017	2016
Net assets of the associated company	11	16
Participation rate of the Group	50,0%	50,0%
Goodwill	-	-
Other adjustments (trademark/order backlog, net of tax)	1,179	2,020
Carrying amount of the Group's share of Twin Peaks Limited	1,184	2,028

The change in the carrying amount for the trademark right (EUR -841 thousand) (previous year: EUR -837 thousand) in the year under review is mainly the result of unscheduled depreciation.

The aggregated fundamentals of the associated companies and the joint ventures included in the Consolidated Financial Statements at equity which are not material for the Group are reported below. The values correspond to the shares accounted for by the DEAG Group. The financial data corresponds to the amounts in conformity with the financial statements prepared in accordance with IFRS.

In EUR'000	Associated Companies 2017	Associated Companies 2016	Joint Ventures 2017	Joint Ventures 2016	Total 2017	Total 2016
Current Assets	672	591	77	153	749	744
Long-term Assets	1,365	1,290	42	18	1,407	1,308
Total Assets	**2,037**	**1,881**	**119**	**171**	**2,156**	**2,052**
Current Liabilities	1,952	1,820	164	250	2,116	2,070
Long-Term Liabilities	690	684	8	-	698	684
Total Liabilities	**2,642**	**2,504**	**172**	**250**	**2,814**	**2,754**

In EUR'000	Associated Companies 2017	Associated Companies 2016	Joint Ventures 2017	Joint Ventures 2016	Total 2017	Total 2016
Profit and Loss Statement						
Sales	3,195	2,798	286	298	3,481	3,096
Expenses	3,324	2,950	290	369	3,614	3,319
Annual Result	**- 129**	**- 152**	**- 4**	**- 71**	**- 133**	**- 223**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**- 129**	**- 152**	**- 4**	**- 71**	**- 133**	**- 223**
Dividends received from associated companies	-	-	-	-	-	-
Aggregate carrying amount	**170**	**326**	**12**	**13**	**182**	**339**

In EUR'000	2017	2016
Unrecognised losses of associated companies in the reporting period	-	-

IFRS 11 covers joint arrangements as the contractual agreement for joint control whereby the type and form of contractual agreement is not explicitly regulated.

In the reporting year, the Group had three cooperation agreements for the joint organization of projects. The cooperation agreements each provided for a common decision-making right for all essential issues and a shared distribution of the result. Accordingly, these cooperation agreements were classified as joint ventures and allocated to the result of associated companies. The joint ventures did not have their own assets and liabilities.

The quantitative impact from this application of IFRS 11 is as follows:

Impact on the financial statements	2017 In EUR'000	2016 In EUR'000
Reduction of revenue	- 471	-
Reduction in the cost of sales	424	-
Reduction in selling expenses	111	-
Decrease in income from associated companies	- 64	-
Change in net profit	**-**	**-**

19. LOANS TO ASSOCIATED COMPANIES / OTHER NON-CURRENT FINANCIAL RECEIVABLES

The item loans to associated companies continues to include a loan claim of EUR 1,221 thousand (previous year: EUR 1,209 thousand) with a term until December 31, 2020.

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

The receivables include essentially EUR 1,000 thousand in loan claims (previous year: EUR 1,800 thousand).

20. DEFERRED TAX ASSETS

The deferred tax assets concern in the amount of EUR 1.9 million (previous year: EUR 1.5 million) mainly deferred taxes on losses carried forward offset against deferred tax liabilities of EUR 1.2 million (previous year: EUR 1.2 million) (same tax authority). With regard to the previous year's figures, please refer to our comments in Notes 39 and 57.

21. BANK LOANS PAYABLE

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

22. TRADE ACCOUNTS PAYABLE

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

23. PROVISIONS

This item developed as shown below:

In EUR'000	As at 01.01.17	Changes in consolidation (1)	Use	Disposal	Addition	Currency difference	As at 31.12.17
Outstanding invoices	7,703	549	7,035	101	4,372	- 196	5,292
Personnel obligations	767	- 191	499	1	268	- 6	338
Consulting and audit costs	343	- 16	294	4	275	- 7	297
Other accruals	1,585	505	1,371	19	183	-	883
Total	**10,398**	**847**	**9,199**	**125**	**5,099**	**- 209**	**6,810**

(1) according to the additions of Flying Music Group and Kultur im Park GmbH and the disposal of Manfred Hertlein Veranstaltungs GmbH

In EUR'000	As at 01.01.16	Use	Disposal	Addition	Currency difference	As at 31.12.16
Outstanding invoices	4,343	3,748	32	7,527	- 387	7,703
Personnel obligations	860	574	1	505	- 23	767
Consulting and audit costs	315	308	3	338	1	343
Other accruals	3	3	7	1,434	4	1,585
Total	**8,977**	**7,935**	**43**	**9,804**	**- 405**	**10,398**

Provisions for outstanding invoices and other provisions include an amount of EUR - thousand (previous year: EUR 1,337 thousand) in risk provisioning for the Rock festival in Vienna.

The provisions – except for EUR - thousand (2016: EUR 227 thousand) for personnel liabilities – are, as a matter of principle, due within one year. In addition to the obligations related to the AIO Group (Note

44), the provisions for personnel obligations in the previous year were related to the sub-group Gold of EUR 172 thousand.

24. SALES ACCRUED AND DEFERRED REVENUES

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

25. CONVERTIBLE BOND

In the previous year, a convertible bond was issued exclusively to institutional and private investors at nominal value, with the exclusion of shareholders' subscription rights. The cash inflow will be used to strengthen the financial structure of DEAG and to finance the further development of the company. The convertible bond issued with a total value of EUR 5.7 million is divided into subordinated bonds with a nominal value of EUR 100,000 each in the name of the bearer.

The term of the convertible bond began on June 30, 2016, and runs for two years until June 30, 2018, with an extension option on the same terms by the bondholders for a further year until June 30, 2019. As of December 31, 2017, bondholders with a bond volume of EUR 4.3 million made use of the option.

In the conversion period beginning on December 15, 2016, the bondholders are entitled to convert the bearer shares into ordinary shares at a conversion price of EUR 3.50. Depending on the achievement of a price target of EUR 4.20, there is a conversion obligation at the end of the maturity at a conversion price of EUR 3.50. In the case of the full conversion of all convertible bonds, up to 1,628,571 new shares may be issued.

If the conversion right is not exercised and the conditions for the mandatory conversion are not fulfilled, the bonds must be repaid at the nominal value on the maturity date. Interest is paid annually and is 6% per year.

In order to secure the claims of the bondholders, DEAG ceded the right to a pro rata share of the proceeds from the sale of the investment premises held around the Jahrhunderthalle in Frankfurt/Main to a purchase price exceeding EUR 8 million.

As of December 31, 2017, the borrowed capital component is shown in the amount of EUR 4.1 million under non-current financial liabilities and in the amount of EUR 1.4 million under current financial liabilities in the separate item "convertible bond"; the equity component is reported under equity in the item "capital reserve" at EUR 0.1 million. The effective interest rate of the liability, taking into account the option component recognized in equity and the deferred borrowed capital procurement costs, amounts to 10.11% per year.

26. OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

This balance sheet item breaks down as follows:

In EUR'000	31.12.2017	31.12.2016
Creditors with debit balances	337	175
Receivables from assosciated companies	324	708
Loans	310	566
Deposits	264	165
Reimbursement/compensation payments	157	168
Receivables from cooperation contracts	50	533
Others	382	481
Other current financial assets	**1,824**	**2,796**

In EUR'000	31.12.2017	31.12.2016
Down payments	1,013	908
Tax authorities claims	197	728
Input tax deductible in the following year	167	644
Others	259	175
Other current non-financial assets	**1,636**	**2,455**

27. OTHER NON-CURRENT FINANCIAL LIABILITIES

This item concerns a liability from a contingent consideration (IAS 32) in the amount of EUR 95 thousand (December 31, 2016: EUR 464 thousand). The liability corresponds to a share in an investee attributable to a third party if the shares in the latter are sold. The determination of the fair value is based on the application of the relief-from-royalty method. The measurement was based on planning approved by the local management. An interest rate of 10.6% (previous year: 10.4%) was used as the discount rate. A variation of the underlying measurement by 5.0% upwards or downwards would result in a value adjustment of EUR 5 thousand and EUR -5 thousand, respectively – without taking into account exchange rate effects. The change that occurred in the year under review results from the write-down of the brand (Note 18).

The change in income amounted to EUR 357 thousand and is stated in other operating income and the currency-related change, which was recorded in the amount of EUR 12 thousand under other income, is to be allocated to the shareholders of DEAG at 51%.

Also included is a conditional purchase price payment in connection with the acquisition of the shares in the Flying Music Group. Please refer to our comments in Note 12.2.

28. COLLATERALIZATION

For collateralization of liabilities to banks (December 31, 2017: EUR 100 thousand; December 31, 2016: EUR 738 thousand) in connection with an acquisition financing, the corresponding shares were pledged to the financing bank.

During the reporting year, the receivables from ticket funds as well as insurance claims were assigned to the financing bank for the collateralization of liabilities to banks (2017: EUR 5,694 thousand, 2016: EUR 5,889 thousand) in connection with tour pre-financing.

For the collateralization of the convertible bond, please refer to our comments in Note 25.

29. EQUITY

The company's capital stock amounts to EUR 18,397,423.00 (December 31, 2016: EUR 16,353,344.00), each with a book share of EUR 1.00 in the capital stock when divided into 18,397,423 (2016: 16,353,334) ordinary registered shares in the form of no-par-value individual share certificates.

The share capital of the company is paid in full.

The capital reserve contains the premium on the shares issued by DEAG, as well as the equity component of convertible bonds issued by DEAG (2017: EUR 142 thousand, 2016: EUR 142 thousand), reduced by the capital increase from own company funds to adjust the subscribed capital following the changeover to the euro as well as reduced by the cost of the respective capital measures (capital increases / placement of convertible bonds) of the respective year in the amount of EUR 434 thousand (previous year: EUR 5 thousand). The transaction costs during the previous year essentially concerned consulting costs and issuing fees. The revaluation reserve for property, plant and equipment from past years resulted from the revaluation of owner-used plots of land after the deduction of deferred taxes in accordance with IAS 16. As a result of the Jahrhunderthalle transaction, the still existing revaluation allowance was reclassified completely to the capital reserve in 2015 with no effect on income.

The accounting loss includes past results of companies included in the Consolidated Financial Statements and consolidated net earnings for the current fiscal year. With regard to the adjustment of the previous year's figure, please refer to our comments in Note 57.

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

Diluted and undiluted earnings per share are calculated according to IAS 33 on the basis of 18,396,193 shares (18,396,808 shares issued less 615 treasury shares). The weighted average of shares for 2017 came to 17,595,358 (previous year: 16,352,719). The Group loss used as a basis amounted to EUR 2,287,111.04.

Contingent Capital

The nominal capital of the company was contingently increased in accordance with a resolution adopted by the General Meeting on June 26, 2014, by an amount of EUR 6,800,000.00 (Contingent Capital 2014/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 June 26, 2014, to the convertible bonds and/or bonds with warrants issued by the company until June 25, 2019, exercise their conversion or option right or holders who 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 June 26, 2014, until June 25, 2019, 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 Executive Board is empowered to define the further details for the implementation of the contingent capital increase with the consent of the Supervisory Board.

The resolution on Contingent Capital (2014/I) was entered in the commercial register on September 9, 2014.

In the previous year, DEAG issued a convertible bond with the exclusion of shareholders' subscription rights at the nominal value. We refer to Note 25.

Authorized Capital

The Ordinary General Meeting created new authorized capital on June 26, 2014, and cancelled the previously unused authorized capital (Authorized Capital 2011/I). The Executive Board has been empowered to increase, with the approval of the Supervisory Board, the subscribed capital by June 25, 2019, by a total of EUR 8,176,667.00 (Authorized Capital 2014/I).

The resolution on Authorized Capital 2014/I was entered in the commercial register on September 9, 2014.

On May 2, 2017, the Executive Board decided, with the approval of the Supervisory Board, to partially utilize the authorized capital created on June 26, 2014, to increase the share capital of DEAG from EUR 16,353,334.00 by EUR 2,044,089.00 to EUR 18,397,423.00 by issuing 2,044,089 bearer shares with a pro rata amount of 1.00 EUR per share.

The capital increase was entered in the commercial register on May 24, 2017.

Authorized Capital (2014/I) still amounted to EUR 6,132,578.00 even after partial utilization.

Acquisition of treasury shares (section 71 (1) no. 8 AktG)

As resolved by the General Meeting of Shareholders on May 25, 2015, DEAG is in accordance with section 71 para 1 no. 8 AktG authorized until June 24, 2020, to purchase upon approval by the Supervisory Board up to 10% of the share capital existing on the date of resolution. The decision on this is to be made by the Executive Board. Such purchase may only be made via the stock exchange or by a public purchase offer addressed to shareholders. This authorization has not yet been exercised. As of December 31, 2017, the company still held 615 treasury shares.

Accumulated other result

The accumulated other result developed as follows in 2017 and 2016, respectively:

	As at 01.01.2017 in EUR'000	Variance in Reporting Year in EUR'000	As at 31.12.2017 in EUR'000
Balancing item IAS 19.93A	564	99	663
Balancing item for foreign currency translation	839	-639	200
Accumulated other income	1,403	-540	863

	As at 01.01.2016 in EUR'000	Variance in Reporting Year in EUR'000	As at 31.12.2016 in EUR'000
Balancing item IAS 19.93A	496	68	564
Balancing item for foreign currency translation	1,579	-740	839
Accumulated other income	2,075	-672	1,403

Shares of other shareholders

Shares in the paid up and generated equity which are held neither directly nor indirectly by DEAG are reported as minority interests. They are disclosed within equity in accordance with IAS 10.22.

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.

Other related parties within the meaning of IAS 24.19 included during the reporting period:

- Two family members of Prof. Peter L. H. Schwenkow, who works as employee for companies of the DEAG Group; and
- A family member of Prof. Peter L. H. Schwenkow, who acts as Managing Director or CEO of consolidated subsidiaries.

Remunerations and fees of a total amount of EUR 260 thousand (2016: EUR 256 thousand) were settled for these persons and companies in the reporting year. In addition to payments to family members, the previous year included further amounts of EUR 249 thousand to related companies.

The total remuneration granted to the Executive Board in 2017 amounted to a total amount of EUR 1.7 million (previous year: EUR 1.8 million); benefits in the amount of EUR 1.9 million (previous year: EUR 1.8 million) were granted during the reporting period. These include remuneration for activities for subsidiaries included in the Consolidated Financial Statements (EUR 128 thousand, previous year: EUR 98). They break down as follows:

Granted benefits	Prof. Peter L.H. Schwenkow			
	CEO			
	2016	2017	2017 (Min)	2017 (Max)
Fixed salary	500	500	500	500
Ancillary benefits	168	256	256	256
Total	**668**	**756**	**756**	**756**
One-year variable cash remuneration	100	0	0	1,000
Multi-year variable cash remuneration	0	0	0	0
Total	100	0	0	1,000
Total remuneration	**768**	**756**	**756**	**1,756**

Granted benefits	Christian Diekmann			
	COO, CDO			
	2016	2017	2017 (Min)	2017 (Max)
Fixed salary	300	300	300	300
Ancillary benefits	50	52	52	52
Total	**350**	**352**	**352**	**352**
One-year variable cash remuneration	100	0	0	300
Multi-year variable cash remuneration	15	0	0	0
Total	115	0	0	300
Total remuneration	**465**	**352**	**352**	**652**

Granted benefits	Detlef Kornett CMO 2016	2017	2017 (Min)	2017 (Max)
Fixed salary	220	275	275	275
Ancillary benefits	55	41	41	41
Total	**275**	**316**	**316**	**316**
One-year variable cash remuneration	80	0	0	225
Multi-year variable cash remuneration	0	0	0	0
Total	80	0	0	225
Total remuneration	**355**	**316**	**316**	**541**

Granted benefits	Ralph Quellmalz CFO 2016	2017	2017 (Min)	2017 (Max)
Fixed salary	165	220	220	220
Ancillary benefits	23	31	31	31
Total	**188**	**251**	**251**	**251**
One-year variable cash remuneration	60	0	0	180
Multi-year variable cash remuneration	0	0	0	0
Total	60	0	0	180
Total remuneration	**248**	**251**	**251**	**431**

Inflow	Prof. Peter L.H. Schwenkow CEO 2016	2017	2017 (Min)	2017 (Max)
Fixed salary	500	500	500	500
Ancillary benefits	168	256	256	256
Total	**668**	**756**	**756**	**756**
One-year variable cash remuneration	100	0	0	1,000
Multi-year variable cash remuneration	0	0	0	0
Total	100	0	0	1,000
Total remuneration	**768**	**756**	**756**	**1,756**

Inflow	Christian Diekmann COO, CDO 2016	2017	2017 (Min)	2017 (Max)
Fixed salary	300	300	300	300
Ancillary benefits	50	52	52	52
Total	**350**	**352**	**352**	**352**
One-year variable cash remuneration	100	100	100	300
Multi-year variable cash remuneration	15	0	0	0
Total	115	100	100	300
Total remuneration	**465**	**452**	**452**	**652**

Inflow	Detlef Kornett CMO			
	2016	2017	2017 (Min)	2017 (Max)
Fixed salary	220	275	275	275
Ancillary benefits	55	41	41	41
Total	**275**	**316**	**316**	**316**
One-year variable cash remuneration	80	80	80	180
Multi-year variable cash remuneration	0	0	0	0
Total	80	80	80	180
Total remuneration	**355**	**396**	**396**	**496**

Inflow	Ralph Quellmalz CFO			
	2016	2017	2017 (Min)	2017 (Max)
Fixed salary	165	220	220	220
Ancillary benefits	23	31	31	31
Total	**188**	**251**	**251**	**251**
One-year variable cash remuneration	60	60	60	180
Multi-year variable cash remuneration	0	0	0	0
Total	60	60	60	180
Total remuneration	**248**	**311**	**311**	**431**

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

In the event of illness and/or temporary occupational disability of the CEO, the company undertakes to pay the fixed compensation, but no longer than until the end of the employment contract.

In the event of illness and/or temporary occupational disability of the COO/CDO, CMO or CFO, the company undertakes to pay the fixed compensation for a period of six months as well as 50% of the fixed compensation 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 COO/CDO, CMO and 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 premature termination of the 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 will 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 5, 2015.

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 EUR 166 thousand (previous year: EUR 62 thousand).

31. SALES

The segment reporting 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 recognized as cost of sales.

33. DISTRIBUTION COSTS

Distribution costs include personnel expenses (EUR 1.7 million, previous year: EUR 1.5 million), system fees (EUR 4.5 million, previous year: EUR 7.0 million) and other distribution-related material costs (EUR 6.8 million, previous year: EUR 12.2 million). They fell by EUR 7.7 million to EUR 13.1 million.

34. ADMINISTRATIVE EXPENSES

Administrative expenses include personnel expenses (EUR 6.8 million, previous year: EUR 7.3 million), and other administration-related material costs (EUR 5.4 million, previous year: EUR 5.8 million) plus pro rata depreciation (EUR 0.4 million, previous year: EUR 0.4 million). Administrative expenses decreased by EUR 1.0 million to EUR 12.6 million.

35. OTHER OPERATING INCOME

This item breaks down as follows:

in EUR'000	**2017**	**2016**
result of change in scope of consolidation	831	-
Insurance compensation	423	184
Income from release of provisions	125	43
Commission income	46	774
Income from service contracts	28	34
Rental income	20	19
Income from currency translation differences	18	151
Income from release of provisions	14	2
Income from the Jahrhunderthallen-Transaction	-	5,808
Other	1,076	1,042
Total	**2,581**	**8,056**

The income from the change in the scope of consolidation is attributable to Manfred Hertlein Veranstaltungs GmbH with EUR 440 thousand and Kultur im Park GmbH with EUR 391 thousand.

36. OTHER OPERATING EXPENSES

Other operating expenses include, amongst other expenses, valuation allowances, risk provisioning as well as other taxes and accessory services.

This item breaks down as follows:

in EUR'000	2017	2016
Expenses recording to IFRS 3.53	379	-
Expenses from currency translation differences	231	-
Expenses from cooperation arrangements	150	300
Expenses for commission	46	255
Damages	39	43
Other taxes and additional service	29	13
Individual allowances/ Provision for risks	12	37
Expenses from change real estate objects held as financial investments	-	5
Other	278	194
Total	**1,164**	**847**

37. INTEREST INCOME AND EXPENSES

This item breaks down as follows:

In EUR'000	2017	2016
Other interest and similar income	112	146
Interest and similar expenditure	-1,307	-1,141
Interest income and expense	**-1,195**	**-995**

Interest expenses include, among other expenses, non-financial accounting interest expenses of EUR 10 thousand (previous year: EUR 11 thousand).

38. INCOME FROM INVESTMENTS

Income from investments amounted to EUR 71 thousand (previous year: EUR 134 thousand).

39. INCOME TAX

Actual tax liabilities for the current fiscal 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 valid on the balance sheet date.

In EUR'000	2017	2016
Tax expenditure:		
Reporting period	-864	-1,059
Previous years	-14	-47
Tax refund previous years	19	67
Deferred tax revenue/expenditure		
Deferrered taxes	258	506
Changing tax rate	-	48
Tax expenditure:	**-601**	**-485**

Income tax includes all income tax paid or payable in the respective countries and all deferred taxes. Income tax includes corporate income tax as well as the solidarity surcharge and trade tax and the respective 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 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 in the reporting year 2017. 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 approx. 30.0%. The income tax rate in Switzerland is approx. 20.0% and approx. 20.0% in the UK. If no prior-year figures are stated, the respective tax rates remained unchanged compared to the previous year.

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

In EUR'000	2017	2016
Result before taxes on income and shares of other shareholder	2,945	-998
Tax expenditure at the DEAG AG tax rate	-884	300
statement	-601	-485
Carryover figure	**-282**	**785**

In EUR'000	2017	2016
Changing tax rate	-	48
Taxes previous years	-318	-20
Tax-free earnings and non-deductible expenses	-437	-151
Different tax rates	-113	42
Write-up of value adjustment of tax accruals	513	998
Others	73	-132
	-282	**785**

Deferred tax assets comprise the following:

In EUR'000	2017	2017	Variances with no effect on results	Variances with effect on results
Tax accruals on losses carried forward	1,931	1,477	-	454
Deferred tax assets	**1,931**	**1,477**	**-**	**454**
Deferred tax assets that can be set off against deferred tax liabilities	-1,169	-1,169		
Deferred tax assets (net)	**762**	**308**		

Deferred tax assets in respect of losses carried forward were recognized in the amount of EUR 1,931 thousand. The tax claims were shown as a balance in the amount provided that there is an offsetting possibility with the same tax authority.

The tax losses carried forward in the DEAG Group amounted to around EUR 81.0 million on December 31, 2017 (previous year: EUR 92.8 million), in terms of corporation tax and around EUR 51.6 million (previous year: EUR 49.0 million) in terms of local trade tax.

Due to the usage of previously unrecognized fiscal losses, the current tax expenditure was lowered by EUR 1,297 thousand (previous year: EUR 524 thousand).

Deferred tax liabilities comprise the following:

In EUR'000	2017	2017	Variances with no effect on results	Variances with effect on results
Deferred income from the value write-up on the Jahrhunderthalle Frankfurt am Main	1,281	1,281	-	-
Deferred income on intangible assets	2,029	1,509	-309	-211
Other temporary variances	10	20	-	10
Deferred taxes on the liabilities side	**3,320**	**2,810**	**-309**	**-201**
To be settled against deferred tax assets	-1,169	-1,169		
Balance Shown	**2,151**	**1,641**		

40. DISCONTINUED OPERATIONS

By resolution of September 28, 2017, the Executive Board decided to discontinue the activities of Blue Moon Entertainment GmbH, Vienna/Austria, as well as the plan for the complete winding up, discontinuation of the business area up to the liquidation of the company, and the discontinuation of the geographic area Austria effective December 31, 2017. The company no longer operates active business here.

Pursuant to IFRS 5, Blue Moon Entertainment GmbH and the activities of the Group in Austria are therefore to be reported as a business unit intended for closure. In the Income Statement and the Statement of Cash Flow, the discontinued operations must be shown and explained separately as such. In light of this, the figures for the previous year must be adjusted accordingly.

Earnings after taxes from discontinued operations include during the reporting year in an amount of EUR 3,040 thousand (previous year: EUR 3,195 thousand) the Austrian business unit including Blue Moon Entertainment GmbH. DEAG Music accounted for EUR 5 thousand (previous year: EUR 716 thousand). Both business units are allocated to the Entertainment Services segment.

The result from discontinued operations breaks down as follows:

in TEUR	2017	2016
Sales	4,042	6,470
Cost of sales	-5,636	-9,007
Gross profit	**-1,594**	**-2,537**
Distribution costs	-390	-569
Administrative expenses	-929	-818
Other operating income	5	23
Other operating expenses	-36	-1
Operating income (EBIT)	**-3,041**	**-3,902**
Financial result	-4	-9
Result before taxes	**-3,045**	**-3,911**
Result from discontined operations after taxes	**-3,045**	**-3,911**

Earnings after taxes from discontinued operations are exclusively attributable to the shareholders of the parent company.

41. PERSONNEL EXPENSES

Personnel expenses

In EUR'000	2017	2016
Salaries and wages	12,814	14,100
Social security contribution	1,774	1,838
Total	**14,588**	**15,938**

The discontinued operations account for salaries and wages in an amount of EUR 321 thousand during the reporting year (previous year: EUR 545 thousand) and social security contributions in the amount of EUR 93 thousand (previous year: EUR 101 thousand).

42. RENT EXPENDITURE

The rent expenditure from leasing offices and venues as part of operating leases amounted to EUR 11,985 thousand in fiscal year 2017 (previous year: EUR 13,179 thousand). Furthermore, there are leases in the Group including for passenger cars and telecommunications systems amounting to EUR 305 thousand (2016: EUR 218 thousand).

43. CASH FLOW STATEMENT

The financial resources fund exclusively concerns liquid assets. Changes in the scope of consolidation resulted in the following changes in cash and cash equivalents and other assets and liabilities:

- in EUR'000 -	Additions
Cash inflow	2,037
Additions of fixed assets	4,332
Additions of other assets	1,673
Additions others liabilities	6,390

There were the following investment and financing transactions:

The acquisitions made in the year under review (Note 12.2) were financed entirely from Group liquidity.

Payments of EUR 2,037 thousand in connection with investment activities relate to cash and cash equivalents of EUR 1,887 thousand (obtained through control) and EUR 3,924 thousand to the consideration paid.

- in EUR'000 -	Disposal
Disposal of Liquid funds	3,114
Disposal of fixed assets	1,798
Disposal of other assets	2,849
Disposal of other liabilities	8,369

There was the following divestment and financing transaction:

The purchase price from the sale of the shares in the divestment carried out in the year under review (Note 3) has been received in full.

Payments of EUR 3,114 thousand resulting from the disposal of the investment relate to cash and cash equivalents of EUR 5,314 thousand (loss of control) and the cash inflow of EUR 2,200 thousand.

Income taxes in the amount of EUR 1,307 thousand (previous year: EUR 347 thousand reimbursed) were paid and classified as cash flow from current operations.

44. 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 9.35% (previous year: 9.35%). The ongoing payments of contributions are disclosed as social contributions in personnel expenses and amounted to EUR 670 thousand (previous year: EUR 680 thousand).

For the employees of Raymond Gubbay Ltd. and Kilimanjaro Live 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, Raymond Gubbay Ltd. paid pension insurance contributions in the amount of EUR 129 thousand (previous year: EUR 121 thousand) and sub-group Kilimanjaro paid pension insurance contributions in the amount of EUR 59 thousand (previous year: EUR 29 thousand).

The companies of the DEAG Group that are based 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 for 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, 2017. The corresponding values were taken over into the Consolidated Financial Statements and are part of the Group's personnel obligations. We refer to our comments in Note 23. Disclosures in accordance with IAS 19 have been waived for reasons of materiality.

45. AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

Head count	2017	2016
Live Touring	88	78
Entertainment Services	72	84
DEAG Holding	33	33
Total	**193**	**195**

Discontinued operations account for 5 employees (previous year: 5) who are included in Entertainment Services.

On December 31, 2017, the Group employed 221 (previous year: 215) employees in continuing operations.

46. OFF-BALANCE SHEET CONTINGENCIES / CONTINGENT LIABILITIES / CONTINGENT CLAIMS

On the balance sheet date, contingencies relating to other securities and guarantees provided for third parties exist in the amount of EUR 324 thousand (previous year: 483 EUR thousand).

This includes an amount of EUR 324 thousand (previous year: EUR 483 thousand) in respect of which DEAG has taken over liability in connection with the letter of comfort to one joint venture.

DEAG has issued a letter of comfort to one associated company to ensure that the latter can satisfy its obligations under a lease contract at all times. The risk of the guarantee being asserted is considered to be very low. The company is able to satisfy its existing and future obligations to the lessor from its own cash flow.

For sufficiently concrete, foreseeable tax risks whose probability of occurrence is predominantly likely, existing tax credits were reduced and/or corresponding provisions were expensed. In addition, further payment obligations may result from the outcomes of future external tax audits whose amount cannot currently be reliably estimated.

The Group is currently involved in active and passive legal proceedings. In as far as risks can be identified, these risks are covered as a matter of principle in the Consolidated Financial Statements on the one hand by valuation allowances in respect of the assets and on the other hand by provisions. During the reporting year, exclusively costs of proceedings were provisioned. No individual risks from passive proceedings exist. (Potential) asset reductions in the amount of EUR 0.45 million could materialize; currently, the risk is estimated as unlikely.

Potential asset additions in connection with judicially asserted damage claims and claims for contractual performance are not pending on the reporting date. The claims without interest amount to an unchanged total of EUR 11.9 million.

47. OTHER FINANCIAL OBLIGATIONS

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

In EUR'000	Artist Guarantees	Rent and Leasing	Other	Total
2018	12,253	1,176	1,019	14,448
2019-2022	2,380	1,359	215	3,954
Total	**14,633**	**2,535**	**1,234**	**18,402**

Other financial commitments mainly concern contractual service agreements in the amount of EUR 296 thousand (previous year: EUR 341 thousand).

No commitments of more than 5 years exist.

The other financial commitments for fiscal year 2016 relate to:

In EUR'000	Artist Guarantees	Rent and Leasing	Other	Total
2017	14,806	1,333	381	16,520
2018-2021	256	2,184	312	2,752
Total	**15,062**	**3,517**	**693**	**19,272**

If circumstances arise which cannot be influenced by DEAG, additional financial obligations to the four members of the Executive Board in the amount of EUR 3,100 thousand may result (previous year: EUR 6,000 thousand). The probability of occurrence is considered to be low.

48. AUDIT FEES

The fees for the auditor Mazars GmbH & Co. KG, Hamburg, which are reported as expenses in fiscal year 2017, are as follows:

In EUR'000	2017	2016
Audit costs	236	284
Other services rendered	30	14
	266	**298**

In addition to the costs of auditing the annual and Consolidated Financial Statements, expenses were incurred in 2017 in connection with the enforcement procedure and other audit services that are either directly initiated by the audit or used in connection with the audit of the financial statements, which are attributable to the audit services in accordance with the underlying regulations.

The other services were commissioned for services in connection with capital measures.

49. DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 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 section 314 no. 8 HGB in conjunction with section 161 AktG on December 15, 2017, and made it permanently accessible to shareholders on the Internet. The full declaration is posted on the company's website (www.deag.de/ir).

50. LEGAL DISPUTES

Various DEAG Group companies are involved in legal or out-of-court disputes.

As far as a possible impact is concerned, we refer to Note 46, off-balance sheet contingencies / contingent liabilities / contingent claims.

51. 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 by laws or contracts. The financial ratios which are used for internal controlling of the company are performance-based and are to contribute to the appreciation of shareholders' assets while at the same time preserving balanced liquidity.

The gross margin and the breakeven ticket number are used as the most important control parameters in the project business. With respect to overall control of the company, EBIT, Group earnings 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 shareholders are maximized though an optimization of the ratio of equity to debt capital. The overall strategy has remained unchanged versus 2016. Compliance with the covenant criteria in connection with financing used is monitored on an ongoing basis.

Concerning a summary presentation of the ratios for the reporting and prior year (EBIT, Group earnings, profit to sales ratio), we refer to the information in the segment reporting in Note 6.

52. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Interest risks

On the assets and liabilities side, the Group is subject to interest rate fluctuations. While on the assets side in particular income from short-term investments is exposed to an interest rate risk, the liabilities side is essentially affected 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 current return for drawings and drawdowns of existing financing lines are based on the one hand on the general EURIBOR development and on the other hand partly on agreed balance sheet and earnings ratios (financial covenants) which can lead to an increase or reduction in the interest payments. This financing is based on spread grids with a scaling of 0.25 percentage points. The interest rate premium on the EURIBOR depends on the net debt ratio and interest coverage.

The financial and non-financial covenants with banks are permanently monitored and the interest margins derived from this are arranged by mutual agreement with the respective banks.

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 EUR 164 thousand 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 premium by 0.25%, interest would increase (decrease) by EUR 41 thousand (previous year: EUR 38 thousand) 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 currency risk to the euro, Swiss franc or British pound. The same applies to dividend payments from foreign subsidiaries which are made in Swiss francs or British pounds. The company performs 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, currency hedging transactions were carried out to a small extent.

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 carrying amounts. 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 in selecting business partners. Accounts receivable are monitored on an ongoing basis. Possible default risks are taken into account by specific valuation allowances. On the reporting date, there were no indications of risks beyond the posted valuation allowances for accounts receivable or other assets.

Liquidity risks

The financing of the operating business depends on the ability of the companies within the DEAG Group to generate sufficient cash flow in a volatile business or to tap into external financing sources (third party capital or own funds).

DEAG, therefore, has agreed on extensive framework lines without further restrictions with respect to the terms with four principal banks as well as a convertible bond that was successfully placed in fiscal year 2016. The proceeds from the convertible bond are also intended to strengthen the financial structure of DEAG and to finance the company's further development.

The respective financing terms and conditions reflect the favorable market level and the very good rating of DEAG. The framework lines can be terminated on the basis of the standard terms and conditions if the assets, financial and earnings position of the DEAG Group have considerably worsened compared to the time when they were granted and compensation measures such as the furnishing or enhancement of bank collaterals to secure the respective claims are not successful.

In financing the operating business, including organic and external growth, DEAG depends on successful ticket sales and hence a positive business development. In individual cases, DEAG has entered into commitments (in particular for fee payments) and must make advance payments with an impact on liquid funds, since there are temporary differences between the disbursements and payments from ticket sales. In these cases, the upfront costs would have to be covered by other sources – e.g. from other non-tied financial resources or by availment of framework lines from the company's main banks.

Apart from the liquidity shown on the reporting date, framework lines totaling EUR 4.3 million, which have not yet been used, are available. Based on the current forecasts for earnings (EBIT) and the resulting liquid funds, the Executive Board considers the company's and the Group's financial position to be in order.

If the course of business worsened permanently and sustainably versus planning, e.g. as a result of a significant decline in ticket sales, in terms of the earning strength of the DEAG Group, there could be a liquidity shortage if the planned financial inflows and framework lines are not available to a sufficient extent. DEAG would then be dependent on the use of additional financing resources (third party or own funds).

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.

2017 In EUR'000

Non-derivative financial liabilities	up to 1 year	>1 - 5 year	> 5 years	Total
Liabilities against banks and other financial liabilities				
- repayment	16,884	31	-	16,915
- interest (3.04 %)	480	1	-	481
Trade accounts payable	10,457	-	-	10,457
Convertible bond	1,350	4,145		5,495
- interest (6.00%)	81	342		423
Other financial liabilties	4,242	-	-	4,242
Other non-derivative financial liabilities	-	214	95	309
Derivative financial liabilities	-	-	-	-

2016				In EUR'000
Non-derivative financial liabilities				
	up to 1 year	>1 - 5 year	> 5 years	Total
Liabilities against banks and other financial liabilities				
- repayment	16,353	100	-	16,453
- interest (2.84%)	464	3	-	467
Trade accounts payable	13,554	-	-	13,554
Convertible bond	-	5,388		5,388
- interest (6.00%)	171	342		513
Other financial liabilties	3,673	-	-	3,673
Other non-derivative financial liabilities	-	-	464	464
Derivative financial liabilities	-	-	-	-

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.

53. REPORTING ON FINANCIAL INSTRUMENTS AND FAIR VALUES

The carrying amounts and fair values of the individual financial assets and liabilities are shown below in accordance with the categories of IAS 39 using the levels of the fair value hierarchy (IFRS 13) and reconciled with the corresponding balance sheet items.

Cash and cash equivalents, trade receivables and payables, other receivables and liabilities, and current financial liabilities mainly have short residual terms. Therefore, their carrying amounts as of the balance sheet date approximate their fair values. Therefore, their carrying amounts on the reporting date correspond more or less to the fair value.

We assume that the fair values of loans and other non-current receivables approximate their carrying amounts, as the general conditions have not changed materially. The portfolio of primary financial instruments is shown in the balance sheet; the amount of the financial assets corresponds to the maximum default risk. If default risks are identifiable for financial assets, these risks are covered by value adjustments.

We assume that the fair value of the convertible bond almost corresponds to its carrying amount, as interest rates and creditworthiness have not changed significantly compared with the date of issue.

Financial instruments 2017

In EUR´000 Assets	Book value 31.12.2017	Valuation according to IAS 39 Continued book value	Affecting fair value
Liquid funds	41,816	41,816	-
Trade receivables	25,926	25,926	-
Other current financial assets	1,824	1,824	-
Investments	706	706	-
Loans to associated companies	1,221	1,221	-
Other long-term financial assets	1,542	1,542	-

Liabilities	Book value 31.12.2017	Valuation according to IAS 39 Continued book value	Affecting fair value
Bank loans payable, short-term	16,884	16,884	-
Bank loans payable, long-term	31	31	-
Trade accounts payable	10,457	10,457	-
Convertible bond, short-term	1,350	1,350	-
Convertible bond, long-term	4,145	4,145	-
Other current financial liabilities	4,242	4,242	-
Other long-term financial liabilities	309	-	309

Aggregate as valuation categories IAS 39	Book value 31.12.2017	Valuation according to IAS 39 Continued book value	Affecting fair value
Financial assets			
loans and receivables	72,329	72,329	-
at fair value through profit or loss	-	-	-
available for sale	706	706	-
Financial liabilities			
at amortized cost	37,109	37,109	-
at fair value through profit or loss	309	-	309

Financial instruments 2016

In EUR´000 Assets	Book value 31.12.2016	Valuation according to IAS 39 Continued book value	Affecting fair value
Liquid funds	28,378	28,378	-
Trade receivables	15,312	15,312	-
Other current financial assets	2,796	2,796	-
Investments	279	279	-
Loans to associated companies	1,209	1,209	-
Other long-term financial assets	1,863	1,863	-

Liabilities	Book value 31.12.2016	Valuation according to IAS 39: Continued book value	Valuation according to IAS 39: Affecting fair value
Bank loans payable, short-term	16,353	16,353	-
Bank loans payable, long-term	100	100	-
Trade accounts payable	13,554	13,554	-
Convertible bond	5,388	5,388	-
Other current financial liabilities	3,673	3,673	-
Other long-term financial liabilities	464	-	464

Aggregate as valuation categories IAS 39	Book value 31.12.2016	Valuation according to IAS 39: Continued book value	Valuation according to IAS 39: Affecting fair value
Financial assets			
loans and receivables	49,558	49,558	-
at fair value through profit or loss	-	-	-
available for sale	279	279	-
Financial liabilities			
at amortized cost	39,068	39,068	-
at fair value through profit or loss	464		464

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

In EUR'000	2017	2016
Financial Assets		
Loans and receivables	112	248
Financial liabilities		
rated with amortized cost	1,069	-975
rated at Fair Value	357	153
Total	**-600**	**-574**

Financial assets

Income and expenditure in the category:

- Loans and receivables concern income from the interest on receivables, reversal of valuation allowances, incoming payments for derecognized receivables as well as additions to valuation allowances and currency gains and losses.

Financial liabilities

Income and expenditure in the category:

- Valued at amortized costs and include interest expenses, currency gains and losses as well as income from the waiver of liabilities.
- Fair value at profit or loss concerns currency gains and losses and gains from fair value valuations.

The levels of the fair value hierarchy (IFRS 13) are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs which concern the quoted prices included within Level 1 but are observable for the asset or liability either directly or indirectly.

Level 3: Inputs for assets and liabilities which are based on unobservable market data.

Valuation of fair value

In EUR´000

assets at fair value	2017 total	level 1	market value level 2	level 3
Real estate held as financial investment (Section 17)	5,340	-	-	5,340

liabilities measured	2017 total	level 1	market value level 2	level 3
contingent consideration liability (Section 27)	309	-	-	309

During the reporting period there were no regrouping from class 1, class 2 and class 3 of the valuation hierarchy.

Valuation of fair value

In EUR´000

assets at fair value	2016 total	level 1	market value level 2	level 3
Real estate held as financial investment (Section 17)	5,340	-	-	5,340

liabilities measured	2015 total	level 1	market value level 2	level 3
convertible bonds (Section 25)	5,388	-	-	5,388
contingent consideration liability (Section 27)	464	-	-	464

During the reporting period there were no regrouping from class 1, class 2 and class 3 of the valuation hierarchy.

54. EXEMPTION FROM DISCLOSURE IN ACCORDANCE WITH SECTION 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 section 264 para 3 HGB (German Commercial Code):

- DEAG Concerts GmbH, Berlin
- Concert Concept Veranstaltungs-GmbH, Berlin
- Global Concerts GmbH, Munich
- Grünland Family Entertainment GmbH, Berlin
- River Concerts GmbH; Berlin

55. NOTIFICATION IN ACCORDANCE WITH SECTION 21, 26 WPHG

In accordance with section 160 para 1 No. 8 German Stock Corporation Act (AktG), we hereby inform that DEAG received the following information about investments and changes in voting rights within the time from the beginning of the fiscal year 2017 until the preparation of the financial statements in accordance with the duties of notification pursuant to Section 21 ff. (as of January 3, 2018, Sections 33, 34) German Security Trading Act (WpHG). Furthermore, notifications from prior fiscal years are stated. The information is based on the last communication by a person authorized to notify on behalf of the company. It is pointed out that with respect to the voting right shares mentioned, there may have been changes after the mentioned points in time which were not subject to notification to DEAG or were not shared with the company. All investment notifications are published by DEAG in accordance with Section 26 (1) (as of January 3, 2018, Section 40 (1)) WpHG and can be accessed on the company's website at: www.deag.de/Investor Relations / Securities Transactions.

The following persons and companies notified DEAG in advance of the preparation of the financial statements voting rights notifications in accordance with Section 21 (1) WpHG:

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with Section 21 (1) WpHG on December 13, 2011, in 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).

Allianz Global Investors GmbH, Frankfurt/Main, Germany, informed us in accordance with Section 21 (1) WpHG on July 29, 2016, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the threshold of 10% of the voting rights on July 26, 2016, and amounted to 9.98% (this corresponds to 1,632,624 voting rights) on that date.

Argos Funds, Luxembourg, Luxembourg, informed us in accordance with Section 21 (1) WpHG on November 01, 2016, that their voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 5% of the voting rights on October 31, 2016, and amounted to 5.41% (this corresponds to 885,000 voting rights) on that date.

Quaero Capital SA, Meyrin, Switzerland, informed us in accordance with Section 21 (1) WpHG on November 01, 2016, that their voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 5% of the voting rights on October 31, 2016, and amounted to 5.41% (this corresponds to 885,000 voting rights) on that date. 5.41% of these voting rights (this corresponds to 885,000 voting rights) are attributable to Quaero Capital SA in accordance with section 22 WpHG.

Mr. Bernd Förtsch, Germany, informed us on May 8, 2017, in accordance with Section 21 (1) WpHG that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the threshold of 5% of the voting rights on May 3, 2017, and amounted to 4.92% (this corresponds to 805,286 voting rights) on that date. 4.92% of these voting rights (this corresponds to 805,286 voting rights) are attributable to Heliad Equity Partners GmbH & Co. KGaA in accordance with section 22 WpHG.

Stichting Administratiekantoor Monolith, Amsterdam, The Netherlands, informed us in accordance with Section 21 (1) WpHG on May 30, 2017, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the threshold of 10% of the voting rights on May 24, 2017, and amounted to 9.52% (this corresponds to 1,751,260 voting rights) on that date. 9.52% of these voting rights (this corresponds to 1,751,260 voting rights) are attributable to Monolith Duitsland B.V. in accordance with section 22 para 1, sentence 1, No. 1 WpHG.

Axxion S.A., Grevenmacher, Luxembourg, informed us in accordance with section 21, para 1 WpHG on May 30, 2017, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 3% of the voting rights on May 24, 2017, and amounted to 3.03% (this corresponds to 556,726 voting rights).

Mr. Moritz Schwenkow, Germany, notified the company in accordance with Section 21 (1) WpHG on May 31, 2017, that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the threshold of 3% of the voting rights on May 25, 2017, and amounted to 2.72% (this corresponds to 500,200 voting rights) on that date.

Late entry from 2014:
On March 15, 2018, Allianz Institutional Investors Series SICAV, Senningerberg, Luxembourg, informed us pursuant to Section 33, Para. 1 of the WpHG that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, fell below the threshold of 3% of the voting rights on September 9, 2014, and on that day amounted to 2.81% (this corresponds to 460,000 of 16,353,334 total voting rights). 2.81% of these voting rights (corresponding to 460,000 voting rights) are attributable to Allianz Institutional Investors Series SICAV pursuant to Section 34 WpHG.

Late entry from 2014:
On March 21, 2018, DAP Management GmbH i. L., Heidelberg, Germany, informed us pursuant to Section 33, Para. 1 of the WpHG that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, fell below the threshold of 3% of the voting rights on December 5, 2014, and on that day amounted to 0.14% (this corresponds to 22,324 of 16,353,334 total voting rights). The reason for this is that the shares were transferred to the shareholders.

56. EVENTS AFTER THE REPORTING DATE

From the viewpoint of the Executive Board, there have not been any other material events during the period from January 1, 2018, until the publication of this report.

57. PERSONAL DATA

On the reporting date, the Executive Board was comprised as followings:

Executive Board

Prof. Peter L.H. Schwenkow	
Place of residence	Berlin
Profession	Chief Executive Officer
Responsibility within the Group	Strategic Business Development and Operations, Public Relations
Group retainers	Administrative Board Member of AIO Group AG, Glattpark, (Switzerland) Administrative Board Member of Good News Productions AG, Glattpark (Switzerland) Chairman of the Administrative Board of The Classical Company AG, Zürich (Switzerland)
Shares held as at 31.12.2017	228,769

Christian Diekmann	
Place of residence	Berlin
Profession	Dipl.-Kaufmann, Executive Board Member (Chief Operations Officer, Chief Digital Officer)
Responsibility within the Group	Business Operations, German market, Sales, Marketing, Human Resources
Group retainers	Administrative Board Member of AIO Group AG, Glattpark (Switzerland) Administrative Board Member of Good News Production AG, Glattpark (Switzerland), Administrative Board Member of The Smart Agency AG, Glattpark (Switzerland) Administrative Board Member of Fortissimo AG, Glattpark (Switzerland) Administrative Board Member of Venue Consulting AG, Glattpark (Switzerland) Administrative Board Member of The Classical Company AG, Zürich (Switzerland) Supervisory Board Member of DEAG Classics AG, Berlin Supervisory Board Member of mytic myticket AG, Berlin Board Member of Kilimanjaro Holdings Ltd., London (Great Britain)
Shares held as at 31.12.2017	6,469

Detlef Kornett	
Place of residence	Kleinmachnow
Profession	Kaufmann, Executive Board Member (Chief Marketing Officer)
Responsibility within the Group	Marketing, International Business Affairs
Group retainers	Administrative Board Member of AIO Group AG, Glattpark (Switzerland) Administrative Board Member of Good News Production AG, Glattpark (Switzerland), Administrative Board Member of The Smart Agency AG, Glattpark (Switzerland) Administrative Board Member of Fortissimo AG, Glattpark (Switzerland) Administrative Board Member of Venue Consulting AG, Glattpark (Switzerland) Board member of Raymond Gubbay Ltd., London (Great Britain) Chairman of the Supervisory Board of mytic myticket AG, Berlin Chairman of Kilimanjaro Holdings Ltd., London (Great Britain) Board Member of Flying Music Holding Ltd., London (Great Britain)
Shares held as at 31.12.2017	3,715

Ralph Quellmalz

Place of residence	Köln
Profession	Dipl.-Kaufmann, Executive Board Member (Chief Financial Officer)
Responsibility within the Group	Finance, Investor Relations
Group retainers	-
Shares held as at 31.12.2017	1,885

Supervisory Board

Wolf-D. Gramatke

Place of residence	Salzhausen/Luhmühlen
Position on Supervisory Board	Chairman of the Supervisory Board
Profession	Freelance media consultant
Retainers on other boards	-
Group retainers	Chairman of the Supervisory Board of DEAG Classics AG, Berlin
Shares hold as at 31.12.2017	-

Martina Bruder

Place of residence	Frechen-Königsdorf
Position on Supervisory Board	Vice-Chairman of the Supervisory Board (until 27.06.2017)
Profession	CEO Germany and Regional Managing Director Central Europe, Wolters Kluwer Legal & Regulatory
Retainers on other boards	-
Group retainers	-
Shares held as at 31.12.2017	-

Michael Busch

Place of residence	Berlin
Position on Supervisory Board	Vice-Chairman of the Supervisory Board (since 27.06.2017)
Profession	Management consultant
Retainers on other boards	Member of the advisory board of SSVL (Monaco) S.A.M.
Group retainers	-
Shares held as at 31.12.2017	2,270

Christian Angermayer

Place of residence	London
Position on Supervisory Board	Member of the Supervisory Board (until 27.06.2017)
Profession	Founder, Apeiron Investment Group Ltd., Sliema (Malta)
Retainers on other boards	President of the administrative board of Film House Germany AG, Frankfurt am Main
Group retainers	-
Shares held as at 31.12.2017	-

Prof. Dr. Katja Nettesheim	
Place of residence	Berlin
Position on Supervisory Board	Member of the Supervisory Board (since 27.06.2017)
Profession	Founder & Managing Director of _MEDIATE (Management Consulting) Professor at Steinbeis Hochschule Berlin Holding Company of the German Publishers and Booksellers Association
Retainers on other boards	Member of the Supervisory Board of Wild Bunch AG, Berlin Member of the Supervisory Board of Hrpepper GmbH & Co. KGaA, Berlin (respectively until 31.12.2017)
Group retainers	-
Shares held as at 31.12.2017	-

58. DATE AND RELEASE OF THE PUBLICATION

The Executive Board of DEAG approved the Consolidated Financial Statements and the Combined Management Report and Group Management Report on March 29, 2018, to be forwarded to the Supervisory Board.

Berlin, March 29, 2018

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L. H. Schwenkow

Christian Diekmann

Detlef Kornett

Ralph Quellmalz

// INDEPENDENT AUDITOR'S REPORT

To DEAG Deutsche Entertainment Aktiengesellschaft

Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report and Group Management Report

Opinions

We have audited the consolidated financial statements of DEAG Deutsche Entertainment Aktiengesellschaft and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report and group management report of DEAG Deutsche Entertainment Aktiengesellschaft for the financial year from 1 January 2017 to 31 December 2017. In accordance with the German legal requirements, we have not audited the content of the corporate governance declaration contained in section 3.1 of the combined management report and group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as at 31 December 2017, and of its financial performance for the financial year from from 1 January 2017 to 31 December 2017, and

- the accompanying combined management report and group management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report and group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report and group management report does not cover the content of the corporate governance declaration appended.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report and group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report and group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report and group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of Goodwill

Related Information in the Consolidated Financial Statements and Combined Management Report and Group Management Report

For information on accounting policies and measurement methods concerning goodwill, please refer to the appendix of the combined management report and group management report Section 5 “Accounting Policies and Measurement Methods”. For the related statements on the discretion exercised by the legal representatives and sources of estimation uncertainty, please refer to Section 1 “Accounting Policies”. For quantitative information on goodwill, please refer to Section 13 “Goodwill and other Intangible Assets” and Section 14 “Goodwill”, which also includes sensitive information.

Facts and Risks for the Audit

The consolidated financial statements of DEAG Deutsche Entertainment Aktiengesellschaft include goodwill in the amount of € 26,321 thousand, which exceeds equity by € 13,489 thousand. Goodwill is tested annually for impairment in order to measure a potential need for write-downs. The result of this measurement largely depends on how the legal representatives estimate prospective cash inflows and derive the discount rates used. Owing to the complexity of the underlying measurements, as well as the discretionary judgement exercised, goodwill was a particularly important point during the course of our audit.

Audit Approach and Findings

As part of our audit, we analysed the process implemented by the legal representatives of DEAG Deutsche Entertainment Aktiengesellschaft as well as the accounting and measurement requirements for determining the recoverable amounts of cash-generating units, to which goodwill was allocated for potential risks of error in order to gain an understanding of these steps processed and the internal controls implemented. We acknowledged the management's approach for capitalising interest rates as well as for derivating future profits as specified in IAS 36.

We analysed the corporate planning by comparing it with past results achieved and the current development of the business figures. We retraced the significant assumptions regarding growth and business development by discussing them in detail with the legal representatives of DEAG Deutsche Entertainment Aktiengesellschaft. On this basis, we have evaluated their suitability.

The appropriateness of other significant measurement assumptions, such as the discounting interest rate, have been evaluated by an internal valuation specialist who based his analysis on market indications. We analysed, the parameters used to determine the discounting interest rates with regard to their being properly derived and calculated in accordance with the requirements of IAS 36.

We estimated impairment risks through changing significant measurement assumptions by conducting sensitivity analyses. Moreover, we retraced the mathematical accuracy of the measurement models in compliance with the requirements of IAS 36.

The results of our audit procedures led to no objections with regard to the recoverability of goodwill.

Presentation of the Business Combinations

Related Information in the Consolidated Financial Statements and Combined Management Report and Group Management Report

For information about the accounting policies and measurement methods used, we refer to the disclosures in the notes to the consolidated financial statements in Section 3 “Consolidation Principles”. The disclosures concerning the group of entities consolidated are given in this section.

For the related disclosures on the discretionary judgment exercised by the legal representative, we refer to the disclosures in the notes to the consolidated financial statements in Section 1 “Accounting Policies”. For quantitative disclosures concerning the business combinations, we refer to the disclosures in the notes to the consolidated financial statements in Section 12.2 “Acquisitions”, 35 “Other Operating Income” and 36 “Other Operating Expenses”.

Facts and Risks for the Audit

The number of foreign and domestic entities fully consolidated in the corporate group of DEAG Deutsche Entertainment Aktiengesellschaft increased from 34 to 37 during the reporting year. In particular, the acquisition of 60 % of the shares in the British promoter, Flying Music Group Holding Ltd., London, through its British subsidiary, Kilimanjaro Ltd., London, as well as 51 % of the shares in Kultur im Park GmbH, Berlin, significantly influenced the net assets and the result of operations of the group for the 2017 financial year.

Judgement is particularly used in identifying and measuring the assets and liabilities to be acquired. Judgement may also be used in assessing the business units controls over the entities acquired. There is a risk for the financial statements that the entities acquired were not properly fully consolidated or that the assets acquired and the liabilities taken over were adequately identified or inaccurately measured. Owing to the material significance of these areas and the judgment used in assumptions by the legal representatives, we consider the presentation of the business combinations as a particularly important key audit matter.

Audit Approach and Findings

In the framework of our audit we acknowledged, among others, the methodological approach to presenting the business combinations as well as its compliance with IFRS 3 with regard to the first-time recognition and measurement of the purchase price allocations.

In order to assess the decisions made in consolidating the group, we acknowledged the transactions and their underlying contractual regulations and shareholder agreements for the newly acquired entities.

In addition, we convinced ourselves that the purchase price allocation was performed properly. Furthermore, we had the procedure explained to us and we acknowledged the underlying assumptions and parameters of the purchase price on the basis of internal and external documents, e. g. corporate planning, significant agreements. With regard to the presentation of a bargain purchase, we also audited whether the entity had reassessed all of the assets acquired and the liabilities taken over.

The correctness of the presentation of the equity consolidated was audited by reconciling the results with the actual values recorded.

The results of our audit procedures led to no objections with regard to the presentation of the business combinations.

Other Information

The executive directors are responsible for the other information. The other information comprises:

- the corporate governance declaration in accordance with §§ 289f and 315d HGB contained in section 3.1 of the combined management report and group management report
- the responsibility statement pursuant to Section 297(2) sentence 4 HGB and Section 315 (1) Sentence 5 HGB in Section “Declaration of Statutory Representatives” in the 2017 annual report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code in Section “Corporate Governance Report” in the 2017 annual report
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements, the combined management report and group management report and our auditor’s report

The Supervisory Board is responsible for the following information:

- the report of the Supervisory Board in the 2017 annual report

Our opinions on the consolidated financial statements and on the combined management report and group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report and group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report and Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report and group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report and group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report and group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report and group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report and Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report and group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report and group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report and group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report and group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report and group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report and group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report and group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report and group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 27 June 2017. We were engaged by the supervisory board on 17 July 2017. We have been the group auditor of the DEAG Deutsche Entertainment Aktiengesellschaft without interruption since the financial year 2015.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is David Reinhard.

Berlin, 29 March 2018

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Udo Heckeler	David Reinhard
Wirtschaftsprüfer	Wirtschaftsprüfer

// DECLARATION BY THE STATUTORY REPRESENTATIVES

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 income of the Group and the combined Management Report and 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.

Berlin, March 29, 2018

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L. H. Schwenkow

Christian Diekmann

Detlef Kornett

Ralph Quellmalz

// CONDENSED INDIVIDUAL FINANCIAL STATEMENTS OF DEAG

DEAG Deutsche Entertainment Aktiengesellschaft

Balance Sheet Summany (according to HGB)

Assets in EUR'000	**31.12.2017**	**31.12.2016**
Intangible assets and tangible fixed assets	144	170
Financial assets	15,449	15,567
Fixed assets	**15,593**	**15,737**
Receivables and accruals and deferrals	31,847	34,766
Cash, cash equivalents and securities	67	72
Total current assets	**31,914**	**34,838**
Assets	**47,507**	**50,575**

Liabilities and equity in EUR'000	**31.12.2017**	**31.12.2016**
Share capital	18,397	16,353
Capital reserve	16,957	14,095
Retained income	697	697
Accumulated losses	-15,775	-9,756
Shareholders´ equity	**20,276**	**21,389**
Accruals	**676**	**601**
Liabilities to financial institutions	12,912	15,272
Other liabilities	13,643	13,313
Total liabilities	**26,555**	**28,585**
Total equity and liabilities	**47,507**	**50,575**

DEAG Deutsche Entertainment Aktiengesellschaft

Statement of Income (according to HGB)

In EUR'000	Financial statement 1.1. - 31.12.2017	Financial statement 1.1. - 31.12.2016
Sales	2,436	2,730
Distribution costs	-1,018	-1,175
General and administration costs	-5,736	-6,023
Other operating income and expenses	-5,515	-2,081
Interest income/ expenses and other financial result	-776	-649
Income from investments	4,590	1,405
Result of ordinary business activities	**-6,019**	**-5,793**
Income tax and other taxes	-	-
Net income	**-6,019**	**-5,793**

// CORPORATE GOVERNANCE REPORT

In fiscal year 2017, the Executive Board and Supervisory Board were continuously involved in the further development of corporate governance throughout the company. The amendments to the German Corporate Governance Code in the version of February 7, 2017, are taken into account by the Executive Board and Supervisory Board. According to section 3.10 of the German Corporate Governance Code (DCGK), the Executive Board and the Supervisory Board report on corporate governance at the company as follows:

Declaration of Conformity

On December 15, 2017, the Executive Board and Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft issued the legally required Annual Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 AktG. The Declaration of Conformity reads as follows:

The recommendations on conduct with respect to the German Corporate Governance Code (DCGK) in the version of May 5, 2015, as well as after its amendment in the currently valid version of February 7, 2017, were and are complied with except for the following deviations:

1. 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 behaviour control. (3.8 GCGC).

2. The recommendation to institute protected whistleblower systems has not been implemented because of the extensive labour law and data privacy aspects involved as well as the associated high administrative effort this would require. Considering the moderate size of the company, the low headcount as well as the concrete risk profile of the DEAG Group, the institution of such a whistleblower system is not considered to be necessary. (4.1.3 GCGC)

3. No committees have been set up by the Supervisory Board. For a Supervisory Board, which is only composed of three members, every substantive issue 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 in light of this situation. (5.3.1 to 5.3.3 GCGC)

4. The consolidated financial statements are not made available publicly within 90 days of the end of the fiscal year; the interim reports are not made available publicly within 45 days of the end of the reporting period. Publication takes place within the framework of the statutory periods and the periods under stock exchange law in each case. An earlier publication would involve a significantly higher personnel and organizational expenditure and hence considerable extra costs, also in view of several non-listed subsidiaries and investees outside Germany. (7.1.2 GCGC)

Composition of the Supervisory Board

According to section 5.4.1 GCGC, the Supervisory Board is to be composed in such a way that its members as a whole have the knowledge, skills and professional experience necessary for the proper performance of their duties. From the point of view of the Supervisory Board, these criteria are fulfilled by the current Supervisory Board.

The Supervisory Board should specify concrete goals for its composition and develop a competence profile for the entire Supervisory Board. With respect to its composition, it should appropriately take the company's international activities, potential conflicts of interest, the number of independent Supervisory Board members in accordance with section 5.4.2 GCGC, an age limit to be determined for Supervisory Board members, and a regular limit on the length of membership of the Supervisory Board and diversity into consideration. Furthermore, the Supervisory Board is to set targets for the proportion of women.

With regard to these requirements, the Supervisory Board strives to take the following criteria into account in the composition of the Board:

- At least one Supervisory Board member should have international experience.
- At least one Supervisory Board member should be independent.
- The term of office of a Supervisory Board member should normally end with the completion of his or her 80th year of life.
- The duration of service of a Supervisory Board member should normally not exceed four terms of office.
- The proportion of women on the Supervisory Board should be 30%.

All of the above goals were achieved in fiscal year 2017. The Supervisory Board has developed a competence profile for the entire Board. Its requirements are also currently met. In the opinion of the Supervisory Board, all current members of the Supervisory Board are independent of the shareholders.

Stock Option Plan

The company currently does not have any stock option programs or similar securities-based incentive systems.

Remuneration System for the Executive Board and Supervisory Board

Explanations of the compensation system and the individual remuneration of the members of the Executive and Supervisory Board can be found in the Remuneration Report in section 3.3 of the Combined Management Report and Group Management Report and in Note 30 to the Consolidated Financial Statements in this Annual Report.

The members of the Supervisory Board received the following net remuneration (in EUR thousands) for their activities in fiscal year 2017:

Supervisory Board member	Fixed remuneration	Variable remuneration	Total remuneration
Wolf-D. Gramatke	56	9	65
Michael Busch	35	8	43
Martina Bruder (until 27.06.2017)	21	3	24
Prof. Dr. Katja Nettesheim (since 27.06.2017)	14	5	19
Christian Angermayer (until 27.06.2017)	14	1	15
Total	**140**	**26**	**166**

The other remuneration of the Supervisory Board mainly includes attendance fees.

Corporate Governance Statement

The Declaration on Corporate Governance pursuant to section 289f HGB can be found in section 3.1 of the Combined Management Report and Group Management Report.

Risk Management

Please refer to the detailed explanations in the Opportunity and Risk Report in section 4 of the Combined Management Report and Group Management Report to obtain more information on the company's risk management.

Berlin, March 2018

DEAG Deutsche Entertainment Aktiengesellschaft

For the Supervisory Board

Wolf-D. Gramatke
Chairman of the Supervisory Board

For the Executive Board

Prof. Peter L.H. Schwenkow
Chairman of the Executive Board

// LEGAL NOTICE

// EDITING AND COORDINATION

DEAG Deutsche Entertainment Aktiengesellschaft

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All reports and other current information on DEAG is also available on the Internet at www.deag.de/ir

// PICTURES

DEAG Deutsche Entertainment Aktiengesellschaft

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