



DEAG Deutsche Entertainment Aktiengesellschaft

**ANNUAL FINANCIAL REPORT 2018**



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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 has been active in the areas of planning, organisation, marketing and holding of live events for over 40 years and is present at seven locations in its core markets of Germany, the United Kingdom and Switzerland.

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

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

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

## DEAG’S CORE MARKETS



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# // LETTER TO THE SHAREHOLDERS

**LADIES AND GENTLEMEN,  
DEAR SHAREHOLDERS,**

For 40 years now, we have been decisively shaping the entertainment industry in our core markets with DEAG: with international top stars from the music scene such as the Rolling Stones, Anna Netrebko, but also innovative new formats such as the “Christmas Gardens” or the virtual reality event TimeRide. As an entertainment service provider, we now have comprehensive expertise in the planning, creation, organisation, marketing and holding of live events in Germany, Great Britain and Switzerland, thanks to our integrated business model. In our anniversary year “40 years of DEAG,” we can look back on an operationally and strategically successful business year 2018 that included many highlights. With over 4,000 events and more than 5 million tickets sold last year, we continued our profitable growth course and even raised our earnings forecast once again in the second half of the year. With sales of EUR 200.2 million (previous year: EUR 159.8 million), we succeeded in improving our earnings before interest, taxes, depreciation and amortisation (EBITDA) disproportionately compared to the previous year by posting an increase of 123% to EUR 14.6 million. Earnings before interest and taxes (EBIT) also increased significantly to EUR 10.6 million. This equates to an increase in EBIT of 110%.

All divisions developed positively in 2018. In the Rock/Pop division, the roots of our business, we can look back on a strong open air season with concerts by Ed Sheeran and Iron Maiden, among others. Developments in the Classics & Jazz division were also positive once again. Here, we benefit from long-term contracts with our renowned artists and want to continue to grow from this solid basis. At the beginning of 2019, we were able to extend our cooperation with Till Brönner for another three years, after having already laid an important foundation for future positive business development with the long-term contract extension with the world star Anna Netrebko through 2022.

In order to sustainably increase the diversity of our offerings and to improve the predictability of operational developments, we have been increasingly focusing on our own high-margin event formats for several years now. This includes in particular our own productions in the divisions Family Entertainment and Arts+Exhibitions, which are independent of individual artists. In the Arts+Exhibitions division, we offer a very promising format in Cologne since 2018 with TimeRide. Visitors experience something similar to time travel, a virtual reality journey through historic Cologne in 1910. The format is so successful that we are already offering it in Dresden since December 2018 and will also establish it in Berlin, Munich and Frankfurt/Main in 2019. The successful Christmas Gardens in Berlin, Stuttgart and Dresden also contributed to the very positive business development. In 2019, we will expand it to three more cities. DEAG also had a number of highlights to offer in the Family Entertainment division last year, such as the successful “Disney on Ice” format. We are planning to expand the show to twelve cities by 2020. Besides the already established formats, new formats such as “Game of Thrones in Concert” and the exhibition “Harry Potter” were also a complete success.

Our strong content from the Rock/Pop, Classics & Jazz, Family Entertainment and Arts+Exhibitions divisions also forms the basis for our division, the ticketing business. More and more of our own events are marketed via our own ticketing platform, MyTicket, while at the same time the ticket volume for third-party content is constantly increasing. Since we are absolutely convinced of the success of our ticketing platform, we have increased our stake in MyTicket and now hold 100% of the company. In addition, MyTicket will cooperate with the Swiss ticketing software provider SecuTix starting in the summer of 2019. SecuTix will enable us to use the latest technologies, such as blockchain or dynamic pricing, in order to be able to act in a customer-oriented manner and prevent the secondary market in the future. In addition, we save considerable costs by switching providers.

We were able to continue our buy and build strategy in 2018. Through various transactions, such as the acquisition of the Belladrum Festival in Scotland in June, we have taken further steps with DEAG to drive forward our international expansion, particularly in the UK. In addition, we continue to pursue our strategy of successively reducing minority interests through transactions for example the acquisition of an additional 50% in The Classical Company AG, Switzerland, in October of last year, thereby increasing the earnings per share attributable to DEAG shareholders.

With its integrated business model, we believe that DEAG is very well positioned for the coming years. In 2019 we see solid development in the Rock/Pop and Classics & Jazz divisions. For the Family

Entertainment, Arts+Exhibitions and Ticketing divisions, more significant growth impulses are foreseeable. We have already financed our growth plans on a long-term basis by issuing our bond. Taking into account the opportunities and risks, the expected start to financial year 2019 and the already good visibility with regard to the further course of business, the Executive Board is optimistic that the Group will grow moderately in terms of sales and EBIDTA in 2019 compared to 2018.

We would like to thank our employees for their great commitment to further DEAG's progress.

With the path we have taken, we are well positioned for future challenges. We will continue along this path and continue to develop our business model in order to achieve sustainable profitable growth. We would also like to thank you, our shareholders, most sincerely for the trust you have placed in us and look forward to continuing on this path with you.

Sincerely yours,



Prof. Peter L.H. Schwenkow

# // REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

In financial year 2018, 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 analysed. 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 for ordinary meetings of the Supervisory Board in financial year 2018. Five of these sessions were physical meetings and three were conference calls. In addition, the Supervisory Board also met for six additional extraordinary Supervisory Board meetings in the past financial year, two of which was held as a face-to-face meeting and four as part of telephone conferences. All members of the Supervisory Board attended 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 determined 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 financial year 2017 were discussed with the auditors at the Supervisory Board meetings held on 21 March 2018 and 29 March 2018. In this context, the Supervisory Board 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 2017 as well as the Combined Management Report and Group Management Report, as there was no reason to raise any objections.

At the Supervisory Board meeting on 29 May 2018, the Executive Board reported in particular on the quarterly financial statements as of 31 March 2018 on the current course of business and on forecast 1/2018. The establishment of Christmas Garden Deutschland GmbH, in which the highly profitable business of Christmas Garden events is bundled centrally, is particularly worth mentioning. By written circular resolution on 26 June 2018, the Supervisory Board approved the sale of the shares in Raymond Gubbay Ltd. and the acquisition of 49% of the shares in DEAG Classics AG from Sony Music. At the Supervisory Board meeting on 27 June 2018, which took place following the company's Annual General Meeting, the Executive Board reported on the current course of business. By resolution of the Supervisory Board of 28 June 2018, the Supervisory Board approved the acquisition of the Belladrum Festival via the English subsidiary Kilimanjaro Holdings Ltd.

At the Supervisory Board meeting on 29 August 2018, the Executive Board reported on the half-year financial statements as of 30 June 2018 and on the operating forecast 1/2018. The Supervisory Board approved the Executive Board's plan to issue a corporate bond to finance further growth. By circular resolution of 2 October 2018, the Supervisory Board approved the establishment of FOH Rhein Main Concerts GmbH by the two DEAG subsidiaries Wizard Promotions GmbH and handwerker promotion e GmbH. This means that DEAG is also represented in the Rhine-Main metropolitan region by its own local tour operator. The Supervisory Board meeting on 11 October 2018 dealt with the Supervisory Board's approval of the issue of bearer bonds with a total nominal value of up to EUR 25 million. The securities prospectus for the bond issue was also published on this date. At the meeting of the Supervisory Board on 8 November 2018, the Executive Board reported on the company's growth strategy. The Supervisory Board meeting on 22 November 2018 dealt with the Executive Board's report on the quarterly financial statements as of 30 September 2018 and the forecast 3/2018. The Supervisory Board meeting on 13 December 2018 focused on the adoption of the 2019 budget and the resolutions on the recommendations of the GCGC. The resolution to amend the rules of procedure for the Executive Board and Supervisory Board 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 financial year 2018. The Executive Board is still comprised of the four members Prof. Peter L.H. Schwenkow, Christian Diekmann, Detlef Kornett and Ralph Quellmalz. Effective 1 April 2019, the Supervisory Board appointed Roman Velke as the company's Chief Financial Officer. Roman Velke is taking over the position from his predecessor, Ralph Quellmalz, who is leaving the company on his own request in a most mutual amicable agreement at the end of his regular term of office. The Supervisory Board expressly thanks Ralph Quellmalz for his successful work and his commitment to the company and wishes him all the best for his future career and life as well as continued success.

The composition of the Supervisory Board did not change during the reporting period or thereafter. The Supervisory Board consists of three members: Prof. Dr. Katja Nettesheim, Wolf-D. Gramatke and Michael Busch. Wolf-D. Gramatke is Chairman and Michael Busch Deputy Chairman of the Supervisory Board. No committees of the Supervisory Board were formed as the Supervisory Board consists of only three members. All decisions were made by the Supervisory Board. There were no conflicts of interest in the Supervisory Board during the reporting period.

**Corporate Governance and Declaration of Conformity**

The implementation of the recommendations of the version of the German Corporate Governance Code as amended on 7 February 2017 was the topic for the Supervisory Board meeting on 13 December 2018. On this day, 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 also ratified the competence profile resolved for the Supervisory Board the previous year. 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](http://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 27 June 2018, the Annual General Meeting of DEAG selected Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, as auditor and Group financial statement auditor for financial year 2018 as well as the auditor to possibly review interim reports by the next Annual General Meeting. The auditor audited the 2018 Financial Statements of DEAG Deutsche Entertainment Aktiengesellschaft, the 2018 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 financial year 2018 were discussed in detail with the auditor’s representatives at the meeting of the Supervisory Board held on 21 March 2019. 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 29 March 2019, 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 financial year 2018 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 financial year 2018 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 financial year 2018.

Berlin, March 2019

For the Supervisory Board



Wolf-D. Gramatke

Chairman of the Supervisory Board







# // DEAG ON THE CAPITAL MARKET

## 1.1 KEY SHARE DATA<sup>1</sup>

ISIN	DE000A0Z23G6
WKN	A0Z23G
Number of outstanding shares (31 Dec. 2018)	18,397,423
Year-end price (28 Dec. 2018)	EUR 3.11
High (1 Jan. – 31 Dec. 2018)	EUR 3.92
Low (1 Jan. – 31 Dec. 2018)	EUR 2.20
Market capitalisation on 31 Dec. 2018	EUR 57.2 million
Designated sponsor(s)	Hauck & Aufhäuser, ODDO Seydler

## 1.2 SHARE PRICE DEVELOPMENT OF THE DEAG SHARE

The DEAG share was characterised by volatility in the 2018 reporting period. On 2 January 2018, the share started at an opening price of EUR 3.00 per share. After a downward movement in the first quarter to the low of EUR 2.20 on 12 April 2018, a rapid recovery followed. The share then rose until it reached its high of EUR 3.92 in the third quarter on 18 July 2018. This was followed by a downward trend until the end of the quarter, in which stock markets worldwide were characterised by a bear market, before the share price rose again.



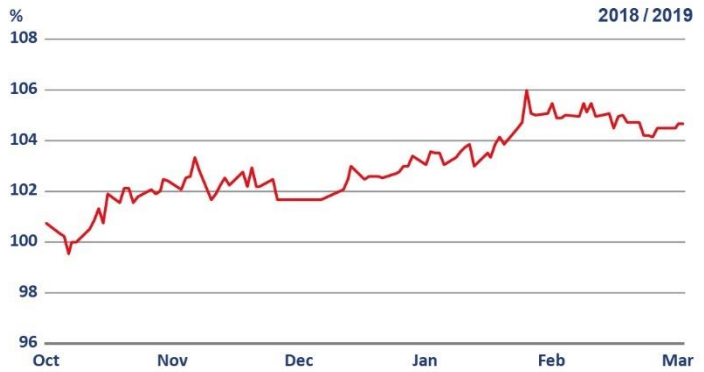
The share price fluctuated between EUR 3.00 and EUR 3.60 until the end of the year. In the period from January to March 2019, the share recorded a steady upward trend and managed to significantly exceed the EUR 4 mark during this period.

The share ended the year on 28 December 2018 at a closing price of EUR 3.11, which corresponded to market capitalisation of EUR 57.2 million.

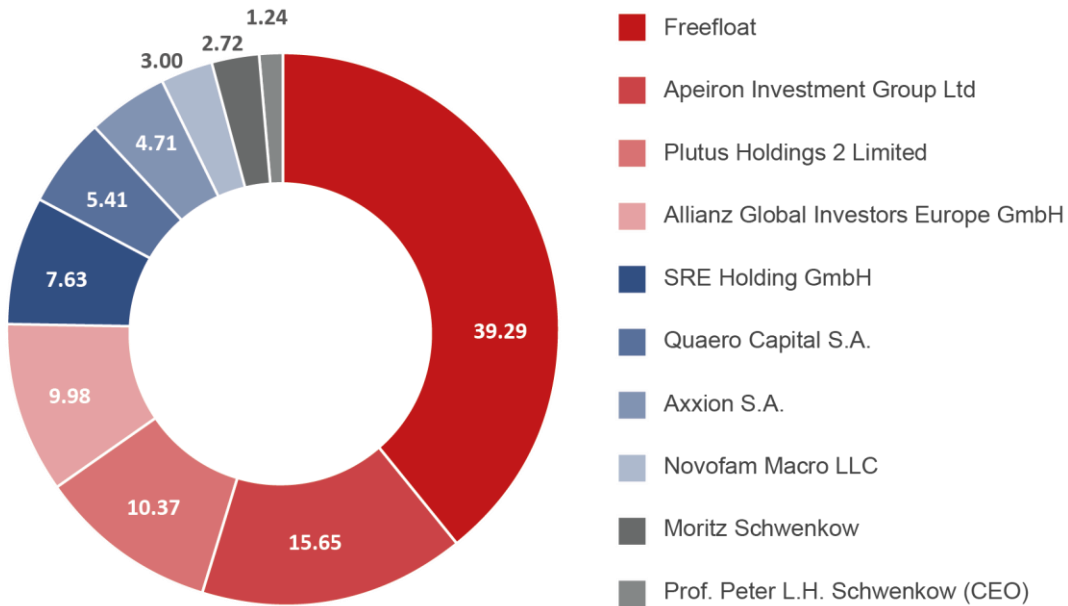
<sup>1</sup> All share prices listed are XETRA closing prices.

### 1.3 SHARE PRICE DEVELOPMENT OF THE DEAG BOND 2018/2023

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



### 1.4 SHAREHOLDER STRUCTURE\*



\* Disclosures based on the latest voting rights notification pursuant to section 21/33 WpHG

As of 7 February 2019



### 1.5 ANALYSTS' ESTIMATES

Institute	Recommendation	Target price	Date
MainFirst Bank AG	Outperform	EUR 6.70	22/03/2019
FMR Frankfurt Main Research AG	Buy	EUR 4.50	05/02/2019
Hauck & Aufhäuser	Buy	EUR 6.00	30/01/2019
Montega AG	Buy	EUR 5.30	28/01/2019
Solventis Beteiligungen GmbH	Buy	EUR 5.20	17/12/2018

The DEAG share is currently being followed by research experts from Hauck & Aufhäuser, Montega AG, Solventis Beteiligungen GmbH, Frankfurt Main Research AG and MainFirst Bank AG. The average price target is EUR 5.54 (as of 22 March 2019). The analyst studies are available on the company website of DEAG Deutsche Entertainment AG in the Investor Relations/Research Comments section.

### 1.6 INVESTOR RELATIONS

We attach the greatest importance to the need for information on the capital market and meet the highest transparency requirements with our listing 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 2018:

- Participation in six capital market conferences
- Numerous one-on-one meetings with investors in Germany and abroad
- Publication of 18 corporate news items, press releases and ad hoc announcements

In order to meet our objectives and satisfy our shareholders and stakeholders, the Executive Board of DEAG plans to further intensify its Investor Relations activities on an ongoing basis. The goal is to intensify dialogue with international investors at roadshows and capital market conferences.

Detailed information on Investor Relations can be found at [www.deag.de/ir](http://www.deag.de/ir). There we will keep you informed of all current business developments at DEAG.

### 1.7 ANNUAL GENERAL MEETING

In the anniversary year “40 years of DEAG and 20 years of stock exchange listing,” the Annual General Meeting for financial year 2017 was held on 27 June 2018 at the “Meistersaal” in Berlin. All resolutions were adopted by a very large majority and the actions of the Supervisory Board and Executive Board for financial year 2017 were approved.

Detailed information on the Annual General Meeting is available on the company's website in the Investor Relations section.

## 1.8 FINANCIAL CALENDER 2019

Feb: 06	HIT I HAMBURGER INVESTORENTAG (Hamburg)
Mar: 29	Annual Financial Report 2018
Apr: 05	ESN MARKET SOLUTIONS FORUM (Paris)
May: 07	EUROPEAN SMALL & MID CAP SYMPOSIUM (London)
May: 08	MKK I MÜNCHNER KAPITALMARKTKONFERENZ (Munich)
May: 13 – 15	FRÜHJAHRSKONFERENZ (Frankfurt a. M.)
May: 16	HAIB STOCKPICKER SUMMIT (Madrid)
May: 28	MAINFIRST SMID CAP CONFERENCE (Frankfurt a. M.)
May: 29	Quarterly Financial Statement (3M)
Jun: 27	Annual General Meeting (Berlin)
Aug: 30	Half-Year Financial Report (6M)
Sep: 02 – 03	HERBSTKONFERENZ (Frankfurt a. M.)
Nov: 25 - 27	EKF I DEUTSCHES EIGENKAPITALFORUM (Frankfurt a. M.)
Nov: 29	Quarterly Financial Statement (9M)



# // DEAG's Code of Conduct

## 1. FOREWORD

Ladies and Gentlemen,

Dear Shareholders,

At DEAG Deutsche Entertainment Aktiengesellschaft, we all assume responsibility every day and must decide anew whether our behaviour is appropriate: in our dealings with our colleagues, with our artists, customers, shareholders and also in our cooperation with business partners, authorities and institutions.

We therefore see it as our duty to align our actions with ethical standards. This Code of Conduct serves as a binding orientation framework for all DEAG employees. A uniform orientation towards our self-imposed standards creates consistency and security.

DEAG's Code of Conduct, which we are publishing for the first time this year, expresses our understanding of values and is regarded as our promise both internally and externally. In this way, we aim to promote both ethically and economically sustainable action because we are convinced that responsible behaviour contributes to the long-term success of DEAG. Our Code of Conduct is the beginning, but we intend to gradually develop this issue further over the next few years. We have formulated binding guidelines in all key areas, which you will find on the following pages. These rules are intended to support our employees in their daily work with concrete instructions for action and to promote correct behaviour.

Sincerely yours,



Prof. Peter L.H. Schwenkow, CEO

## **2. ETHICAL COMMITMENT AND COMPLIANCE WITH LAWS AND REGULATIONS**

At DEAG Deutsche Entertainment Aktiengesellschaft, ethical conduct is a central component of our company culture. It goes without saying that employees, regardless of their position, adhere to high ethical standards. All our employees are required to respect and comply with the laws of the respective country when carrying out the work entrusted to them by DEAG. In the event of uncertainty as to whether an act or omission violates certain laws or regulations, our employees are required to confer with their respective superiors.

The ethical guidelines set out in this document for all DEAG employees also apply across the Board to the employees of all DEAG subsidiaries in their capacity as employers. Like DEAG, our subsidiaries are obliged to comply with fundamental ethical principles in order to protect their rights and personalities. As part of the decentrally organised DEAG Group, each DEAG subsidiary is responsible for implementing the ethical guidelines itself. Through regular meetings (two to three times a year), presentations and discussions, DEAG ensures that the company philosophy, policy and management guidelines are implemented by the parent company and all subsidiaries. The success of the integration and the development of a common Group culture are ensured through the organisation of various meetings, workshops, telephone conferences and various ways of exchanging information.

## **3. CONFLICT OF INTEREST**

We strive to avoid any situation in which conflicts of interest could arise between employees and DEAG. We do not tolerate our employees publicly disparaging the company or devaluing it in any way. Our employees are also prohibited from using their position at DEAG to obtain inappropriate benefits for themselves or to represent DEAG in business activities that could result in personal benefits for them. Any conflict of loyalty and/or interest or the risk of such a conflict arising is discussed immediately with the superior.

As a company that already has been listed on the stock exchange for 20 years, we comply with the rules for insider trading. If, despite all the precautions taken by DEAG, our employees accidentally or unintentionally becomes aware of insider information, the insider information may not be passed on or used. The same applies if employees receive insider information about another company as a result of their work at DEAG. In case of doubt, our employees are required to contact the Legal Department or Investor Relations division.

## **4. DISCRIMINATION**

Regardless of their position at DEAG, we treat every employee fairly and do not discriminate against them. This also applies to third parties. No employee may discriminate against other employees or other persons on the basis of age, race, skin colour, nationality, religion, disability, marital status, gender or sexual orientation, intimidate other employees or other persons verbally, physically or in any other way. If an employee becomes aware that a colleague is behaving in a discriminatory manner, he or she is requested to inform this person immediately.

With regard to external groups as well, DEAG sees it as its mission and economic opportunity to ensure that all groups of people have equal access to its events. We therefore ensure broad and equal access to cultural events by always striving to offer our tickets within a socially acceptable price range, by inviting socially disadvantaged groups to our events and by ensuring that they can be attended by people with physical, mental or emotional disabilities. In addition, with our ticket price range – even at lower prices – we ensure that everyone has access to cultural events.

DEAG also attaches great importance to and lives equal rights between the genders. For example, with respect to the organisation of the management level by the Supervisory Board and the Executive Board, the participation of women in management positions is given special consideration. With Prof. Dr. Katja Nettesheim (Member of the Supervisory Board of DEAG, Berlin), Jacqueline Zich (Management Board DEAG Classics, Berlin and Managing Director DEAG Concerts, Berlin), Ursula Ottersberg (Managing



Director Jahrhunderthalle, Frankfurt), Andrea Blahetek-Hauzenberger (Managing Director Global Concerts, Munich), Sabine Giese (Managing Director Kultur im Park, Berlin), Lisa Scully (Head of Finance Kilimanjaro Holdings Ltd., London), Zac Fox (Head of Operations Kilimanjaro Holdings Ltd., London) and Ramona Kathriner (Head of Finance Good News Productions AG, Zurich), the diversity of management structures has been consistently promoted in recent years.

### **5. HEALTH AND SAFETY AT WORK**

We value the dignity and personal rights of our employees and third parties with whom the company has business relationships. We attach great importance to a healthy and safe working environment for our employees by complying with the laws and regulations on health and safety at work. In addition, we comply with legal regulations to ensure fair working conditions, including those on pay, working hours and the protection of privacy. DEAG rejects forced and child labour and any form of exploitation or discrimination and ensures strict compliance with the relevant laws.

Accordingly, "Human Capital" is also one of the most fundamental issues in our corporate culture. We value a creative and responsible working environment and therefore have flat hierarchies, short distances and cultivate an open-door culture. At the same time, we always strive to ensure the best possible satisfaction and development of our employees. In the interests of equal opportunities, DEAG therefore always has an open ear for all employees with regard to personal development opportunities and individual career paths. The regular employee training courses focus on security, protection, customer service for events, compliance in relation to events and job-specific training (e.g. social media, graphic design and application, accounting, software application). As a result of the corporate culture, as already described, we have implemented home office, part-time work and the promotion of women to management positions in DEAG's personnel policy.

In addition to the further professionalisation of personnel management, DEAG's positioning as an employer brand, employee development and the anchoring of agile cooperation and working methods in the organisation are of prime importance. A further task is the training of young people in various professions and the promotion of young talent.

### **6. DATA PROTECTION AND INFORMATION SECURITY**

DEAG has identified compliance with data protection as the greatest significant risk with regard to compliance and business ethics.

For this reason, DEAG treats all personal data with the greatest sensitivity and takes precautions to ensure that nobody's personal rights are impaired by the handling of this data. Especially in our division, Ticketing, the protection of personal data has the highest priority for us. We expect our employees to treat the data they collect with appropriate care and strict confidentiality and to ensure compliance with the applicable laws and regulations. Our employees receive advice and support from qualified lawyers and company data protection officers.

It is of great importance to us to protect DEAG's intellectual property and respect the intellectual property of others. One of DEAG's most valuable assets is its employees' wealth of ideas. When we use the intellectual property rights of third parties, we ensure that there is an effective agreement with the right holder. DEAG holds important intellectual property rights and licenses, such as copyrights and trademarks.

### **7. BRIBERY AND ACCEPTANCE OF MONETARY BENEFITS**

Our relationships with business partners, government officials and others are based on our performance and not on unlawful gifts, payments or favours to decision makers. No employee of DEAG may bribe or offer a bribe to any official or other person to influence their decision or obtain any benefit or information from them. Employees may also not grant any official or other person advantages for any other reason

if such an act is unlawful or improper, or if it is likely to influence that person's relationship with DEAG. Business relationships with government agencies are subject to particularly strict requirements. In our dealings with governments and authorities we act honestly and transparently and in accordance with applicable law.

Every DEAG employee may, within reasonable limits, give small gifts customary in the respective country to business partners, their employees and other persons, e.g. after a successful business transaction and/or as a gesture of courtesy.

Grants customary in the industry for the purpose of promoting business relationships or presenting products or services are permitted on a smaller scale. However, the grant may not disproportionately exceed the recipient's normal standard of living.

**8. COMMUNICATION WITH THE MEDIA AND THE CAPITAL MARKET**

As a listed live entertainment service provider, DEAG is the focus of public attention. It is important for us to present a uniform image to the outside world and to provide truthful information about our business activities. Our employees forward all inquiries from the press or other media representatives to the Corporate Communications department and do not answer them without prior consultation.

Our subsidiaries design their communication measures independently, but strategically relevant communication issues must be coordinated with DEAG's central Corporate Communications department. Communication on legal issues, legal disputes or other procedures is only carried out in consultation with our legal department.

We attach particular importance to the capital market's need for information and, with our listing in the Prime Standard segment of the Frankfurt Stock Exchange, meet the highest transparency requirements. In addition to our statutory obligations, we carry out numerous other Investor Relations activities, such as participation in capital market conferences and investor roadshows in Germany and abroad and the regular publication of corporate news and press releases on DEAG's current performance. Communication with the financial markets is carried out exclusively by the Chief Executive Officer, the Chief Financial Officer and/or the external investor relations agency.

In order to offer all capital market participants additional sources of information on DEAG's development potential, we have also commissioned five independent banks and brokers to carry out research for DEAG. These reports and further detailed information on DEAG are available on a permanent and daily basis at [www.deag.de/ir](http://www.deag.de/ir)

**9. COMPLIANCE WITH THE CODE**

All employees, in all companies belonging to the DEAG Group, are responsible for ensuring that they comply with the principles laid down in this Code of Conduct, irrespective of the country in which the company is active. DEAG has also launched a company-wide information, training, qualification and monitoring programme. Our employees are required to report any violation of this Code of Conduct or other significant circumstances relating to this Code directly to their superiors or the Executive Board.

**10. NO RETALIATORY MEASURES**

Employees who in good faith express concerns about what is going on in the company or report suspicious cases will not be disadvantaged as a result. This applies explicitly even if the concerns or suspicions prove to be unfounded. "In good faith" means that the employee is convinced that his/her presentation is true. We will not tolerate intimidation or retaliation against employees who seek advice in good faith, report violations of the Code of Conduct or other unlawful or unethical conduct.

Berlin, March 2019

DEAG Deutsche Entertainment Aktiengesellschaft

For the Management Board



Prof. Peter L. H. Schwenkow, CEO





# // COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2018

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# // COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2018

## 1. PRINCIPLES OF THE COMPANY AND GROUP

### 1.1 BUSINESS MODEL INCLUDING OBJECTIVES AND STRATEGY

DEAG Deutsche Entertainment AG (DEAG) is a leading player in the live entertainment industry with a national focus on Germany, Switzerland and the UK with 40 years of experience. As a live entertainment service company with an integrated business model, DEAG has extensive expertise in the planning, organisation, marketing and holding of live events. With its broadly diversified artist portfolio in the Rock/Pop, Classics & Jazz, Family Entertainment and Arts+Exhibitions business divisions with more than 800 artists under contract and around 4,000 events annually, DEAG is increasingly targeting less competitive, attractive niche markets and positioning itself in these early on with strong profitable content. DEAG is increasingly focusing on its own high-margin event formats. These include the successful “TimeRide” format, which DEAG will now be expanding to additional three cities in 2019, following successes in Cologne and Dresden. DEAG is increasingly using its own ticketing platform MyTicket to market its more than 5 million annual tickets. In the medium term, the share of self-produced content distributed via the company’s own ticketing platform is to be steadily increased and MyTicket is also to function as an attractive alternative for third-party content producers. The shares in MyTicket were therefore increased at the end of 2018 and DEAG now holds 100% of the company. The cooperation with the Swiss ticket software provider SecuTix will also result in significant cost savings in this business division and DEAG can benefit from new technologies such as “Dynamic Pricing.”

56% of sales were generated in Germany and Switzerland and 44% in the UK in 2018.

With its experienced management, DEAG has a good reputation and very good access to national and international artists. As an expert on live entertainment events, DEAG is also an important cooperation partner for major media companies. DEAG opens up additional growth potential for itself through these targeted collaborations.

Through its subsidiaries, DEAG is now an established player in the live entertainment industry in its core markets Germany, Switzerland and the UK. The company strengthened its market position in the UK even further by acquiring the Belladrum Festival in June 2018. International activities are to be expanded even further as well in the future. Besides the expansion of the operative business, growth is also to be advanced externally through selective acquisition of competitors. DEAG continues to pursue its strategy of gradually reducing minority shareholdings and thus increasing the level of earnings per share attributable to shareholders of DEAG, for example, by acquiring the remaining 50% of the shares in The Classical Company AG, Switzerland, in October of last year.

In the live business, DEAG is active as a tour promoter and a regional organiser. The company 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.

DEAG thus continued to systematically implement its strategy of profitable business development in financial year 2018 by concentrating on the growth markets Germany, the UK and Switzerland.



## **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 39 affiliated companies at seven locations in Germany, Switzerland and the UK.

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

The Entertainment Services segment (“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. (Unna), LiveGeist Entertainment (Frankfurt/Main), Kultur- und Kongresszentrum Jahrhunderthalle (Frankfurt/Main), FOH Rhein Main Concerts GmbH (Frankfurt/Main), mytic myticket (Berlin) and Kultur im Park GmbH (Berlin).

In the year under review, changes in the scope of consolidation mainly related to the subsidiaries Kultur- und Kongresszentrum Jahrhunderthalle (Frankfurt/Main), Ben Wyvis Live (Glasgow/Scotland) and FOH Rhein Main Concerts (Frankfurt/Main), which were consolidated for the first time, and Raymond Gubbay Limited, which was deconsolidated.

In the previous year, the activities of Blue Moon Entertainment GmbH were discontinued in the geographical division Austria as of 31 December 2017. There was still no active business of DEAG Music GmbH from previous years in 2018. Both companies are still 100% owned by DEAG as of 31 December 2018 and reported separately as discontinued operations.

As of 31 December 2018, the employee structure was as follows: A total of 200 employees (previous year: 193) worked for the DEAG Group in Germany and abroad. An average of 35 people were employed by the DEAG Holding on an annual average (previous year: 33).

## **1.3 CONTROL SYSTEM AND PERFORMANCE INDICATORS**

Financial management is organised centrally at DEAG. In order to minimise the risks and take advantage of Group-wide optimisation 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. When it comes to managing the company as a whole, sales revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) are the key figures that are also used by market participants, investors and financing banks for assessment purposes. With respect to company acquisitions, the amortisation 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 maximising their income for the company’s stakeholders by optimising the ratio of equity to borrowed capital. The fulfilment of covenant criteria in connection with the financing utilised is monitored on an ongoing basis.

## **2. ECONOMIC REPORT**

### **2.1 OVERALL ECONOMIC ENVIRONMENT AND INDUSTRY SPECIFIC ECONOMIC CONDITIONS**

According to the calculations of the Federal Statistical Office, the German economy grew in the reporting period. The gross domestic product (GDP) adjusted for prices rose by 1.5% compared to the previous year in 2018. According to the Office, higher consumer spending and investments were the main reason

for this growth. For 2019 and 2020, the German Institute for Economic Research (DIW) in Berlin forecasts GDP growth of 1.6% and 1.8% compared to the previous year.

At 1.4% in 2018, the UK recorded weaker economic growth than in the previous year, when economic output rose by 1.8%. The International Monetary Fund (IMF) is forecasting an increase in growth rates from 2019 on. Uncertainties remain, however, as the exact effects of a Brexit remain open.

In the euro zone, the economic upturn slowed in the reporting period. Accordingly, economic growth fell by 0.6 percentage points year-on-year to 1.8% and is expected to remain at this level over the next two years. The IMF forecasts economic growth of 1.6% for the euro zone in 2019 and 1.7% for 2020.

In its study “German Entertainment and Media Outlook 2018 – 2022,” the auditing firm PricewaterhouseCoopers (PwC) estimates the market volume of the German media and entertainment market in 2018 at EUR 61.8 billion. PwC forecasts an average annual increase of 1.8% by 2022. For the ticketing business, an important growth driver for DEAG, which is currently benefiting primarily from the digital integration of ticket sales, annual growth of 2.9% is expected by 2022. After Germany, UK is the second largest market for the media and entertainment industry in Europe. According to PwC’s forecast for the entertainment and media market in the UK, the experts anticipate an average annual growth rate of 2.8% through 2022. The market volume is expected to be around GBP 76 billion in 2022.

Experience has shown that live entertainment is a very emotional product that shows above-average decoupling from economic developments as a highly individual experience. The consequences of a Brexit for the live entertainment market in the UK can therefore be expected to be minor. Consumer demand in the live entertainment market is strongly characterised 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 organiser of events and concerts.

**2.2 BUSINESS DEVELOPMENT**

DEAG has continued on its previous growth course. In the period under review, a significant increase in sales of 25% from EUR 159.8 million in the previous year to EUR 200.2 million was recorded. EBITDA were up by 123% to EUR 14.6 million (previous year: EUR 6.5 million). Earnings before interest and taxes (EBIT) also improved significantly by 110% to EUR 10.6 million (previous year: EUR 5.1 million).

Even though, as expected, the fourth quarter sales were not as strong as in the previous year, the Christmas business made a correspondingly significant contribution to sales of 24% after 32% in 2017. This development is due in particular to the discontinuation of revenues from Raymond Gubbay Limited, which were mainly generated in the fourth quarter. Despite the deconsolidation of the company, an EBITDA of EUR 4.2 million (previous year: EUR 4.5 million) was achieved, which is proof of the high profitability of the formats in the Family Entertainment and Arts+Exhibitions divisions, which generally characterise the event mix in the final quarter.

Besides the acquisitions and organic growth that were achieved, the positive operating development is attributable to various event highlights. These include the very successful open-air season with artists such as Ed Sheeran, Iron Maiden, Die Toten Hosen and the Foo Fighters. In the third quarter, DEAG acquired the Belladrum Festival via its subsidiary Kilimanjaro Live Limited. Belladrum is an established festival in Scotland that has been successfully associated with Kilimanjaro for some time. Artists such

as the British indie rock bands “Bastille” and “Catfish and the Bottlemen” as well as the British singer Ed Sheeran have already used the stage there as a springboard and have been touring with Kilimanjaro ever since.

In the Classics & Jazz division, DEAG also recorded a special highlight in the reporting period with the Cologne concert by the Russian soprano Anna Netrebko and the star tenor Yusif Eyvazov. In addition, DEAG was able to extend its cooperation with Till Brönner by another three years at the beginning of 2018 and thus laid another foundation stone for future positive business development.

Furthermore, DEAG was able to generate additional sales outside the classical live music and entertainment events through its own attractive, higher-margin content. The Arts+Exhibitions division offers DEAG enormous growth potential not only thanks to newly established formats. The first Potsdam Schlössernacht event in the summer of 2018 was very well attended. The TimeRide format that allows visitors to take a virtual journey through Cologne in the early 20th century is also one of the highlights. The Christmas Gardens in Berlin, Stuttgart and Dresden were also very successful.

Last year, DEAG also had a number of highlights to offer in the Family Entertainment division, such as the successful “Disney on Ice” format. The company is planning to expand the show to twelve cities by 2020. In addition to the already established formats, new formats such as “Game of Thrones in Concert” and the Harry Potter 2018 exhibition were also a complete success.

Besides the positive operational development, DEAG is also continuing along its strategic path of successively reducing minority shareholdings. Among other transactions, the stake in The Classical Company AG (Switzerland) was increased to 100%. The buyback of 49% of DEAG Classics AG from Sony Music Entertainment Germany GmbH in June 2018 also opened up growth for DEAG throughout Europe.

DEAG’s content is increasingly being distributed via its own ticketing platform “MyTicket.” MyTicket’s market share is growing strongly and MyTicket has the opportunity to develop into one of the leading electronic ticket platforms. For this reason, DEAG acquired 24.9% of the shares from Axel Springer SE in December 2018 and thus now holds 100% of the company. In addition, MyTicket will cooperate with the Swiss ticket software provider SecuTix starting in the summer of 2019. SecuTix will enable the use of the latest technologies, such as blockchain or dynamic pricing, in the future in order to be able to act in a customer-oriented manner and prevent the secondary market. In addition, DEAG will save considerable costs by switching providers.

## **2.3 INCOME, ASSETS AND FINANCIAL POSITION**

### **2.3.1 Income Position of the Group**

The DEAG Group generated sales of EUR 200.2 million in the past financial year compared with EUR 159.8 million in the previous year. This includes EUR 9.1 million in revenues from the operation of the Jahrhunderthalle in Frankfurt/Main and revenues in connection with the Scottish Belladrum Festival, whose activities are now fully consolidated. The remainder of the increase in sales was mainly due to organic growth. The Group benefited from a high event density in all three country markets. DEAG generated sales of EUR 47.3 million and thus 24% of total annual sales in the final quarter of 2018 (previous year: 32%). The previous year still included sales of around EUR 22.1 million attributable to Raymond Gubbay Limited. The company was deconsolidated in the first half of the year. Up to this point, the contribution to sales amounted to EUR 6.5 million.

Gross profit from sales amounted to EUR 38.5 million after EUR 29.3 million the previous year, which corresponds to a gross margin of 19% (previous year: 18%).

At EUR 19.0 million, sales expenses rose by 45% (previous year: EUR 13.1 million) and resulted from the significant increase in sales. The increase in administrative expenses from EUR 12.6 million to EUR 16.5 million mainly pertains to higher personnel expenses.

Other operating income amounted to EUR 8.5 million compared to EUR 2.6 million in 2017. EUR 6.6 million of this item mainly relates to gains from changes in the scope of consolidation, of which EUR 5.3





Segment performance at a glance:

**Business development of the segments:**

Sales in EUR millions	2018	2017	Change from the previous year
Live Touring	131.6	107.1	+24.5
Entertainment Services	79.0	66.4	+12.6

**Segment performance:**

Operating result (EBITDA) in EUR millions	2018	2017	Change from the previous year
Live Touring	16.3	8.6	+7.7
Entertainment Services	3.6	2.0	+1.6

**Live Touring**

At EUR 131.6 million, sales in the Live Touring segment in 2018 were significantly above the previous year's level of EUR 107.1 million. This positive development was due in particular to growth in the Rock/Pop division thanks to the very successful open-air season. With events such as Ed Sheeran, Foo Fighters, Iron Maiden and Die Toten Hosen, the first half of the year included a number of highlights in this area. This development continued in the third quarter with the Belladrum Festival in Scotland, which was once again sold out. As in previous years, the focus in the Family Entertainment and Arts+Exhibitions divisions was on the Christmas business in the fourth quarter. The segment performance also benefited from the deconsolidation success in connection with the sale of the shares in Raymond Gubbay Ltd.

**Entertainment Services**

Sales in the Entertainment Services segment amounted to EUR 79.0 million in the past financial year after EUR 66.4 million the previous year. Revenues include EUR 6.2 million from the operation of the Jahrhunderthalle in Frankfurt/Main, whose activities are now fully consolidated. In the year under review the local tour operators essentially benefited from the Group's own tour business, with the market and competition situation in Switzerland in particular showing that further efforts are required to generate profitable growth in turnover and operating profit.

The Entertainment Services segment still includes the ticketing activities of the Group's own MyTicket sales platforms. Major strategic measures were implemented in the year under review. DEAG increased its share in the domestic company mytic myticket AG to 100% and agreed to cooperate with the Swiss ticket software provider SecuTix from summer 2019. A subsidiary was founded in Great Britain, thus creating the legal and organisational prerequisites for bundling and further expanding ticketing activities in the UK.

**2.3.3 Assets Position of the Group**

As of 31 December 2018, the balance sheet total increased slightly by EUR 1 million to EUR 133.0 million (31 December 2017: EUR 132.0 million).

Current assets declined by EUR 19.5 million to EUR 63.9 million (31 December 2017: EUR 83.4 million). At EUR 15.6 million, the decline mainly relates to trade receivables. Of this amount, EUR 6.6 million is attributable to Raymond Gubbay Limited alone. A further EUR 8.4 million relates to receivables recognised in the previous year from ticket sales in connection with a tour in 2018. Please refer to our comments in section 2.3.4. of this report for changes in cash and cash equivalents.

As of the balance sheet date, non-current assets increased significantly by EUR 20.6 million to a total of EUR 69.1 million (31 December 2017: EUR 48.5 million). This development is attributable to

significantly higher book values for property, plant and equipment (EUR +17.0 million) and other intangible rights (EUR +5.5 million). The effects mainly result from the IFRS conversion (IFRS 16) and from additions in connection with the first-time consolidation of Jahrhunderhalle Frankfurt/Main, and the Belladrum Festival. The deconsolidation of Raymond Gubby Limited had the opposite effect on goodwill.

Current liabilities as of the balance sheet date amounted to EUR 78.4 million and were thus EUR 34.3 lower than last year (EUR 112.7 million). Contract liabilities (previous year: sales accruals and deferrals) decreased by EUR 33.0 million to EUR 34.6 million. Among other things, the decline was due to balance sheet date effects. In addition, current liabilities to banks fell significantly by EUR 6.8 million to EUR 10.1 million as a result of scheduled repayments and reduced utilisation of working capital lines. Overall, short-term debt fell from 85% to 59%.

The reasons for the significant change in the maturity profile compared to the previous year are the leasing liabilities recognised for the first time in the year under review (EUR +14,0 million), which are almost matched by the corresponding rights of use, and the net addition of the corporate bond placed in October 2018 (EUR +18.9 million), which has a remaining term of around 5 years. Please refer to our comments in section 2.3.4. of this report.

Equity amounted to EUR 14.9 million (31 December 2017: EUR 12.6 million), which still corresponds to an equity ratio of 11.2% after 9.5% the year before. The changes in equity primarily relate to the Group's significantly improved consolidated result as well as counteracting dividend payments to other shareholders.

**2.3.4 Financial Position of the Group**

<b>in EUR millions</b>	<b>2018</b>	<b>2017</b>
Cash inflow / outflow from operating activities (total)	-13.3	16.7
Cash inflow from investing activities (total)	2.9	-5.6
Cash inflow from financing activities (total)	2.2	2.2
<b>Change in cash and cash equivalents</b>	<b>-4.7</b>	<b>13.3</b>
Exchange rate effects	0.7	0.1
<b>Financial assets on 1 Jan.</b>	<b>41.8</b>	<b>28.4</b>
<b>Financial assets on 31 Dec.</b>	<b>36.4</b>	<b>41.8</b>

Cash flow before changes in net current assets amounted to EUR 5.7 million, compared to EUR -3.6 million in the previous year. This positive development is mainly due to the significantly improved net income for the year on the one hand and the first-time application of IFRS 16 and the associated disclosure of payments for the repayment of leasing liabilities as an outflow of funds from financing activities on the other.

The cash outflow from operating activities (total) amounted to EUR 13.3 million following a cash inflow of EUR 16.7 million in 2017. This is due to the lower prepayment balance of EUR 34.6 million after EUR 56.6 million the previous year. This was influenced in 2017 by unusually high advance payments received in connection with a particularly large-volume tour in the second and third quarters of the reporting year in the rock/pop division (especially in the UK). Without this effect, the prepayment balance has now returned to a normal level. It is at a very good level if the 2016 financial year of EUR 24.4 million is taken as a comparison.

The cash inflow from investing activities (total) of EUR 2.9 million resulted on the one hand from net payments (EUR 6.6 million) from the sale of consolidated company and on the other hand from payments for the acquisition of the Belladrum Festival (EUR 3.0 million) and for investments in intangible assets, property, plant and equipment and financial assets (EUR 1.7 million). The latter include the investment in TimeRide GmbH and cooperations in the UK.

The cash inflow from financing activities (total) of EUR 5.7 million relates to the net payment from the corporate bond issued in October 2018 (EUR 18.9 million). This item is reduced by the balance from the raising and temporary repayment of financial liabilities (EUR -6.7 million), payments for interest (EUR 1.0 million) and payments to other shareholders (EUR 2.1 million). The latter mainly relate to an option to acquire further shares in a subsidiary in the amount of EUR 1.0 million. In addition, there were payments to lessors (EUR 3.0 million).

Overall, including exchange rate effects mainly due to the deconsolidation of Raymond Gubbay Limited, cash and cash equivalents decreased by EUR 5.4 million in the reporting period.

DEAG currently has financing facilities of EUR 19.1 million at its disposal, of which EUR 7.5 million had not been utilised as of 31 December 2018. Including sight deposits at subsidiaries, the cash and cash equivalents held entirely by the Group amounted to around EUR 44 million, which, in addition to another EUR 5 million from the not yet placed tranche of the corporate loan, are available to finance additional internal and external growth.

### **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 past financial year, DEAG showed an annual net profit of EUR 0.8 million (previous year: loss of EUR 6.0 million). This includes all the costs in connection with the placement of the corporate bond (EUR 1.1 million), therefore future periods will no longer be charged. DEAG's income mainly resulted from service income, commissions and license fees and amounted to EUR 2.8 million in 2018 (previous year: EUR 2.4 million). Expenses were mainly incurred for material costs, in particular personnel costs. Net interest expense decreased to EUR -0.9 million. Net investment income amounted to EUR 7.8 million, compared to EUR 4.6 million in the previous year, demonstrating the significantly improved profitability of DEAG's shareholdings.

#### **Assets position**

The balance sheet total increased from EUR 47.5 million in the previous year to EUR 65.0 million as of 31 December 2018. DEAG's equity amounted to EUR 21.1 million (31 December 2017: EUR 20.3 million), which corresponds to an equity ratio of 33% (31 December 2017: 43%). The change in equity relates to the annual result.

Financial assets as of 31 December 2018 amounted to EUR 16.8 million (31 December 2017: EUR 15.4 million). At EUR 45.3 million, receivables from affiliated companies were up on the previous year (EUR 30.7 million). The main reason for this is that the funds received in the year under review from the corporate bond were transferred to the companies in the so-called internal financing group.

As of the balance sheet date in 2018, cash and cash equivalents remained unchanged at EUR 0.1 million. In total, DEAG has credit lines of EUR 18.5 million, EUR 6.9 million of which were not utilised as of 31 December 2018.

Liabilities increased compared to the previous year. This is mainly due to the bond of EUR 20.0 million issued in October 2018. For details, please refer to our comments in section 4.2.4. of this report.

## **2.4 OVERALL STATEMENT ON THE ECONOMIC SITUATION OF THE COMPANY**

In the Executive Board's view, the company's performance in 2018 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 financial year 2018, in particular with another successful fourth quarter.







or the holders of the convertible bonds to be issued by the company pursuant to the authorisation resolution of the General Meeting on 26 June 2014, until 25 June 2019. The new shares will participate in the profits from the beginning of the financial year in which they are created by exercising conversion and option rights or by complying with conversion obligations. The Executive Board is authorised, 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 9 September 2014. In 2016, DEAG issued a convertible bond with the exclusion of shareholders' subscription rights at the nominal value of EUR 5.7 million. We refer to Note 25 of the Notes to the Consolidated Financial Statements. There is therefore still usable Conditional Capital 2014/I in the amount of EUR 5,171,453.

### **Authorised Capital**

The General Meeting on 26 June 2014 created new authorised capital with the abolition of the unused authorised capital (Authorised Capital 2011/I). The Executive Board was authorised, subject to the approval of the Supervisory Board, to increase the share capital by a total of EUR 8,176,667.00 by 25 June 2019 (Authorised Capital 2014/I). The resolution on Authorised Capital 2014/I was entered in the commercial register on 9 September 2014. On 2 May 2017, the Executive Board resolved, with the approval of the Supervisory Board, to partially utilise the Authorised Capital created on 26 June 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 24 May 2017. The Authorised Capital (2014/I) amounted to EUR 6,132,578.00 after partial utilisation.

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

DEAG is authorised by resolution of the General Meeting on 25 June 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 24 June 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 authorisation has not yet been exercised. On 31 December 2018, 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 2018 including fringe benefits amounted to a total of EUR 2.9 million (previous year: EUR 1.7 million); EUR 2.2 million in allowances including fringe benefits (previous year: EUR 1.9 million) were received in the year under review. This figure includes compensation for activities in subsidiaries included in the Consolidated Financial Statements (EUR 118 thousand, 2017: EUR 128 thousand).

The remuneration of the Supervisory Board is regulated in the Articles of Association. From 1 January 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 recognised, 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 recognising 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, EBITDA 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 minimising 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 utilisation, 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 standardised 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 assessments are reviewed 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 financial 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 recognise 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 organisers, 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.

DEAG's business performance and the expansion of its business volume also depend on the extent to which it is possible to identify and acquire majority shareholdings in attractive companies that are suitable in terms of their origin and business model. In principle, there are still good opportunities to contribute growth and synergies through acquisitions, even though DEAG is operating in an increasingly consolidating market. In order to achieve broader diversification, DEAG is continuously examining the possibility of expanding existing genres and/or opening up new divisions.

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 division depends on the successful integration of acquired holdings in Germany as well as possible further company acquisitions. In the Classics & 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.











reality. In addition, DEAG secured partial exclusive ticket distribution via 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 format was extended to Dresden at the end of 2018 and is to be followed by Munich, Berlin and Frankfurt/Main by 2020. In addition, new successful formats such as the Harry Potter exhibition offer additional growth potential for the future.

- » **Ticketing:** In the live business, DEAG is active as a tour promoter as well as a local promoter. 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. MyTicket receives highly attractive content from DEAG's own divisions Rock/Pop, Classics & Jazz, Family Entertainment and Arts+Exhibitions. MyTicket is also becoming increasingly attractive for third-party content.

With an average annual share of 40% of tickets sold, the Internet is already the most important sales outlet in Germany, according to bdv. With younger music styles, the share is even higher than 80%. This general trend towards online ticket sales, together with its own strong content and increasing attractiveness for third-party content, offer DEAG attractive growth potential for the coming years. Accordingly, the company fully acquired mytic myticket AG in December 2018 and, as sole shareholder, will benefit fully from future increases in sales and earnings.

At the same time, MyTicket will cooperate with the Swiss ticket software provider SecuTix starting in the summer of 2019. Besides software solutions for the international ticket sale of concerts and show events, SecuTix also offers innovative solutions in the fields of culture, festivals, sports, tournaments, exhibitions and trade fairs. In addition, the latest technologies, such as blockchain or dynamic pricing, are used in order to be able to act in a customer-oriented manner and prevent the secondary market. DEAG expects this to result in major improvements for MyTicket in the areas of service and product quality, customer orientation and user-friendliness. This will benefit both end customers and operators who rely on MyTicket as an efficient sales partner. In addition to improvements at the product and service level, this adjustment will also lead to optimised cost structures, illustrate the scalability of the business model and will contribute to increasing profitability in the future.

In the medium term, DEAG aims to distribute approx. 40% of its more than 5 million own tickets per year via its own platform.

- » **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 Jahrhunderthalle, 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. DEAG considers the creation of building rights to be realistic in the medium term. In the event of a positive and successful development of the properties, an additional profit will be generated which will exceed the book value (EUR 5.6 million).



**5. FORECAST REPORT**

In financial year 2018 DEAG, as a live entertainment service provider, further consolidated its broadly diversified business model with its five divisions Rock/Pop, Classics & Jazz, Family Entertainment, Arts+Exhibitions and Ticketing, on the market and placed corporate financing on a fundamentally new basis by issuing the corporate bond. This has created the conditions for taking advantage of the growth opportunities that present themselves and for DEAG to continue to develop its sales and earnings profitably in the long term.

Even though the Rock/Pop division was characterised by a number of large-volume shows and tours in the year under review, the Executive Board expects solid development in the Rock/Pop and Classics & Jazz divisions in 2019. For the Family Entertainment and Arts+Exhibitions divisions, more significant growth impulses are foreseeable. The ticketing business will benefit from the company’s own content and additionally strengthen through its cooperation with the Swiss ticketing software provider SecuTix. With SecuTix, not only the latest technologies will be used in order to act in an even more customer-oriented manner and prevent the secondary market. With this step, DEAG will also save considerable costs compared to the past.

Taking into account the opportunities and risks, the expected start to financial year 2019 and the already good visibility with regard to the further course of business, the Executive Board is optimistic that the Group will grow moderately in terms of sales and EBITDA compared to 2018.

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

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

**Forward-looking statements**

In addition to the past figures in the annual financial statements, this report also contains forward-looking statements. These statements may differ from the actual developments.

Berlin, 29 March 2019

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board



Prof. Peter L. H. Schwenkow



Christian Diekmann



Detlef Kornett



Ralph Quellmalz

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## // CONSOLIDATED BALANCE SHEET

### TOTAL ASSETS

in EUR '000	Notes	31.12.2018	31.12.2017
Liquid funds	7	36,427	41,816
Trade receivables	8	10,289	25,926
Down payments	9	9,357	10,949
Income tax receivables		2,180	1,178
Inventories	10	74	120
Other current financial assets	11	2,886	1,824
Other current non-financial assets	11	2,692	1,636
<b>Current assets</b>		<b>63,905</b>	<b>83,449</b>
Goodwill	13, 14	23,915	26,321
Other intangible assets	13, 15	13,203	8,719
Tangible fixed assets	16	19,409	2,459
Investment properties	17	5,625	5,340
Investments	18	1,899	706
According to the equity method accounted financial assets	18	1,182	1,366
Loans to associated companies	19	-	1,221
Down payments	9	4	95
Other long-term financial assets	19	2,545	1,542
Deferred tax assets	20, 40	1,294	762
<b>Long-term assets</b>		<b>69,076</b>	<b>48,531</b>
<b>TOTAL ASSETS</b>		<b>132,981</b>	<b>131,980</b>

**TOTAL LIABILITIES AND EQUITY**

<b>in EUR '000</b>	<b>Notes</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Bank loans payable	21, 29	10,101	16,884
Trade accounts payable	22	11,866	10,457
Accruals	23	8,257	6,810
Convertible bond	26	4,300	1,350
Contract liabilities	24	34,658	67,642
Income tax liabilities		1,021	638
Other current financial liabilities	27	3,705	2,473 *
Other current non-financial liabilities	27	4,527	6,472 *
<b>Current liabilities</b>		<b>78,435</b>	<b>112,726</b>
Accruals	23	238	-
Convertible bond		-	4,145
Bond	25,26	18,921	-
Bank loans payable	21, 29	1,500	31
Contract liabilities		181	-
Other long-term financial liabilities	28	15,467	309
Deferred taxes	20, 40	3,291	2,151
<b>Long-term liabilities</b>		<b>39,598</b>	<b>6,636</b>
Share capital		18,396	18,396
Capital reserve	25, 30	42,508	42,508
Retained earnings		-466	-
Accumulated deficit		-52,107	-54,078
Accumulated other income	30	1,563	638
<b>Equity attributable to DEAG shareholders</b>		<b>9,894</b>	<b>7,464</b>
Equity attributable to non-controlling interest	30	5,054	5,154
<b>Equity</b>	30	<b>14,948</b>	<b>12,618</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>132,981</b>	<b>131,980</b>

\* Adjustment previous year



## // CONSOLIDATED INCOME STATEMENT

in EUR '000	Notes	01.01. to 31.12.2018	01.01. to 31.12.2017
Sales	32	200,221	159,802
Cost of sales	33	-161,725	-130,470
<b>Gross profit</b>		<b>38,496</b>	<b>29,332</b>
Distribution costs	34	-18,962	-13,062
Administrative expenses	35	-16,516	-12,636
Other operating income	36	8,549	2,581
Other operating expenses	37	-975	-1,164
<b>Operating income (EBIT)</b>		<b>10,592</b>	<b>5,051</b>
Interest income and expenses	38	-2,995	-1,195
Income from investments	39	682	71
Income shares in companies accounted for using the equity method	18	-883	-982
<b>Financial result</b>		<b>-3,196</b>	<b>-2,106</b>
<b>Result before taxes (EBT)</b>		<b>7,396</b>	<b>2,945</b>
Income taxes	40	-665	-601
<b>Group result from continued operations after taxes</b>		<b>6,731</b>	<b>2,344</b>
<b>Group result from discontinued operations after taxes</b>	41	<b>-132</b>	<b>-3,045</b>
<b>Group result after taxes</b>		<b>6,599</b>	<b>-701</b>
thereof attributable to non-controlling interest		3,109	1,586
<b>thereof attributable to DEAG shareholders</b>			
<b>(Group result)</b>		<b>3,490</b>	<b>-2,287</b>
Earnings per share in EUR (undiluted)			
from continued operations	30	0.20	0.04
from continued and discontinued operations	30	0.19	-0.13
Earnings per share in EUR (diluted)			
from continued operations	30	0.19	0.04
from continued and discontinued operations	30	0.19	-0.13
Average number of shares in circulation (undiluted)	30	18,396,808	17,595,973
Average number of shares in circulation (diluted)		20,025,379	17,595,973

# // CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<u>in EUR'000</u>	<u>2018</u>	<u>2017</u>
<b>Group result after taxes</b>	<b>6,599</b>	<b>-701</b>
<b>Other result</b>		
(+/-) Differences from exchange rates (independent foreign units)	984	-1,135
<b>Amounts as may be reclassified in future periods in the profit and loss account</b>	<b>984</b>	<b>-1,135</b>
(+/-) Actuarial profit/loss recorded in equity	-61	124
(+/-) Deferred taxes on the other total result	12	-25
<b>amounts, not reclassified in income statement</b>	<b>-49</b>	<b>99</b>
<b>Total recognised directly in other comprehensive income</b>	<b>935</b>	<b>-1,036</b>
<b>Total result</b>	<b>7,534</b>	<b>-1,737</b>
<b>Thereof attributable to</b>		
Non-controlling interest	3,121	1,361
DEAG shareholders	4,413	-3,052

## // CONSOLIDATED STATEMENT OF CASH FLOW (Note 44)

In EUR '000	2018	2017
Group result from continued operations after taxes	6,731	2,344
Depreciation and amortisation	2,256	1,494
Expenditure from retirement of fixed assets	-9	-114
Changes not affecting payments	1,546	-1,243
Changes according to investment properties	-132	-
Change in other accruals	1,581	-6,009
Result of change in scope of consolidation	-6,649	-831
Deferred taxes (net)	-463	-245
Result from valuation of associated companies	883	982
<b>Cashflow before changes in net current assets</b>	<b>5,744</b>	<b>-3,622</b>
Net interest income	2,995	1,195
Changes to receivables, inventories and other assets	11,559	-8,488
Changes to other loan capital without financial debts	-33,486	30,513
<b>Net cash outflow from continued operations</b>	<b>13,188</b>	<b>19,598</b>
Net cash outflow from discontinued operations	-125	-2,947
<b>Net cash outflow from operating activities (total)</b>	<b>-13,313</b>	<b>16,651</b>
Outflows for investments in...		
...Intangible assets	-248	-454
...Tangible assets and financial investments	-1,503	-770
Inflow/Spending from the acquisition of consolidated companies	777	63
Payments from the sale of consolidated companies	-	-3,114
Payments from the acquisition of consolidated companies	-3,030	-2,100
Inflow from the sale of consolidated companies	6,647	-
Inflow/Spending from repayment of loans	-	800
Assets disposals	191	4
Interest Income	76	96
<b>Net cash inflow from investing activities (total)</b>	<b>2,910</b>	<b>-5,475</b>
Capital increase DEAG Deutsche Entertainment AG	-	4,471
Proceeds from new borrowing	2,729	4,815
Repayment of financial debts	-8,043	-4,353
Repayment of convertible bond	-1,400	-
Cash proceeds from the bond	20,000	-
Cost of the bond	-1,108	-
Cash payments by a lessee for the reduction of the outstanding liability relating to lease obligations	-3,015	-
Interest expenditure	-978	-1,016
Dividend portions of other shareholders	-373	-1,733
Payments to/from other shareholders	-2,108	-31
<b>Net cash inflow from financing activities (total)</b>	<b>5,704</b>	<b>2,153</b>
<b>Changes in cash and cash equivalents</b>	<b>-4,699</b>	<b>13,329</b>
Effect of exchange rate changes	-690	109
Cash and cash equivalents as at 01.01.	41,816	28,378
<b>Cash and cash equivalents as at 31.12.</b>	<b>36,427</b>	<b>41,816</b>

## // DEVELOPMENT OF EQUITY WITHIN THE GROUP (Note 30)

	Number of shares issued	Authorized DEAG shares in EUR '000	DEAG capital reserve in EUR '000	Retained Earnings 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 in EUR '000	Equity in EUR '000
<b>As at 31.12.2016</b>	<b>16,352,719</b>	<b>16,352</b>	<b>40,081</b>	<b>-</b>	<b>-51,845</b>	<b>1,403</b>	<b>5,991</b>	<b>4,726</b>	<b>10,717</b>
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 <sup>1</sup>	-	54	-	54
<b>As at 31.12.2017</b>	<b>18,396,808</b>	<b>18,396</b>	<b>42,508</b>	<b>-</b>	<b>-54,078</b>	<b>638</b>	<b>7,464</b>	<b>5,154</b>	<b>12,618</b>
IFRS 16 (Revaluation as at 01.01.2018)	-	-	-	-466	-	-	-466	-	-466
<b>As at 01.01.2018</b>	<b>18,396,808</b>	<b>18,396</b>	<b>42,508</b>	<b>-466</b>	<b>-54,078</b>	<b>638</b>	<b>6,998</b>	<b>5,154</b>	<b>12,152</b>
Total result	-	-	-	-	3,490	925	4,415	3,081	7,496
capital increase	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	373	373
Acquisition/ Sale of shares of other shareholders	-	-	-	-	-	-	-	-2,808	-2,808
Other changes	-	-	-	-	-1,519 <sup>1</sup>	-	-1,519	-	-1,519
<b>As at 31.12.2017</b>	<b>18,396,808</b>	<b>18,396</b>	<b>42,508</b>	<b>-466</b>	<b>-52,107</b>	<b>1,563</b>	<b>9,894</b>	<b>5,054</b>	<b>14,948</b>

<sup>1</sup> Additional purchases/increases (EUR-1,519 thousand; previous year: EUR 54 thousand)



# // 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 is a leading entertainment service provider and provider of live entertainment in Europe and is present in its core markets with Group companies. DEAG produces and organises a wide range of profitable events and concerts. As a live entertainment service provider with an integrated business model, DEAG has extensive expertise in the organisation, marketing and holding of events and in ticket sales via its own ticketing platform “MyTicket” for its own and third-party content. MyTicket’s highly scalable business model strengthens DEAG on its path to increasing profitability. DEAG organises around 4,000 concerts and events each year and currently sells more than 5 million tickets – of which a steadily growing share is via the profitable ticketing platforms of MyTicket.

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 31 December 2018 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 applying 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 financial year than from 1 July to 30 June (subgroup Flying Music Holdings Limited, London/UK).

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 23,915 thousand (previous year: EUR 26,321 thousand) are adjusted accordingly. Reference is made to our comments in Note 13 and 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 and, in particular, the impairment testing of companies accounted for using the equity method and the determination of the fair values of financial assets.

In addition, management made discretionary decisions in the area of the scope of consolidation and as part of purchase price allocations. Please refer to our comments in Note 3.

## 2. AMENDMENTS TO ACCOUNTING STANDARDS

The following new or amended standards and interpretations are being mandatorily applied for DEAG for the first time or financial years beginning on 01/01/2018:

- IFRS 9 – New accounting concept for Financial Instruments and Replacement of IAS 39
- IFRS 15 including clarification – Revenue recognition standard; supersedes IAS 18 and IAS 11
- IFRIC 22 – Clarification on currency translation for advance payments
- IAS 40 – Clarification on the classification of properties not yet completed
- AIP 2014 – 2016 – Improvements to IFRS 1 and IAS 28

With the exception of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, other new or amended IFRS standards, the first-time application of which was mandatory in the EU as of 1 January 2018, had no material impact on the Consolidated Financial Statements. Furthermore, Deutsche Entertainment AG applied the new standard IFRS 16 Leases for the first time and ahead of schedule as of 1 January 2018. The effects of IFRS 9 Financial Instruments, IFRS 15 Revenues from Contracts with Customers and IFRS 16 Leases on these Consolidated Financial Statements will be explained in greater detail in this section.

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 the financial year that begin on 01/01/2018, the following changes were applied for the first time.

### IFRS 15 Revenue from Contracts with Customers

As of 1 January 2018, DEAG applied the new standard for revenue recognition, IFRS 15 “Revenue from Contracts with Customers,” for the first time using the modified retrospective approach. The comparative period is therefore presented in accordance with the previous accounting principles.

IFRS 15 completely replaces the previous regulations on the recognition of sales revenue in accordance with IAS 18 “Revenue” and IAS 11 “Construction Contracts,” including the corresponding interpretations. Revenue is now recognised when the customer obtains control of the agreed goods and services and is able to obtain benefits from them. Revenue is recognised at the amount of consideration expected to be received by the company. The new standard provides for a five-step procedure according to which the amount of sales and the time or period of realisation are to be determined. The model is as follows: Identification of the contract with the customer, identification of the separate performance obligations, determination of the transaction price, allocation of the transaction price to the separate performance obligations and recognition of sales when individual performance obligations are fulfilled.

IFRS 15 has no material effects on realisation of sales because the majority of the revenues in the Consolidated Financial Statements are realised as a result of routine transactions (revenue realisation at the time of the transfer of control). There are no agreements within the Group that regulate several services within one contract or within several contracts (multi-element arrangements).

The Group has concluded that it acts as the customer or principal in almost all of its revenue transactions because it has control over all revenue transactions, sets prices and bears the risk of default.

Until 31 December 2017, revenues were accounted for on the basis of IAS 18 Revenue. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits associated with the transaction will flow to the entity independently of the actual payment, and inventory risks and rewards have been transferred to the customer.

Advance payments received from customers for future performance obligations are recognised as contract liabilities in accordance with IFRS 15. In the previous year, advance payments received were reported as deferred revenue.

### IFRS 9 Financial Instruments

The Group’s financial instruments mainly comprise cash and cash equivalents, trade receivables, other financial assets, investments and trade payables, liabilities to banks and other financial liabilities.







The Group intends to apply these standards and interpretations from the effective date. The effects of these standards on DEAG Group’s net assets, financial position and results of operations are still under review and are expected to be of minor significance overall.

**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 financial 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: 37) fully consolidated German and foreign companies, in addition to DEAG. Eight (previous year: nine) investments are consolidated as joint ventures and/or associated companies at equity. One (previous year: five) associated companies and 12 (previous year: nine) investments are reported at cost of acquisition in view of their marginal significance. Another investment is carried at fair value.

**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 recognised. Any remaining negative difference is recognised 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 favour 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 Veranstaltungen GmbH, Berlin)	100%
	Grünland Family Entertainment GmbH, Berlin	100%
	Christmas Garden Deutschland GmbH, Berlin (previously: GOLD Entertainment GmbH, Berlin)	100%
	Wizard Promotions Konzertagentur GmbH, Frankfurt/Main	75.1%
	DEAG Classics AG, Berlin	100%
	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%
	Ben Wyvis Live Ltd., Glasgow (Scotland)	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)	100%	
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%
	mytic myticket AG, Berlin	100%
	LiveGeist Entertainment GmbH, Frankfurt/Main	75.1%
	FOH Rhein Main Entertainment GmbH, Frankfurt /Main	63.5%
	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%	
Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt /Main	49%	
Discontinued operations	DEAG Music GmbH, Berlin	100%
	Blue Moon Entertainment GmbH, Vienna (Austria)	100%

Since 1 January 2018, DEAG has been entitled to a final decision on the approval of the annual budget of Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main, thus fulfilling the control concept pursuant to IFRS 10.7. Kultur- und Kongresszentrum Jahrhunderthalle GmbH, which was previously accounted for as an associated company, is now fully consolidated in the DEAG Group and 51.0% of the equity shares are attributable to the non-controlling shareholders. In this context, the assets and liabilities to be acquired and significant contractual relationships were analysed with regard to the accounting, consolidation, accounting and valuation principles to be applied. Accordingly, a group of

assets without corporate quality was acquired, so that the difference (EUR -49 thousand) was allocated to the acquired assets in accordance with the relative fair values. In addition, a contract for the operation of the Jahrhunderthalle was classified as a finance lease and therefore a right of use (asset) and a lease liability were recorded with an initial value of EUR 10,687 thousand each were recorded.

On 26 June 2018, DEAG acquired 49% of the shares in DEAG Classics AG from Sony Music Entertainment Germany GmbH and thus holds 100% of DEAG Classics AG including its interest in The Classical Company AG (Switzerland). As part of the transaction, DEAG Classics AG sold its shares in the British company Raymond Gubbay Ltd. to Sony Music Entertainment International Limited. As a result, the assets (EUR 11,845 thousand), liabilities (EUR 3,698 thousand) and minority interests (EUR 3,232 thousand) of the sold company were deconsolidated. The assets disposed of include goodwill in the amount of EUR 2,790 thousand. Income from the related change in the scope of consolidation amounted to EUR 5.3 million, which is reported under other operating income. The agreed purchase prices have been paid in full.

On 2 July 2018, DEAG repurchased 24.9% of the shares in mytic myticket AG from Starwatch Entertainment GmbH and increased its stake in the company to 75.1%.

With effect from 23 July 2018, DEAG acquired 100% of the renowned Belladrum Festival in Scotland via its 51% subsidiary Kilimanjaro Live Limited, based in London, and concluded a long-term lease agreement that secures exclusive access to the festival grounds and infrastructure. The acquirer was Ben Wyvis Live, Glasgow, a 100% subsidiary of Kilimanjaro Holdings Limited, London.

On 5 October 2018, DEAG acquired 50% of The Classical Company AG, Zurich, Switzerland, through its subsidiary DEAG Classics AG, thereby increasing its stake to a total of 100%.

On 19 December 2018, the Supervisory Board of mytic myticket AG approved the acquisition of 24.9% of the shares held by Axel Springer SE by DEAG. DEAG thus increased its stake in the company to 100%.

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	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	40%

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: GOLD Entertainment GmbH (previously: EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH, Berlin). The company is inactive.

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'000)	Earning in financial year (in EUR'000)
GOLD Entertainment GmbH	Berlin	100.0%	-2	-1

The group of consolidated companies of DEAG Group changed as follows in financial year 2018:

Segment	Company	Addition
Live Touring	Ben Wyvis Live Ltd., Glasgow (Scotland)	1 August 2018

Segment	Company	Addition
Entertainment Services	Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main	1 January 2018

Segment	Company	Disposal
Live Touring	Raymond Gubbay Ltd., London (UK)	30 January 2018

#### 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 recognised 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 financial year. The resulting currency differences are recognised as a separate component of equity. The cumulative amount recognised 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	
	2018	2017	2018	2017
1 pound sterling	1.1179	1.1271	1.1303	1.1631
1 Swiss franc	0.8874	0.8546	0.8659	0.9352

## 5. BALANCE SHEET ACCOUNTING AND VALUATION PRINCIPLES

### Notes on the Balance Sheet

Intangible assets purchased are capitalised 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 amortisations and impairments. In the case of artist and agent relationships, the depreciation period is generally 15 years, while order bookings are amortised after completion of the respective concert events. In addition, the item "Other rights" includes mainly license, usage and execution rights, which are amortised over the contractually agreed periods (3 to 24 years).

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 capitalised 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. An impairment loss recognised for goodwill may not be reserved in subsequent periods.

Fixed assets, with the exception of rights of use arising from leases, 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 25 years
Plant and machinery	3 to 10 years
Tools and equipment	3 to 10 years

Rights of use arising from leases are reported under property, plant and equipment. A lease exists if the Group is entitled to use an identifiable asset over which control has been acquired for a specified period in return for payment.

Lease rights are measured at the inception of the lease ("provision date") at cost, which includes, in particular, the corresponding lease liabilities and prepayments made, taking into account any lease incentives received. Current depreciation is calculated using the straight-line method.

DEAG has decided to include non-leasing components (so-called service components) in the determination of rights of use.

Lease liabilities are recognised at the present value of the lease payments not yet made on the date on which they are made available and reported under financial liabilities. As a matter of principle, discounting is determined by applying interest rates specific to the term and currency of the lease as the

interest rates on which the leases are based cannot regularly be determined. Lease liabilities are adjusted using the effective interest method. Corresponding interest expenses are reported in the financial result.

Leasing payments in connection with leasing agreements with a term of a maximum of twelve months and leasing relationships for so-called low-value assets (new value of up to EUR 5,000) are recorded as other operating expenses over the respective term of the leasing relationships for simplification purposes.

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 if there is reason 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. Unrealised 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.

Advance payments are prepaid costs relating to events after the balance sheet date and are deferred accordingly.

Advance payments received from customers for future performance obligations are recognised as contract liabilities in accordance with IFRS 15. In the previous year, advance payments received were reported as deferred revenue.

Provisions 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 at 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 realisable losses carried forward. Deferred tax assets in respect of losses carried forward are only recognised 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 recognised to the extent that offsettable deferred tax liabilities exist. Deferred tax assets and liabilities are recognised 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 recognised in other income with no effect on the result.

Financial instruments of the Group essentially include cash and cash equivalents, trade receivables, other financial assets, shareholdings as well as trade liabilities, liabilities to financial institutes and other financial liabilities.

On initial recognition, trade receivables are carried at transaction price, all other financial assets and liabilities at fair value. Transaction costs are included if the financial assets and liabilities are subsequently measured at amortised cost. Otherwise, they must be expensed immediately.

The first-time recognition and disposal of sales and purchases of financial assets in line with market conditions is made on the settlement date. IFRS 9 provides for the following three measurement categories for classification and subsequent measurement:

- At amortised cost
- At fair value through profit or loss
- At fair value through profit or loss

If an asset is held to collect contractually agreed principal and interest payments, it is subsequently measured at amortised cost. If an asset is also held for a possible sale, it is measured at fair value with no effect on income. In all other cases, they are measured at fair value through profit or loss.

Subsequent measurement of essential investments that are not consolidated or are not included in the Consolidated Financial Statements using the equity method is at fair value through profit or loss.

The valuation hierarchy described below is used for financial assets and liabilities for which the fair value is to be determined:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Valuation parameters that are the quoted prices included in Level 1 but that can be observed either directly or indirectly for the asset or liability.
- Level 3: Valuation parameters for assets and liabilities that are not based on observable market data.

In determining fair value, the use of significant observable input factors is kept as high as possible and the use of unobservable input factors as low as possible. At the end of each reporting period, the classification of the various measurement methods into the individual levels is reviewed.

Subsequent measurement is at amortised cost using the effective interest method or at fair value through profit or loss. Amortisation using the effective interest method is included in the statement of comprehensive income as part of the financial result.

After initial recognition, contingent purchase price liabilities (earnout agreements) from company acquisitions are recognised at fair value and reported under financial liabilities. If reliably measurable, the fair value results from the estimated results of the acquired companies in the years prior to the possible exercise dates.

Changes in fair value are recognised in the income statement (financial result). The discount interest rates are determined on the basis of the weighted capital cost interest rates of the Group. The results on which the valuation is based are generally EBIT.





The conversion option recognised 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 recognised 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 recognised directly in equity. The transaction costs attributable to the borrowed capital component are included in the carrying amount of the liability and are amortised over the term of the convertible bond using the effective interest method.

The bond is measured at amortised cost. The transaction costs directly attributable to the bond are included in the carrying amount of the liability and are amortised over the term of the 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 realisation 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. The ticket monies received in the respective pre-sales period are reported as contractual liabilities until then. We refer to Note 2 on amendments related to IFRS 15.

Expenses are recognised in the income statement at the time they occur and reported as prepayments if these relate to events after the balance sheet date.

Interest and other borrowing costs are expensed as incurred.

## 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

Segment reporting is based on the internal management and reporting structures. 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 (Munich), Christmas Garden Deutschland (Berlin), the sub-group Kilimanjaro (London, UK) including the activities of the Flying Music Group, as well as The Classical Company (Zurich, Switzerland).

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 (Unna), LiveGeist Entertainment (Frankfurt/Main), Kultur- und Kongresszentrum Jahrhunderthalle (Frankfurt/Main) as well as mytic myticket (Berlin) and Kultur im Park (Berlin).

### Segment data

In EUR'000	Live Touring		Entertainment Services		Total Segments	
	2018	2017	2018	2017	2018	2017
Sales	131,589	107,127	78,965	66,449	210,554	173,576
Other income	8,103	1,528	767	735	8,870	2,263
- thereof internal income	1,943	1,877	12,969	15,061	14,912	16,938
<b>Total earnings</b>	<b>139,692</b>	<b>108,655</b>	<b>79,732</b>	<b>67,184</b>	<b>219,424</b>	<b>175,839</b>
Cost of sales*	113,884	90,112	59,244	55,260	173,128	145,372
Operative expenses	11,175	10,246	18,086	10,042	29,261	20,288
Depreciations and amortisation (for information only)						
-scheduled	2,003	1,123	1,720	316	3,723	1,439
Segment result (EBIT)	14,338	7,505	1,645	1,644	15,983	9,149
Full-time employees as at 31.12.	64	94	95	73	159	167
Return on sales	10.9%	7.0%	2.1%	2.5%	7.6%	5.3%

\* Data include proportional, scheduled depreciation

External revenues comprise revenues from the sale of tickets and the provision of services. The service for a concert, a show or a tour is generally deemed to have been rendered at the end of the concert or show. Revenue recognition in accordance with IFRS 15 therefore takes place when the power of disposal is transferred.

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.

### Reconciliation from Segment to Group Data

In EUR'000	Total of segments		Consolidation (incl. Holding)		Group	
	2018	2017	2018	2017	2018	2017
Sales	210,554	173,576	-10,333	-13,774	200,221	159,802
Other income	8,870	2,263	-321	318	8,549	2,581
- thereof internal income	14,912	16,938	-14,912	-16,938	-	-
<b>Total earnings</b>	<b>219,424</b>	<b>175,839</b>	<b>-10,654</b>	<b>-13,456</b>	<b>208,770</b>	<b>162,383</b>
Cost of sales	173,128	145,372	-11,403	-14,902	161,725	130,470
Operative expenses	29,261	20,288	6,217	5,410	35,478	25,698
Segment result (EBIT)					15,983	9,149
Unallocated expenditure and income (incl. DEAG and consolidation effects)					-5,391	-4,098
<b>Operating result (EBIT)</b>					<b>10,592</b>	<b>5,051</b>
Income shares in companies accounted for using the equity method					-883	-982
Other financial result					-2,313	-1,124
<b>Result before taxes (EBT)</b>					<b>7,396</b>	<b>2,945</b>
Taxes on income and earnings					-665	-601
<b>result from continuing operations after taxes</b>					<b>6,731</b>	<b>2,344</b>
<b>result from discontinuing operations after taxes</b>					-132	-3,045
<b>Group result after taxes</b>					<b>6,599</b>	<b>-701</b>
thereof attributable to other shareholders					3,109	1,586
<b>thereof attributable to DEAG shareholders (Group Result)</b>					<b>3,490</b>	<b>-2,287</b>

The result of associated companies relates to DEAG in the amount of EUR -1 thousand (previous year: EUR 5 thousand).

### Geographical Information

The activities of the DEAG Group mainly extend to Germany, the UK and Switzerland. For the purposes of geographical segment reporting, sales are segmented according to the location of the customer's registered office and assets and investments according to the location of the company's registered office.

In EUR'000	Germany		Other countries		Group	
	2018	2017	2018	2017	2018	2017
Sales	98,297	79,514	101,924	80,288	200,221	159,802



Other current non-financial assets essentially comprise the following:

In EUR'000	31.12.2018	31.12.2017
Tax authorities claims	1,079	197
Down payments	927	1,013
Input tax deductible in the following year	416	167
Others	270	259
<b>Other current non-financial assets</b>	<b>2,692</b>	<b>1,636</b>

## 12. INFORMATION ABOUT SUBSIDIARIES

### 12.1 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES

Summarised 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 summarised financial information corresponds to the amounts before intragroup eliminations.

The summarised 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 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	31.12.2018 In EUR'000	31.12.2017 In EUR'000
Current assets	21,032	34,304
Long-term assets	19,141	12,754
Current liabilities	26,633	39,966
Long-term liabilities	3,513	1,110
Equity attributable to DEAG shareholders	5,278	4,051
Equity attributable to non-controlling interest	4,749	1,931
	<b>31.12.2018 In EUR'000</b>	<b>31.12.2017 In EUR'000</b>
Sales	85,864	45,324
Expenses and other income	81,755	44,864
<b>Net income</b>	<b>4,109</b>	<b>460</b>
Net income of attributable to DEAG shareholders	1,249	205
Net income of attributable to non-controlling interest	2,860	255
<b>Total net income</b>	<b>4,109</b>	<b>460</b>



	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>In EUR'000</b>	<b>In EUR'000</b>
<b>Sub-group Kilimanjaro</b>		
Other result of attributable to DEAG shareholders	-9	-122
Other result of attributable to non-controlling interest	-42	-121
<b>Total other result</b>	<b>-51</b>	<b>-243</b>
Total result of attributable to DEAG shareholders	1,240	83
Total result of attributable to non-controlling interest	2,818	134
<b>Total result</b>	<b>4,058</b>	<b>217</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>In EUR'000</b>	<b>In EUR'000</b>
Dividends paid to non-controlling interest	-	-473
Net cash flows from operating activities	-2,871	25,329
Net cash flows from investing activities	-7,836	-6,701
Net cash flows from financing activities	-36	-967
<b>Total net cash flows</b>	<b>-10,743</b>	<b>17,661</b>

## 12.2 ACQUISITIONS

Acquisitions are accounted for under IFRS 3 (Business Combinations) using the purchase method. With effect from 23 July 2018, DEAG acquired all assets relating to the renowned Belladrum Tartan Heart Festival in Scotland via its 51% subsidiary Kilimanjaro Live Limited, based in London, and secured a long-term right of use (until 2024) for the space used for the festival and a corresponding lease agreement, which guarantees exclusive access to the festival site and infrastructure.

As of the balance sheet date, the investigations relating to the acquired assets and liabilities had been completed. Assets (EUR 7,345 thousand) include EUR 7,232 thousand and EUR 113 thousand for rights of use and execution as well as other plant, office and business equipment. Less deferred tax liabilities, the acquired net assets amount to EUR 5,971 thousand. The total purchase price including a variable purchase price component, the final amount of which depends on the business development in 2019, amounts to EUR 4,486 thousand. As of the balance sheet date, the fixed purchase price component had been settled at EUR 3,030 thousand. In these Consolidated Financial Statements, the maximum contingent purchase price component is recognised as a liability with a present value of EUR 1,456 thousand.

As the sum of the fair values of the net assets acquired exceeds the total purchase price, profit (negative difference within the meaning of IFRS 3.34) of EUR 1,354 thousand was recognised after reassessment, taking into account incidental acquisition costs (EUR 132 thousand), which is reported under other operating income. The negative difference mainly results from the seller's non-existent compound effects. Unlike the seller, DEAG has access to resources and the market (in particular booking and ticketing activities) which give it a favourable negotiating position.

Since 1 August 2018, these activities have been included in the consolidated income statement of the DEAG Group via the subsidiary Ben Wyvis Live Limited. The contribution to revenues in 2018 was EUR 3,283 thousand and to consolidated net income EUR 885 thousand. If the acquisition had already taken place on 1 January 2018, management estimates that sales and consolidated earnings would not have increased and/or decreased significantly.

### 13. GOODWILL AND OTHER INTANGIBLE ASSETS

The values developed as follows in financial years 2018 and 2017:

Acquisition or production costs In EUR'000	Goodwill	Artist and agency relationships	Other rights	Soft- ware	Other intangible assets
<b>1 January 2018</b>	<b>26,321</b>	<b>15,587</b>	<b>3,607</b>	<b>1,278</b>	<b>20,472</b>
Additions from initial consolidation	-	-	7,164	25	7,189
Additions	-	-	289	27	316
Change in scope of consolidation	-2,790	-5,201	-	-	-5,201
Disposals	-	-	-5	-28	-33
Currency adjustments	384	-39	9	7	-23
<b>31 December 2018</b>	<b>23,915</b>	<b>10,347</b>	<b>11,064</b>	<b>1,309</b>	<b>22,720</b>
<b>Depreciation in EUR'000</b>					
<b>1 January 2018</b>	<b>-</b>	<b>9,425</b>	<b>1,280</b>	<b>1,048</b>	<b>11,753</b>
Additions from initial consolidation	-	-	-	17	17
Additions	-	934	499	135	1,568
Change in scope of consolidation	-	-3,804	-	-	-3,804
Disposals	-	-	-5	-27	-32
Currency adjustments	-	4	4	7	15
<b>31 December 2018</b>	<b>-</b>	<b>6,559</b>	<b>1,778</b>	<b>1,180</b>	<b>9,517</b>
<b>Balance sheet values 31.12.2018</b>	<b>23,915</b>	<b>3,788</b>	<b>9,286</b>	<b>129</b>	<b>13,203</b>

Acquisition or production costs In EUR'000	Goodwill	Artist and agency relationships	Other rights	Soft- ware	Other intangible assets
<b>1 January 2017</b>	<b>24,117</b>	<b>16,740</b>	<b>1,894</b>	<b>1,315</b>	<b>19,949</b>
Reclassification	-	-	-	-	-
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
<b>31 December 2017</b>	<b>26,321</b>	<b>15,587</b>	<b>3,607</b>	<b>1,278</b>	<b>20,472</b>
<b>Depreciation in EUR'000</b>					
<b>1 January 2017</b>	<b>-</b>	<b>9,889</b>	<b>1,171</b>	<b>980</b>	<b>12,040</b>
Reclassification	-	-	-2	2	-
Additions from initial consolidation	-	-	-	-	-
Additions	-	792	119	191	1,102
Disposals	-	-	-	-19	-19
Change in scope of consolidation	-	-1,051	-	-95	-1,146
Currency adjustments	-	-205	-10	-28	-243
<b>31 December 2017</b>	<b>-</b>	<b>9,425</b>	<b>1,280</b>	<b>1,048</b>	<b>11,753</b>
<b>Balance sheet values 31.12.2017</b>	<b>26,321</b>	<b>6,162</b>	<b>2,327</b>	<b>230</b>	<b>8,719</b>

## 14. GOODWILL

The goodwill reported is attributable as of 31 December 2018, in the amount of EUR 11,396 thousand (previous year: EUR 14,185 thousand) to the Live Touring segment and in the amount of EUR 12,520 thousand (previous year: EUR 12,136 thousand) to the Entertainment Services segment.

The goodwill in the Live Touring segment concerns DEAG Classics AG in the amount of EUR 2,473 thousand (previous year: EUR 5,263 thousand), 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 unchanged the sub-group Kilimanjaro. The changes in goodwill relate to the disposal in connection with the sale of the shares in Raymond Gubbay Ltd. (EUR 2,790 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 10,374 thousand (previous year: EUR 9,990 thousand) to the AIO Group, which increased due to exchange rates.

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 according to plan 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 five-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 5.9% (previous year: 4.1%), 7.7% (previous year: 6.5%) and 7.6% (previous year: 5.9%), respectively, were used as discount rates; for the other CGUs, it amounted to 7.4% (previous year: 4.9%). 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 capitalisation 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 Raymond Gubbay Ltd. and the addition due to the first-time inclusion of the activities of the Belladrum Festival. The artist and agent relationships are amortised on a straight-line basis over a period of 15 years, other rights according to the respective contract term. The orders at hand are amortised after the conclusion of the corresponding concert events.

The remaining term of amortisation for artist and agent relationships amounts to between 2 and 11 years, for other rights between 3 and 24 years.

## 16. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in financial years 2018 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)	Leasing rights	Total tangible assets
<b>1 January 2018</b>	<b>1,533</b>	<b>512</b>	<b>2,447</b>	<b>-</b>	<b>4,492</b>
First time application of IFRS 16 on 1 January 2018	-	-	-	2,239	2,239
Additions from initial consolidation	1,178	1,896	1,199	10,687	14,960
Additions	30	457	317	3,450	4,254
Disposals	-4	-11	-280	-156	-454
Change in scope of consolidation	-1	-220	-289	28	-482
Currency adjustments	-11	-2	10	-	-3
<b>31 December 2018</b>	<b>2,725</b>	<b>2,632</b>	<b>3,404</b>	<b>16,248</b>	<b>25,009</b>
<b>Depreciation in EUR'000</b>					
<b>1 January 2018</b>	<b>71</b>	<b>236</b>	<b>1,726</b>	<b>-</b>	<b>2,033</b>
Additions from initial consolidation	219	654	963	-	1,836
Additions	115	241	338	1,723	2,417
Disposals	-4	-	-266	-	-270
Change in scope of consolidation	-1	-186	-241	-	-428
Currency adjustments	1	-	11	-	12
<b>31 December 2018</b>	<b>401</b>	<b>945</b>	<b>2,531</b>	<b>1,723</b>	<b>5,600</b>
<b>Balance sheet values 31.12.18</b>	<b>2,324</b>	<b>1,687</b>	<b>873</b>	<b>14,525</b>	<b>19,409</b>

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
<b>1 January 2017</b>	<b>123</b>	<b>239</b>	<b>2,439</b>	<b>2,801</b>
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	-
<b>31 December 2017</b>	<b>1,533</b>	<b>512</b>	<b>2,447</b>	<b>4,492</b>
<b>Depreciation in EUR'000</b>				
<b>1 January 2017</b>	<b>36</b>	<b>190</b>	<b>1,529</b>	<b>1,755</b>
Additions	35	68	330	433
Disposals	-	-14	-8	-22
Change in scope of consolidation	-	-	-92	-92
Currency adjustments	-	-8	-33	-41
<b>31 December 2017</b>	<b>71</b>	<b>236</b>	<b>1,726</b>	<b>2,033</b>
<b>Balance sheet values 31.12.17</b>	<b>1,462</b>	<b>276</b>	<b>721</b>	<b>2,459</b>

As of 31 December 2018, the leasing usage rights and related depreciation mainly related to real estate.

Please refer to Note 2 for the effects of the first-time application of the new lease accounting (IFRS 16) as of 1 January 2018.

## **17. PARCELS OF LAND HELD AS A FINANCIAL INVESTMENT**

Since in 2001, DEAG has 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 has made a corresponding write-up/write-down in respect of the fair value on the reporting date.

Already in financial 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 financial year 2018, the price agreed upon in 2015 was continued to be used as the best indicator of the fair value.

EUR 5,625 thousand (2017: EUR 5,340 thousand) was recognised for the land around the Jahrhunderthalle in Frankfurt/Main, based on the minimum purchase price agreed subject to a condition precedent less safety discounts for unsecured development. The change in the carrying amount results from partial reductions in the discounts, which were re-examined as a result of the agreement between the City of Frankfurt/Main and the operator of Industriepark Höchst that became known in the spring of the reporting year. Taking into account expenses in connection with the development of the properties, the increase in the book value had an effect of EUR 132 thousand. Note 54 contains details and information on the hierarchy levels of the fair values of the Group's investment properties as of 31 December 2018 and 31 December 2017.

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

### **18.1 INVESTMENTS**

For financial assets that are measured at fair value, there is an option to recognise the changes either in profit or loss or directly in equity. Financial assets measured at fair value include other investments (generally in companies in which DEAG holds less than 20% of the voting rights) in corporations (equity instruments) and shares held by DEAG. DEAG has decided to recognise changes in the fair value of its equity investments in the income statement. The fair value is determined using uniform valuation methods and parameters (compare with Note 5). The valuation of the Time Ride investment resulted in a fair value of EUR 12.2 million as of 31 December 2018. Compared to 31 December 2017, the carrying amount of this investment increased by EUR 1,464 thousand, with the change mainly (EUR 1,005 thousand) being due to the fair value adjustment recognised in profit or loss as of 31 December 2018.

In addition the item mainly includes minority shareholdings in the UK in the amount of EUR 388 thousand (previous year: EUR 458 thousand) and in Switzerland EUR 44 thousand (previous year: EUR 45 thousand) as well as further minority shareholdings with a carrying amount of EUR 1,467 thousand (previous year: EUR 203 thousand).



## 18.2 FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

The following table summarises the financial information on financial assets accounted for using the equity method:

In EUR'000	Joint Ventures		Associated Companies	
	2018	2017	2018	2017
Carrying amount of financial assets accounted for using the equity method (accumulated)	11	12	1,171	1,354
Annual net profit	-150	-5	-134	-913
Other result	-	-	-8	-76
Total result	-2	-5	-142	-989

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 two (previous year: three) cooperation agreements for the joint organisation 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 the result allocated to the 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	2018	2017
	in EUR'000	in EUR'000
Reduction of revenue	-5,779	-471
Reduction in the cost of sales	5,709	424
Reduction in selling expenses	668	111
Reduction in administrative expenses	2	-
Decrease in income from associated companies	-600	-64
<b>Change in net profit</b>	<b>-</b>	<b>-</b>

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

Last year, the item loans to associated companies included a loan claim of EUR 1,221 thousand with a term until 31 December 2020, which has been due from a subsidiary since 1 January 2018 and therefore had to be eliminated within the scope of debt consolidation.

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

The receivables include essentially a purchase option of EUR 1,013 thousand (2017: EUR - thousand) and unchanged loan claims of EUR 1,000 thousand.

## 20. DEFERRED TAX ASSETS

The deferred tax assets concern in the amount of EUR 2.5 million (previous year: EUR 1.9 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). Please refer to our comments in Note 40.

## 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 all due within one year. There is no collateralisation.

## 23. ACCRUALS

This item developed as shown below:

In EUR'000	As at 01.01.18	Changes in consolidation (1)	Use	Disposal	Addition	Currency difference	As at 31.12.18
Outstanding invoices	5,292	- 280	4,736	73	4,638	28	4,869
Personnel obligations	338	245	365	5	2,032	-	2,245
Consulting and audit costs	297	18	312	-	416	1	420
Other accruals	883	42	468	13	521	- 4	961
<b>Total</b>	<b>6,810</b>	<b>25</b>	<b>5,881</b>	<b>91</b>	<b>7,607</b>	<b>25</b>	<b>8,495</b>

(1) Concerns the addition of Kultur- und Kongresszentrum Jahrhunderthalle GmbH and the disposal of Raymond Gubbay Ltd.

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
<b>Total</b>	<b>10,398</b>	<b>847</b>	<b>9,199</b>	<b>125</b>	<b>5,099</b>	<b>- 209</b>	<b>6,810</b>

(1) Concerns the addition of Flying Music Group and Kultur im Park GmbH and the disposal of Manfred Hertlein Veranstaltungen GmbH

The provisions – except for EUR 238 thousand (2017: EUR – 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 in the amount of EUR 175 thousand to change in the scope of consolidation.

## 24. CONTRACT LIABILITIES

This item includes customers' takings for concert and theatre tickets as well as guarantee payments for events after the balance sheet date. The contractual liabilities are recognised in income on the day of the respective event.

The deferred revenue recognised as of 31 December 2017 (in accordance with IFRS 15: Contractual Liabilities) was included almost in full in the sales revenue for the year under review. Changes in this item due to changes in the scope of consolidation were not material.

## 25. BOND

To finance external and internal growth measures, DEAG issued a corporate bond in the amount of EUR 20,000,000.00 in October 2018. This corporate bond can be increased by a further EUR 5,000,000.00. The bonds from the corporate bond 2018/2023 are admitted to trading on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange. The bonds bear interest at a rate of 6% per year. Interest is payable annually in arrears in October of each year. Unless the bonds have already been

fully or partially redeemed or purchased and cancelled, DEAG is obliged to redeem the bonds at their nominal value on 31 October 2023. The effective interest rate of the liability is 7.37% per annum.

The basic bond data and further information can be found on the company's website: [www.deag.de/navi-bottom/investors/investor-relations/anleihe-2018.html](http://www.deag.de/navi-bottom/investors/investor-relations/anleihe-2018.html).

## 26. CONVERTIBLE BOND

In 2016, a convertible bond was issued exclusively to institutional and private investors at nominal value, with the exclusion of shareholders' subscription rights. The cash inflow was 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 30 June 2016 and ran for two years until 30 June 2018, with an extension option on the same terms by the bondholders for a further year until 30 June 2019. As of 31 December 2017, bondholders with a bond volume of EUR 4.3 million had made use of the option.

In the conversion period beginning on 15 December 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 31 December 2018, the borrowed capital component in the amount of EUR 4.3 million under current financial liabilities is shown 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 recognised in equity and the deferred borrowed capital procurement costs, amounts to 10.11% per year.

## 27. OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

This balance sheet item breaks down as follows:

In EUR'000	31.12.2018	31.12.2017
Finance liabilities	1,612	433
Escrow monies from ticket sales	1,380	1,101
Other	713	939
<b>Other current financial liabilities</b>	<b>3,705</b>	<b>2,473</b>

<b>In EUR'000</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Tax liabilities	3,357	4,478
Prepayment of cooperation agreements	1,002	1,769
Social security liabilities	99	205
Other	69	20
<b>Other current non-financial liabilities</b>	<b>4,527</b>	<b>6,472</b>

## 28. OTHER NON-CURRENT FINANCIAL LIABILITIES

<b>in EUR'000</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
Leasing liabilities	14,025	-
Conditional purchase price payment	1,442	309
<b>Other non-current financial liabilities</b>	<b>15,467</b>	<b>309</b>

In addition to the obligation for a contingent purchase price payment (in connection with the acquisition of the Belladrum Festival), this item mainly includes leasing liabilities, of which EUR 9,924 thousand relate to the finance lease of the Jahrhunderthalle in Frankfurt/Main and EUR 4,101 thousand to other leasing liabilities. Please refer to Note 2 for further details.

## 29. COLLATERALISATION

To secure liabilities to banks (31 December 2018: EUR 2,167 thousand; 31 December 2017: EUR – thousand) in connection with acquisition financing, dividend claims against a subsidiary 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 collateralisation of liabilities to banks (2018: EUR 4,617 thousand, 2017: EUR 5,694 thousand) in connection with tour pre-financing.

For the collateralisation of the convertible bond, please refer to our comments in Note 26.

## 30. EQUITY

The company's capital stock amounts to EUR 18,397,423.00 (31 December 2017: EUR 18,397,423.00), each with a book share of EUR 1.00 in the capital stock when divided into 18,397,423 (2017: 18,397,423) 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 from the issue of shares and the equity component of convertible bonds issued by DEAG (2018: EUR - thousand, 2017: EUR 142 thousand), less the capital increase from company funds to adjust the subscribed capital due to the conversion to the euro and less the costs of the respective capital measures (capital increases/placement of convertible bonds) in the amount of EUR - thousand (2017: EUR 434 thousand). The transaction costs mainly relate to consultancy costs and issue fees. The revaluation reserve for property, plant and equipment formed in previous years resulted from the revaluation of owner-occupied properties after deduction of deferred taxes in accordance with IAS 16. As a result of the Jahrhunderthalle transaction, the remaining revaluation reserve was completely transferred to the capital reserve in 2015, with no effect on income.

The accumulated loss includes the past results of the companies included in the consolidated financial statements and the consolidated net income for the current financial year.

The change in retained earnings relates entirely to the recognition of leasing relationships as of 1 January 2018 due to the first-time application of IFRS 16. We refer to our comments in Note 2.

Earnings per share are calculated by dividing the consolidated net income by the weighted number of outstanding shares.

Basic earnings per share are calculated in accordance with IAS 33 on the basis of 18,396,808 shares (18,397,423 issued shares less 615 treasury shares). The weighted average number of shares for 2018 is 18,396,808 (2017: 17,595,973). The underlying consolidated profit amounts to EUR 3,489,696.79. For the calculation of diluted earnings per share in 2018, the weighted average number of shares is increased by the potential shares from the convertible bonds (1,628,571). In accordance with IAS 33, these are not to be taken into account for 2017, so the diluted earnings per share correspond to the undiluted earnings per share.

### **Contingent Capital**

The nominal capital of the company was contingently increased in accordance with a resolution adopted by the General Meeting on 26 June 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 26 June 2014, to the convertible bonds and/or bonds with warrants issued by the company until 25 June 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 26 June 2014, until 25 June 2019, meet their obligation to convert. The new shares participate in the profit from the beginning of the financial year during which they originate from the exercise of conversion and option rights or from the fulfilment 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 9 September 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.

### **Authorised Capital**

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

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

Authorised Capital (2014/I) still amounts to EUR 6,132,578.00 even after partial utilisation in the previous year.

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

As resolved by the General Meeting of shareholders on 25 May 2015, DEAG is in accordance with section 71 para. 1 no. 8 AktG authorised until 24 June 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 authorisation has not yet been exercised. As of 31 December 2018, the company still held 615 treasury shares.

**Accumulated other result**

The accumulated other result developed as follows in 2018 and 2017, respectively:

	<b>As at 01.01.2018 in EUR'000</b>	<b>Variance in reporting year in EUR'000</b>	<b>As at 31.12.2018 in EUR'000</b>
Balancing item IAS 19.93A	663	-49	614
Balancing item for foreign currency translation	-25	974	949
Accumulated other income	638	925	1,563

	<b>As at 01.01.2017 in EUR'000</b>	<b>Variance in reporting year in EUR'000</b>	<b>As at 31.12.2017 in EUR'000</b>
Balancing item IAS 19.93A	564	99	663
Balancing item for foreign currency translation	839	-864	-25
Accumulated other income	1,403	-765	638

**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.

**31. 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 are employees of 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 356 thousand (previous year: EUR 260 thousand) were settled for these persons and companies in the reporting year.

The total remuneration granted to the Executive Board in 2018 including fringe benefits amounted to a total of EUR 2.9 million (previous year: EUR 1.7 million); benefits including fringe benefits in the amount of EUR 2.2 million (previous year: EUR 1.9 million) were granted during the reporting period. These include remuneration for activities for subsidiaries included in the Consolidated Financial Statements (EUR 118 thousand, previous year: EUR 128 thousand). They break down as follows:

Granted benefits	Prof. Peter L.H. Schwenkow			
	CEO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	500	529	529	529
Ancillary benefits	256	145	145	145
<b>Total</b>	<b>756</b>	<b>674</b>	<b>674</b>	<b>674</b>
One-year variable cash remuneration	0	712	712	971
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>0</b>	<b>712</b>	<b>712</b>	<b>971</b>
<b>Total remuneration</b>	<b>756</b>	<b>1,386</b>	<b>1,386</b>	<b>1,645</b>

Granted benefits	Christian Diekmann			
	COO, CDO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	300	313	313	313
Ancillary benefits	52	155	155	155
<b>Total</b>	<b>352</b>	<b>468</b>	<b>468</b>	<b>468</b>
One-year variable cash remuneration	0	153	153	317
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>0</b>	<b>153</b>	<b>153</b>	<b>317</b>
<b>Total remuneration</b>	<b>352</b>	<b>621</b>	<b>621</b>	<b>785</b>

Granted benefits	Detlef Kornett			
	CMO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	275	275	275	275
Ancillary benefits	41	28	28	28
<b>Total</b>	<b>316</b>	<b>303</b>	<b>303</b>	<b>303</b>
One-year variable cash remuneration	0	210	210	225
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>0</b>	<b>210</b>	<b>210</b>	<b>225</b>
<b>Total remuneration</b>	<b>316</b>	<b>513</b>	<b>513</b>	<b>528</b>

Granted benefits	Ralph Quellmalz			
	CFO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	220	220	220	220
Ancillary benefits	31	31	31	31
<b>Total</b>	<b>251</b>	<b>251</b>	<b>251</b>	<b>251</b>
One-year variable cash remuneration	0	160	160	180
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>0</b>	<b>160</b>	<b>160</b>	<b>180</b>
<b>Total remuneration</b>	<b>251</b>	<b>411</b>	<b>411</b>	<b>431</b>

Inflow	Prof. Peter L.H. Schwenkow			
	CEO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	500	529	529	529
Ancillary benefits	256	145	145	145
<b>Total</b>	<b>756</b>	<b>674</b>	<b>674</b>	<b>674</b>
One-year variable cash remuneration	0	300	300	971
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>0</b>	<b>300</b>	<b>300</b>	<b>971</b>
<b>Total remuneration</b>	<b>756</b>	<b>974</b>	<b>974</b>	<b>1,645</b>

Inflow	Christian Diekmann			
	COO, CDO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	300	313	313	313
Ancillary benefits	52	155	155	155
<b>Total</b>	<b>352</b>	<b>468</b>	<b>468</b>	<b>468</b>
One-year variable cash remuneration	100	0	0	317
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>317</b>
<b>Total remuneration</b>	<b>452</b>	<b>468</b>	<b>468</b>	<b>785</b>

Inflow	Detlef Kornett			
	CMO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	275	275	275	275
Ancillary benefits	41	28	28	28
<b>Total</b>	<b>316</b>	<b>303</b>	<b>303</b>	<b>303</b>
One-year variable cash remuneration	80	120	120	225
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>80</b>	<b>120</b>	<b>120</b>	<b>225</b>
<b>Total remuneration</b>	<b>396</b>	<b>423</b>	<b>423</b>	<b>528</b>

Inflow	Ralph Quellmalz			
	CFO			
	2017	2018	2018 (Min)	2018 (Max)
Fixed salary	220	220	220	220
Ancillary benefits	31	31	31	31
<b>Total</b>	<b>251</b>	<b>251</b>	<b>251</b>	<b>251</b>
One-year variable cash remuneration	60	80	80	180
Multi-year variable cash remuneration	0	0	0	0
<b>Total</b>	<b>60</b>	<b>80</b>	<b>80</b>	<b>180</b>
<b>Total remuneration</b>	<b>311</b>	<b>331</b>	<b>331</b>	<b>431</b>

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 pay 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 5 May 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 totalled EUR 172 thousand (previous year: EUR 166 thousand).

## **32. SALES**

The segment reporting shows the breakdown of revenues by lines of business and geographical markets. We refer to our comments on the details of the accounting and valuation principles in Notes 5 and 6.

## **33. 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 amortisation) incurred to achieve sales revenue are recognised as cost of sales.

## **34. DISTRIBUTION COSTS**

Distribution costs include personnel expenses (EUR 1.6 million, previous year: EUR 1.7 million), system fees (EUR 6.9 million, previous year: EUR 4.5 million) and other distribution-related material costs (EUR 10.5 million, previous year: EUR 6.8 million). They increased by EUR 5.9 million to EUR 19.0 million.

## **35. ADMINISTRATIVE EXPENSES**

Administrative expenses include personnel expenses (EUR 9.6 million, previous year: EUR 6.8 million), and other administration-related material costs (EUR 5.7 million, previous year: EUR 5.4 million) plus pro rata depreciation (EUR 1.2 million, previous year: EUR 0.4 million). Administrative expenses increased by EUR 3.9 million to EUR 16.5 million.

### 36. OTHER OPERATING INCOME

Other operating income (EUR 8,549 thousand) includes EUR 6,645 thousand in income from changes in the consolidated group (previous year: EUR 831 thousand), EUR 467 thousand in income from insurance refunds (previous year: EUR 423 thousand) and EUR 672 thousand in income from the derecognition of liabilities (2017: EUR 808 thousand).

The income from the change in the scope of consolidation is attributable to Raymond Gubbay Ltd. in the amount of EUR 5,291 thousand and Ben Wyvis Live Ltd. in the amount of EUR 1,354 thousand.

### 37. OTHER OPERATING EXPENSES

Other operating expenses (EUR 975 thousand) include value adjustments/risk provisions, losses from damages (91 thousand), losses from cases of damage (EUR 170 thousand), exchange rate losses (EUR 52 thousand), expenses in connection with terminated contracts (EUR 162 thousand), other taxes and fringe benefits (EUR 138 thousand).

The currency losses are offset by currency gains of EUR 46 thousand respectively.

### 38. INTEREST INCOME AND EXPENSES

This item breaks down as follows:

<b>In EUR'000</b>	<b>2018</b>	<b>2017</b>
Other interest and similar income	95	112
Interest and similar expenditure	-3,090	-1,307
<b>Interest income and expense</b>	<b>-2,995</b>	<b>-1,195</b>

The increase in interest expenses is mainly due to the accrued interest of EUR 1,539 thousand on lease liabilities in financial year 2018. Please refer to the comments in Note 2.

### 39. INCOME FROM INVESTMENTS

Income from investments amounted to EUR 682 thousand (previous year: EUR 71 thousand). The result essentially includes the income from the investment in TimeRide as well as the offsetting impairment of investments in Great Britain. Please refer to our comments in Note 18.

### 40. INCOME TAX

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

In EUR'000	2018	2017
Tax expenditure:		
Reporting period	-900	-854
Previous years	-143	-14
Tax refund previous years	11	14
Deferred tax revenue/expenditure		
Defferered taxes	317	253
Changing tax rate	50	-
<b>Tax expenditure:</b>	<b>-665</b>	<b>-601</b>

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 2018. 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. 19.0% 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	2018	2017
Result before taxes on income and shares of other shareholder	7,396	2,945
Tax expenditure at the DEAG AG tax rate statement	-2,219	-884
<b>Carryover figure</b>	<b>-1,554</b>	<b>-282</b>

In EUR'000	2018	2017
Changing tax rate	-50	-
Taxes previous years	143	-318
Tax-free earnings and non-deductible expenses	-1,393	-437
Different tax rates	-392	-113
Write-up of value adjustment of tax accruals	102	513
Others	36	73
	<b>-1,554</b>	<b>-282</b>



Deferred tax assets comprise the following:

In EUR'000	2018	2017	Variances with no effect on results	Variances with effect on results
Tax accruals on losses carried forward	2,463	1,931	-	532
<b>Deferred tax assets</b>	<b>2,463</b>	<b>1,931</b>	<b>-</b>	<b>532</b>
Deferred tax assets that can be set off against deferred tax liabilities	-1,169	-1,169		
<b>Deferred tax assets (net)</b>	<b>1,294</b>	<b>762</b>		

Deferred tax assets in respect of losses carried forward were recognised in the amount of EUR 2,463 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 94.0 million on 31 December 2018 (previous year: EUR 81.0 million), in terms of corporation tax and around EUR 54.8 million (previous year: EUR 51.6 million) in terms of local trade tax.

Due to the usage of previously unrecognised fiscal losses, the current tax expenditure was lowered by EUR 520 thousand (previous year: EUR 1,297 thousand).

Deferred tax liabilities comprise the following:

In EUR'000	2018	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	1,320	1,281	-	-
Deferred income on intangible assets	2,816	2,029	-309	-211
Other temporary variances	324	10	-	10
<b>Deferred taxes on the liabilities side</b>	<b>4,460</b>	<b>3,320</b>	<b>-309</b>	<b>-201</b>
To be settled against deferred tax assets	-1,169	-1,169		
<b>Balance shown</b>	<b>3,291</b>	<b>2,151</b>		

#### 41. DISCONTINUED OPERATIONS

In the previous year, the activities of Blue Moon Entertainment GmbH were discontinued as of 31 December 2017 in the geographical business segment Austria. From previous years, there was still no active business of DEAG Music GmbH in 2018. Both companies are still 100% owned by DEAG as of 31 December 2018 and reported separately as discontinued operations.

Earnings after taxes from discontinued operations in the reporting year still include EUR 132 thousand for the Austria division including Blue Moon Entertainment GmbH and DEAG Music GmbH (2017: EUR 3,045 thousand). Both divisions are allocated to the Entertainment Services segment. For reasons of materiality, the results of discontinued operations are not broken down into revenues and costs.

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

**42. PERSONNEL EXPENSES**

In the year under review, the discontinued operations accounted for wages and salaries in the amount of EUR – thousand (previous year: EUR 321 thousand) and social security contributions of EUR – thousand (previous year: EUR 93 thousand).

<b>In EUR'000</b>	<b>2018</b>	<b>2017</b>
Salaries and wages	15,247	12,814
Social security contribution	1,906	1,774
<b>Total</b>	<b>17,153</b>	<b>14,588</b>

**43. RENT EXPENDITURE**

There are no significant rental expenses in the year under review for short-term leases or expenses for leases for low-value assets.

**44. 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	2,253
Additions of fixed assets	9,678
Additions of other assets	301
Additions others liabilities	4,688

The following investment and financing transactions took place:

The changes in the scope of consolidation in the year under review were financed entirely from Group liquidity.

The payments of EUR 2,253 thousand resulting from the addition of investments within the scope of investment activities relate to cash and cash equivalents of EUR 777 thousand (acquired through control) and to remuneration paid of EUR 3,030 thousand.

- in EUR'000 -	Disposal
Disposal of liquid funds	6,647
Disposal of fixed assets	4,268
Disposal of other assets	3,027
Disposal of other liabilities	2,871

The following divestment and financing transaction took place:

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

The proceeds of EUR 6,647 thousand from the disposal of the investment resulting from investment activities relate to cash and cash equivalents of EUR 4,520 thousand (lost through control) and EUR 11,167 thousand to the consideration received less directly attributable consulting costs.

Income taxes of EUR 1,651 thousand (2017: EUR 1,307 thousand) were paid, which were classified as cash flow from operating activities.

#### **45. 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 financial year, the employer contribution to the pension insurance amounted to 9.30% (previous year: 9.35%). The ongoing payments of contributions are disclosed as social contributions in personnel expenses and amounted to EUR 770 thousand (previous year: EUR 670 thousand).

For the employees of 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, the sub-group Kilimanjaro paid pension insurance contributions in the amount of EUR 93 thousand (previous year: EUR 59 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 "Berufliche Alters-Hinterlassenen- und Invalidenvorsorge" (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 31 December 2018. 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.



The other financial commitments for financial year 2017 relate to:

<b>In EUR'000</b>	<b>Artist guarantees</b>	<b>Rent and leasing</b>	<b>Other</b>	<b>Total</b>
2018	12,253	1,176	1,019	14,448
2019-2022	2,380	1,359	215	3,954
<b>Total</b>	<b>14,633</b>	<b>2,535</b>	<b>1,234</b>	<b>18,402</b>

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 4,103 thousand may result (previous year: EUR 3,100 thousand). The probability of occurrence is considered to be low.

#### 49. AUDIT FEES

The following fees were invoiced by the auditor, Mazars GmbH & Co. KG, Hamburg, in financial year 2018:

<b>In EUR'000</b>	<b>2018</b>	<b>2017</b>
Audit costs	298	236
Other services rendered	67	30
	<b>365</b>	<b>266</b>

In addition to the costs of auditing the annual and Consolidated Financial Statements (EUR 218 thousand), expenses were incurred in 2018 in connection with the audit of the half year report (EUR 38 thousand) as well as other audit services (EUR 42 thousand) 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 financing measures.

#### 50. 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 13 December 2018 and made it permanently accessible to shareholders on the Internet. The full declaration is posted on the company's website ([www.deag.de/ir](http://www.deag.de/ir)).

#### 51. 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.

## 52. 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.

In the project business, the gross margin and the number of break-even tickets are used as the most important control parameters. In overall corporate management, sales revenues and earnings before interest, taxes, depreciation and amortisation (EBITDA) are the key indicators, which are also used by market participants, investors and financing banks for assessment purposes. With respect to acquisitions of companies, the duration of amortisation 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 maximised through an optimisation of the ratio of equity to debt capital. The overall strategy has remained unchanged versus 2017. 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 (EBITDA, Group earnings, profit to sales ratio), we refer to the information in the segment reporting in Note 6.

## 53. 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 116 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 29 thousand (previous year: EUR 41 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. In the reporting period and for the financial year following this, currency hedging transactions (GBP) were carried out for dividends, intercompany loans and the exchange rate assumed for the 2019 Group budget.

**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 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 in the DEAG Group to generate sufficient cash flow in a volatile business or to tap external sources of financing (debt or equity).

DEAG has therefore agreed on extensive framework lines with four principal banks without further maturity limits, which are held for the purposes of acquisition financing (EUR 2.5 million), pre-financing of touring and concert events (EUR 6.0 million) and the ongoing business (EUR 10.6 million).

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

The financial and non-financial covenants vis-à-vis banks are continuously monitored and the resulting interest margins are agreed with the banks concerned.

The respective financing terms and conditions reflect the favourable 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 addition, DEAG successfully placed a EUR 5.7 million convertible bond in 2016. The term of the convertible bond began on 30 June 2016 and runs over two years until 30 June 2018, with an extension option on the same terms for a further year until 30 June 2019. In exercising the extension option, EUR 4.3 million of the EUR 5.7 million were extended by a further year until 30 June 2019.

DEAG also issued a corporate bond in the amount of EUR 20 million in October 2018. This corporate bond can be increased by another EUR 5.0 million. The bonds from the 2018/2023 corporate bond are listed on the Open Market of the Frankfurt Stock Exchange. The bonds bear interest at a rate of 6% per annum. Interest is payable annually in arrears in October of each year. Unless the bonds have already been fully or partially redeemed or purchased and cancelled, DEAG is obliged to redeem the bonds at their nominal value on 31 October 2023. The relevant financial and non-financial covenants are also monitored on an ongoing basis.

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.

Based on the current forecasts for earnings and the resulting liquid funds, the Executive Board considers the company's and the Group's financial position, also with regard to financing requirements for internal and external growth, to be good.

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.

2018	In EUR'000			
<hr/>				
Non-derivative financial liabilities				
	up to 1 year	>1 - 5 year	> 5 years	Total
Liabilities against banks and other financial liabilities				
- repayment	10,101	1,500	-	11,601
- interest (2.34%)	236	35	-	271
Trade accounts payable	11,866	-	-	11,866
Convertible bond	4,300	-	-	4,300
- interest (6.00%)	129	-	-	129
Bond	-	18,921	-	18,921
- interest (6.00%)	1,200	4,500	-	5,700
Lease obligations	1,366	6,032	6,627	14,025
Other non-derivative financial liabilities	-	1,442	-	1,442
<hr/>				
Derivative financial liabilities	-	-	-	-
<hr/>				

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 liabilities	4,242	-	-	4,242
Other non-derivative financial liabilities	-	214	95	309
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.

## 54. FINANCIAL INSTRUMENTS

All financial assets of the Group are measured at amortised cost in accordance with IFRS 9 (2017: loans and receivables in accordance with IAS 39). Reference is made to the accounting methods explained in Note 5.

The following table shows the financial assets:

	31.12.2018	31.12.2017	Category 2018 (IFRS 9)	Category 2017 (IAS 39)
other non-current trade receivables	1,532	1,524	at amortised cost	Loans and receivables
other non-current trade receivables	1,013	-	at fair value	-
Trade receivables	10,289	25,926	at amortised cost	Loans and receivables
Other current financial assets	2,886	1,824	at amortised cost	Loans and receivables
Liquid funds	36,427	41,816	at amortised cost	Loans and receivables
Investments	1,899	706	at fair value	available-for-sale
Loans to associated companies	-	1,221	at amortised cost	Loans and receivables
<b>Total</b>	<b>54,046</b>	<b>73,017</b>		



The following net gains and losses arose in the previous year:

<b>In EUR'000</b>	<b>2017</b>
<b>Financial assets</b>	
Loans and receivables	112
rated at fair value	-
<b>Financial liabilities</b>	
rated with amortised cost	-1,069
rated at fair value	357
<b>Total</b>	<b>-600</b>

The net gains and losses in the “Loans and receivables” and “Financial liabilities” categories related in particular to:

**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 derecognised receivables as well as additions to valuation allowances and currency gains and losses.

**Financial liabilities**

Income and expenditure in the category:

- Valued at amortised 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 following table shows the valuation hierarchy used for all financial assets and liabilities not measured at amortised cost (Note 5):

**Valuation of the fair value**

In EUR'000

<b>Assets valued at fair value</b>	<b>2018 Total</b>	<b>Market value</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Commercial real estates in Germany	5,625	-	-	5,625
Investments	1,464	-	-	1,464
Call option	1,013	-	-	1,013

<b>Liabilities valued at fair value</b>	<b>2018 Total</b>	<b>Market value</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Conditional purchase price payment	1,442	-	-	1,442





Berlin, Germany, dropped below the threshold of 10% of the voting rights on 26 July 2016 and amounted to 9.98% (this corresponds to 1,632,624 voting rights) on that date.

Mr. Bernd Förtsch, Germany, informed us on 23 April 2018, in accordance with section 33 (1) WpHG that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the threshold of 3% of the voting rights on 20 April 2018 and amounted to 2.99% (this corresponds to 551,813 voting rights) on that date. 2.99% of these voting rights (this corresponds to 551,813 voting rights) are attributable to Heliad Equity Partners GmbH & Co. KGaA in accordance with section 34 WpHG.

Stichting Administratiekantoor Monolith, Amsterdam, The Netherlands, informed us in accordance with section 33 (1) WpHG on 25 April 2018 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the thresholds of 5% and 3% of the voting rights on 20 April 2018 and amounted to 0.00% (this corresponds to 0 voting rights) on that date. 0.00% of these voting rights (this corresponds to 0 voting rights) are attributable to Monolith Duitsland B.V. in accordance with section 34 para 1, sentence 1, No. 1 WpHG.

On 27 June 2018, Mr. Samuel Singer notified us pursuant to section 33 (1) WpHG that his share of the voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 5% on 25 June 2018 and amounted to 7.63% (corresponding to 1,403,421 voting rights) on that date. 7.63% of these voting rights (corresponding to 1,403,421 voting rights) are attributable to SRE Holding GmbH pursuant to section 34 WpHG.

On 15 November 2018, Mr. Christian Angermayer notified us pursuant to section 33 (1) WpHG that his share of the voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 15% on 13 November 2018 and amounted to 15.65% (corresponding to 2,878,676 voting rights) on that date. 15.65% of these voting rights (corresponding to 2,878,676 voting rights) are attributable to Apeiron Investment Group Ltd pursuant to section 34 WpHG.

Late entry from 2016:

FundPartner Solutions (Europe) S.A., Luxembourg, Grand Duchy of Luxembourg, notified us on 19 December 2018 pursuant to section 33 (1) WpHG that its share of voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 5% on 1 December 2016 and amounted to 5.41% (corresponding to 885,000 voting rights) on that date. 5.41% of these voting rights (corresponding to 885,000 voting rights) are attributable to QUAERO CAPITAL FUNDS (LUX) SICAV pursuant to section 34 WpHG.

Other information: FundPartner Solutions (Europe) S.A. has been appointed as the management company of QUAERO CAPITAL FUNDS (LUX) SICAV, which is the legal owner of the shares and holds the shares in its sub-funds.

On 31 January 2019, Mr. Michael Novogratz notified us pursuant to section 33 (1) WpHG that his share of voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 3% on 29 January 2019 and amounted to 3.0004202% (corresponding to 552,000 voting rights) on that date. 3.0004202% of these voting rights (corresponding to 552,000 voting rights) are attributable to Novofam Macro LLC pursuant to section 34 WpHG.

Axxion S.A., Grevenmacher, Luxembourg, informed us in accordance with section 33 (1) WpHG on 7 February 2019 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the threshold of 5% of the voting rights on 6 February 2019 and amounted to 4.71% on this date (this corresponds to 867,304 voting rights).

## **57. EVENTS AFTER THE REPORTING DATE**

From the viewpoint of the Executive Board, there have not been any other material events during the period from 1 January 2019 until the publication of this report.

### 58. PERSONAL DATA

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

<b>Prof. Peter L.H. Schwenkow</b>	
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 31.12.2018	228,769
<b>Christian Diekmann</b>	
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 31.12.2018	6,469

<b>Detlef Kornett</b>	
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 31.12.2018	3,715

<b>Ralph Quellmalz</b>	
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 31.12.2018	1,885

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

<b>Wolf-D. Gramatke</b>	
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 31.12.2018	-

**Michael Busch**

Place of residence	Berlin
Position on Supervisory Board	Vice-Chairman of the Supervisory Board
Profession	Management consultant
Retainers on other boards	Member of the advisory board of SSVL (Monaco) S.A.M.
Group retainers	-
Shares held as at 31.12.2018	5,270

**Prof. Dr. Katja Nettesheim**

Place of residence	Berlin
Position on Supervisory Board	Member of the Supervisory Board
Profession	Founder & Managing Director of _MEDIATE GmbH Professor at Steinbeis Hochschule Berlin
Retainers on other boards	Member of the Holding Company of the German Publishers and Booksellers Association
Group retainers	-
Shares held as at 31.12.2018	-

**59. 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 for forwarding to the Supervisory Board. The financial statements are approved at the meeting of the Supervisory Board on 29 March 2019.

Berlin, 29 March 2019

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 2018, 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 2018 to 31 December 2018, 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 2018 to 31 December 2018. 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 2018, and of its financial performance for the financial year from 1 January 2018 to 31 December 2018, 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 2018. 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 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 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 EUR 23,915 thousand, which exceeds equity by EUR 8,967 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 for potential risks of error and examined the accounting and measurement specifications for determining the recoverable amounts of cash-generating units to which goodwill was allocated in order to gain an understanding of the process steps and the internal controls implemented. We assessed management’s approach for capitalising interest rates as well as for deriving future profits as specified in IAS 36.

We analysed the corporate planning by comparing it both with previous results achieved and with the current development. 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 evaluated their appropriateness.

The appropriateness of other significant measurement assumptions such as the discounting interest rate were evaluated on basis of a market indicators analysis thereby consulting internal valuation

specialists. We analysed the parameters used to determine the discounting interest rates as to whether derivation and calculation were in accordance with the requirements of IAS 36.

We examined potential impairment risks arising from changes in significant measurement assumptions by conducting sensitivity analyses. Moreover, we examined the accuracy of the measurement models under consideration of the requirements of IAS 36.

Based on our audit procedures we were able to ensure that the estimations and assumptions made by the legal representatives regarding the recoverability of goodwill are justified and consistent.

## **Presentation of the Acquisition of the Belladrum Tartan Heart Festival**

### **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”, 28 “Other Non-Current Financial Liabilities” and 36 “Other Operating Income”.

### **Facts and Risks for the Audit**

In the year under review, DEAG Deutsche Entertainment Aktiengesellschaft acquired all assets relating to the renowned "Belladrum Tartan Heart Festival" festival in Scotland through its 51% subsidiary Kilimanjaro Live Limited, London / Great Britain, thereby securing a long-term right of use of the area used for the festival as well as a corresponding lease which guarantees exclusive access to the festival area and infrastructure. The activities will be carried out by Kilimanjaro Ltd. newly founded 100% subsidiary Ben Wyvis Live Limited.

With regard to the financial statements there is a potential risk that the acquired entity is not presented accurately or that the acquired assets and liabilities are not identified or valued accurately. In particular, there is discretion in the determination and measurement of the identifiable assets acquired and liabilities. The valuation of acquired identifiable assets is highly dependent on how the legal representatives assess future cash flows and derive the discount rates used.

Due to the material significance, the underlying complexity of the valuation and the assumptions of the legal representatives, the presentation of the acquisition of the Belladrum Tartan Heart Festival was considered as a particularly significant audit item.

### **Audit Approach and Findings**

We have critically assessed the contractual arrangements and shareholder agreements underlying the transaction, in particular with regard to whether the transaction constitutes a business combination within the meaning of IFRS 3. With view to the purchase price allocation we additionally ensured that the determination of assets and debts was accurate and that their valuation was carried out appropriately. In doing we had insight into procedures and verified the underlying assumptions and parameters of the purchase price allocation on basis of internal and external documents such as corporate planning and



key contracts. With respect to the presentation of the bargain purchase we furthermore examined whether the company had carried out a reassessment of all acquired assets and liabilities.

The correct presentation as part of the consolidation was examined by reconciling the results with the actual amounts accounted for.

Based on our audit procedures, we were able to ensure that the assumptions and parameters underlying the purchase price allocation by the legal representatives regarding the presentation of the acquisition of the Belladrum Tartan Heart Festival are justified and consistent.

**Valuation of Investments in accordance with IFRS 9**

**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 disclosures in the notes to the consolidated financial statements in section 5 “Accounting Policies and Measurement Methods”. 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 information on the effects of the initial application of IFRS 9 please refer to the information in the notes to the consolidated financial statements in section (2) “Changes in accounting standards”. For quantitative disclosures concerning the valuation of investments, we refer to the disclosures in the notes to the consolidated financial statements in section 18 “Investments and Financial Assets Accounted for using the Equity Method” and 39 “Income from Investments”.

**Facts and Risks for the Audit**

For certain financial assets measured at fair value any changes can optionally be recognised either through profit or loss or not. As for financial assets measured at fair value which include investments in corporations (equity instruments), DEAG has opted to recognise changes in fair value through profit or loss. As a result of the fair values determination one investment of EUR 1,005 thousand was increased with the increase amount being recognised as profit or loss.

The determination of the fair value largely depends on assumptions on future investment developments and how the legal representatives assess the future cash inflows and derive the respective discount rates used. Due to the complexity underlying the valuation and the discretionary scope of the valuation we consider the valuation of investments in accordance with IFRS 9 to be a particularly significant audit matter.

**Audit Approach and Findings**

In the course of our audit we assessed, among other items, the underlying methodology in terms the valuation of investments and examined the compliance of the fair values determination with IFRS 9 and IFRS 13 in order to verify the valuation by DEAG Deutsche Entertainment Aktiengesellschaft.

We analysed the business plans presented to us thereby consulting internal valuation specialists. We confirmed key assumptions of corporate planning for growth and business development by discussing them in detail with the legal representatives of DEAG Deutsche Entertainment Aktiengesellschaft. We furthermore critically assessed contractual arrangements and participation agreements underlying the investments in 2018, in particular in context with any capital measures involving participation of third parties.



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 scepticism 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 2018. We were engaged by the Supervisory Board on 18 July 2018. 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 2019

Mazars GmbH & Co. KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Udo Heckeler  
Wirtschaftsprüfer

David Reinhard  
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, 29 March 2019

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 Summary (according to HGB)

Assets in EUR'000	31.12.2018	31.12.2017
Intangible assets and tangible fixed assets	143	144
Financial assets	16,779	15,449
<b>Fixed assets</b>	<b>16,922</b>	<b>15,593</b>
Receivables and accruals and deferrals	47,946	31,847
Cash, cash equivalents and securities	108	67
<b>Total current assets</b>	<b>48,054</b>	<b>31,914</b>
<b>Assets</b>	<b>64,976</b>	<b>47,507</b>
Liabilities and equity in EUR'000	31.12.2018	31.12.2017
Share capital	18,397	18,397
Capital reserve	16,957	16,957
Retained income	697	697
Accumulated losses	-14,939	-15,775
<b>Shareholders' equity</b>	<b>21,112</b>	<b>20,276</b>
<b>Accruals</b>	<b>1,340</b>	<b>676</b>
Liabilities to financial institutions	9,473	12,912
Bond	20,000	-
Other liabilities	13,051	13,643
<b>Total liabilities</b>	<b>42,524</b>	<b>26,555</b>
<b>Total equity and liabilities</b>	<b>64,976</b>	<b>47,507</b>



**DEAG Deutsche Entertainment Aktiengesellschaft**

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

<b>In EUR'000</b>	<b>Financial statement 1.1. - 31.12.2018</b>	<b>Financial statement 1.1. - 31.12.2017</b>
Sales	2,835	2,436
Distribution costs	-1,206	-1,018
General and administration costs	-7,953	-5,736
Other operating income and expenses	307	-5,515
Interest income/ expenses and other financial result	-906	-776
Income from investments	7,759	4,590
<b>Result of ordinary business activities</b>	<b>836</b>	<b>-6,019</b>
Income tax and other taxes	-	-
<b>Net income</b>	<b>836</b>	<b>-6,019</b>
Result carried forward	-15,775	-9,756
<b>Accumulated losses</b>	<b>-14,939</b>	<b>-15,775</b>

## // CORPORATE GOVERNANCE REPORT

In financial year 2018, 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 7 February 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 13 December 2018, 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 5 May 2015, as well as after its amendment in the currently valid version of 7 February 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 monitoring actions. (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 financial 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 organisational 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 completely achieved in financial year 2018. 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 31 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 financial year 2018:

<b>Supervisory Board member</b>	<b>Fixed remuneration</b>	<b>Variable remuneration</b>	<b>Total remuneration</b>
Wolf-D. Gramatke	56	18	74
Michael Busch	42	14	56
Prof. Dr. Katja Nettesheim	28	14	42
<b>Total</b>	<b>126</b>	<b>46</b>	<b>172</b>

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 2019

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  
cometis AG

### // FURTHER INFORMATION

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All reports and other current information on DEAG is also available at [www.deag.de/ir](http://www.deag.de/ir)

### // PICTURES


DEAG Deutsche Entertainment Aktiengesellschaft

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A large outdoor concert at night. The stage is brightly lit with blue and white lights, and a large crowd of people is visible in the foreground. The background shows a dark sky and some trees.

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