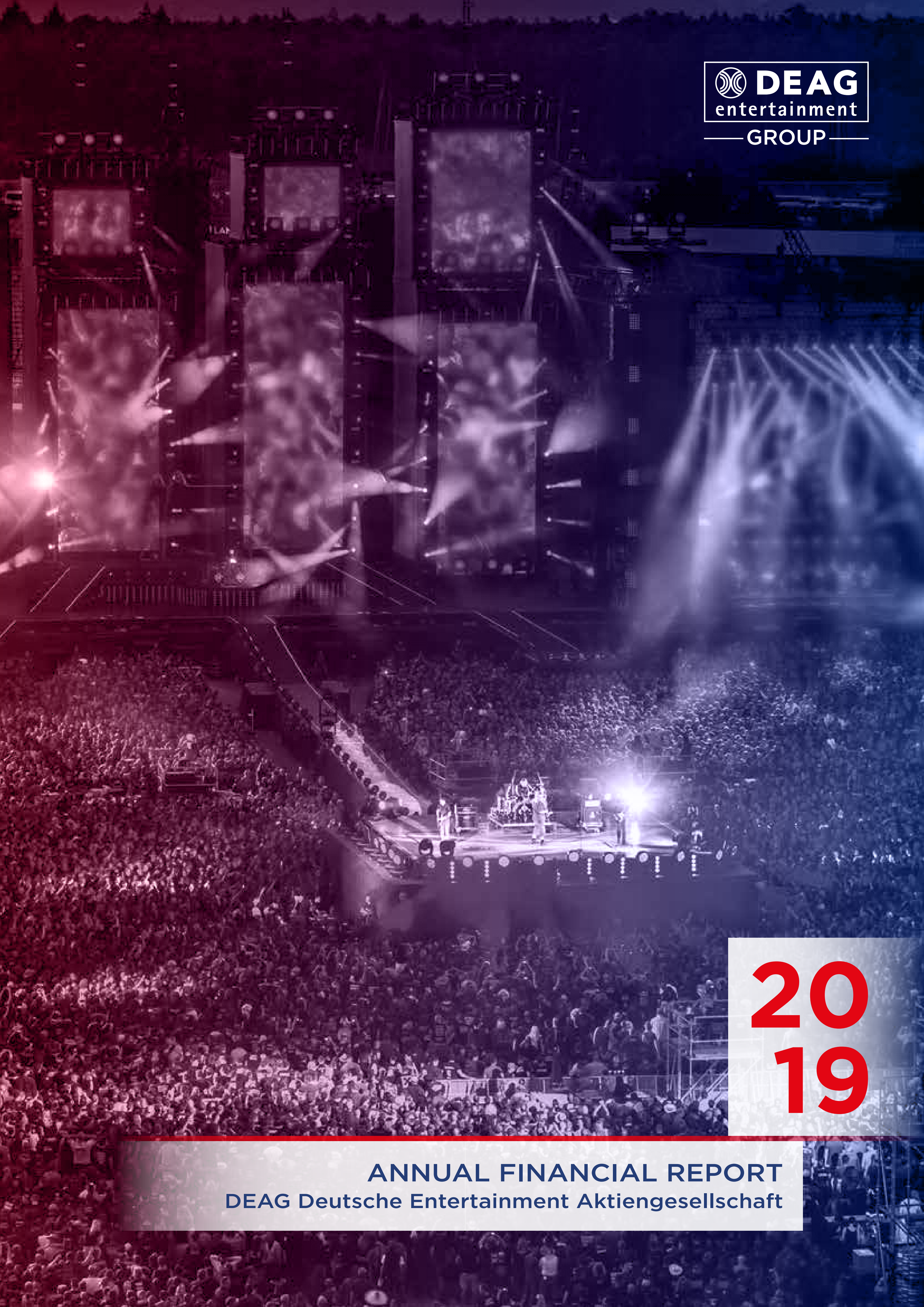

DEAG entertainment GROUP

# 2019

# ANNUAL FINANCIAL REPORT

## DEAG Deutsche Entertainment Aktiengesellschaft

# DEAG OVERVIEW

## COMPANY PROFILE

DEAG Deutsche Entertainment Aktiengesellschaft (DEAG) is a leading entertainment service company and a 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 at 11 locations in its core markets of Germany, the United Kingdom and Switzerland for more than 40 years.

DEAG produces and profitably organises a broad range of events and concerts. As a Live Entertainment service company with an integrated business model, DEAG has extensive expertise in the organisation, marketing and holding of events, as well as in ticket sales via its own ticketing platforms, MyTicket and Gigantic.com for its own and third-party content. The highly scalable business model of MyTicket strengthens DEAG on its way to increasing profitability. DEAG promotes over 4,000 concerts and events a year and currently sells more than five million tickets – a steadily increasing share via ist high-turnover ticketing platform MyTicket.

Founded in Berlin in 1978 and listed 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 | ticker symbol: LOUD) are listed in the Prime Standard of the Frankfurt Stock Exchange, the quality segment of Deutsche Börse.

## DEAG'S CORE MARKETS

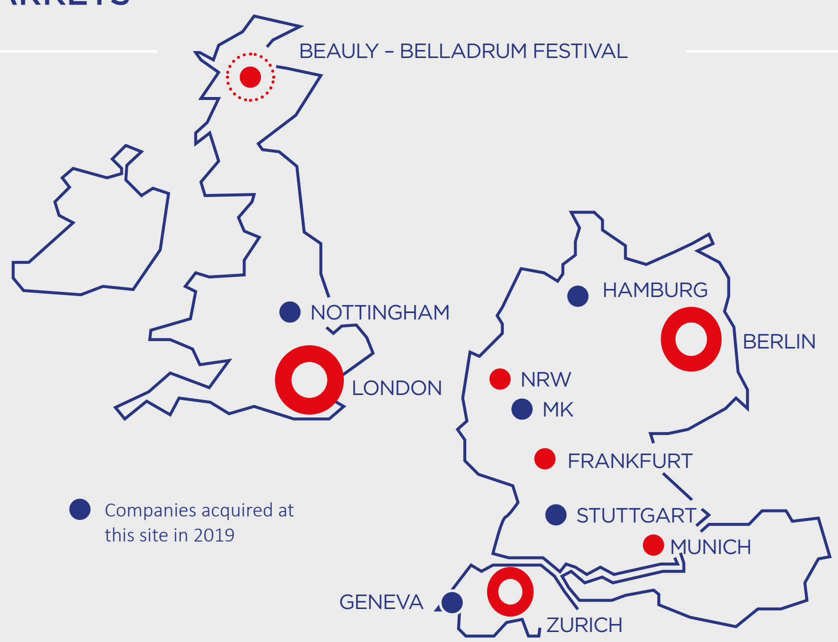

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Image: © I-MOTION AG

# LETTER TO THE SHAREHOLDERS

## LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

DEAG can look back on a successful and very profitable financial year 2019. In fact, we laid important strategic foundations for the long-term success of our company: We are dynamically expanding our ticketing platforms, focusing increasingly on our own high-margin event formats and were able to continue with our successful buy & build strategy in the reporting period. We made a total of five acquisitions in 2019 and successfully integrated them into the Group, enabling us to fully exploit synergy potentials. The acquired companies have so far fully met or even exceeded our expectations. The acquisitions will enable DEAG to expand its portfolio and gain access to top-class event formats. The expansion of our portfolios offers the company high integration and synergy potential.

All our business segments developed positively in the past financial year 2019. We are delighted with the development of our ticketing platforms myticket.de, myticket.at, myticket.co.uk and Gigantic.com. In the meantime, a significant share of tickets sold for concerts and events is processed via the MyTicket platforms. MyTicket receives highly attractive content from the business segments Rock/Pop, Classics & Jazz, Family Entertainment and Arts+Exhibitions. In addition, the attractiveness for third-party content* is constantly increasing. With the acquisition of the UK ticketing platform Gigantic.com in December 2019, DEAG has significantly strengthened its ticketing segment and expanded the share of third-party content for non-Group events. The company is planning further expansion into other European countries in the coming years. In the medium term, we aim to sell around 8 million tickets per year via our ticketing platforms. Thanks to the cooperation with the Swiss software provider SecuTix, which began in summer 2019, we have state-of-the-art software and will benefit from developments such as the use of blockchain in the future. Ticketing is clearly becoming an increasingly strong pillar of our business model, expanding our value chain and complementing the other business segments synergetically.

The Arts+Exhibitions segment, in which we are increasingly generating sales with our own, brand-strengthened event formats, also showed high growth dynamics. Arts+Exhibitions includes formats such as Potsdamer Schlössernacht (Night of Palaces), the virtual reality experience Time Ride and, above all, Christmas Garden, which now takes place in six cities and was also held at a foreign location in Madrid, Spain, for the first time in 2019. Our Christmas Gardens enjoy enormous popularity year after year and were able to grow rapidly again in 2019. The number of visitors rose significantly compared to the previous year from 350,000 to 950,000. 85% of the tickets sold were sold via MyTicket. In the winter of 2020, DEAG is planning to expand its locations to a total of nine to ten Christmas Gardens, both national and international.

DEAG sees above-average growth opportunities in the Family Entertainment segment thanks to its attractive content and established formats such as the Christmas Circus or “Disney on Ice.” Here, we are benefiting from a broad target audience, rising ticket sales – especially via MyTicket – and internationalisation through licensed models.

Despite the expansion of new segments, DEAG continues to remain true to its musical roots. In the Rock/Pop and Classics & Jazz business segments, the company enters into long-term relationships with renowned artists and focuses on profitable formats. Last year, visitors were once again able to

* Events from third party vendors

enjoy top-class concerts. Ed Sheeran, Nena, Andrea Bocelli and Anna Netrebko, among others, filled the venues. 2020 is also packed with top-class concerts and tours. Highlights include the concerts planned for the second half of the year by Deep Purple, Iron Maiden, Die Ärzte, Böhse Onkelz and Zucchero.

DEAG also continued to drive its digital marketing activities forward in financial year 2019. Digital marketing is the fastest growing marketing tool for DEAG's live entertainment products. As part of our integrated "Digital Communication Strategy" with the linking of our MyTicket ticketing platforms, we were able to increase traffic on the Group's websites by 30% and interactions by 36% to a total of over 10 million visitors. In particular, the strategic approach of integrating a myticket.de shop into tour landing pages proved to be an efficient means of increasing the average conversion rate by around 10%. In addition, we significantly expanded our social media activities and increased the reach to more than 100 million contacts.

The fourth quarter of 2019 was one of the strongest quarters in the history of our company. It was characterised by a high density of events and a strong Christmas business. In the months October to December, revenues rose by about one third from EUR 47.4 million to EUR 62.1 million. EBITDA was EUR 6.1 million and the corresponding margin in the fourth quarter was around 10%. With revenues of EUR 185.2 million (previous year: EUR 200.2 million) and an EBITDA of EUR 14.1 million, DEAG's performance for the year as a whole was in line with expectations. In the past financial year, EBITDA amounted to EUR 14.6 million. This included extraordinary income from the deconsolidation of Raymond Gubbay Limited amounting to EUR 5.3 million. The five acquisitions made between June and December are included in the sales for the full year 2019 on a pro rata basis. Pro forma sales (taking into account sales from all acquisitions from 1 January 2019) for the full year amounted to approximately EUR 198 million.

With its vertically integrated and highly diversified business model, DEAG considers itself well positioned for the coming years. Nevertheless, the visibility of sales and earnings in the individual quarters and at the end of 2020 as of the reporting date is very limited against the current backdrop of the ongoing Covid 19 crisis, as is the case with almost all companies worldwide; accordingly, a detailed forecast for 2020 is currently not possible. We had originally planned double-digit increases in revenue and EBITDA for the current year. In light of the crisis, this planning can at least be a clear indication that DEAG is well positioned and we are convinced that we will be able to continue our profitable growth course once the situation improves and eventually returns to normal. We would be pleased if you would accompany us on our journey.

Sincerely yours,

**Prof. Peter L.H. Schwenkow**

Image: © PMSG André Stiebitz

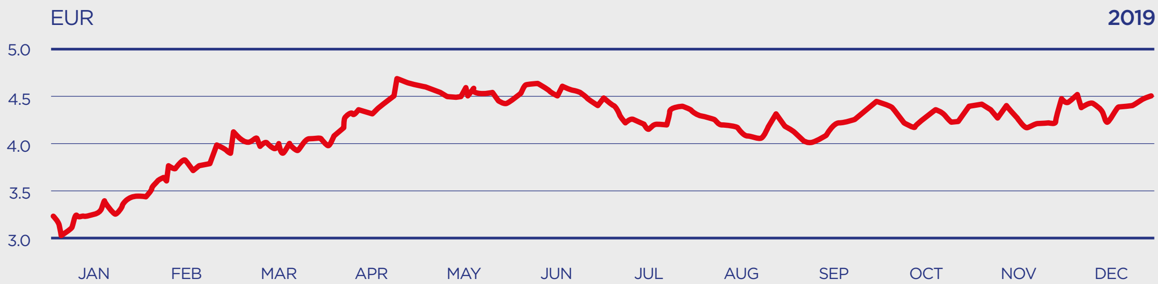
Image: © PMSG André Stiebitz

# DEAG ON THE CAPITAL MARKET

## 1.1 KEY SHARE DATA [1]

| | |
|---|---|
| ISIN | DE000A0Z23G6 |
| WKN | A0Z23G |
| Market segment | Prime Standard |
| Average number of shares traded per day | 26,461 |
| Number of outstanding shares (31 Dec. 2019) | 19,625,976 |
| Year-end price (30 Dec. 2019) | EUR 4.38 |
| High (1 Jan. – 31 Dec. 2019) | EUR 4.80 |
| Low (1 Jan. – 31 Dec. 2019) | EUR 2.99 |
| Market capitalisation (31 Dec. 2019) | EUR 85.96 Mio. |
| Designated sponsors | Hauck & Aufhäuser, Oddo Seydler |

## 1.2 SHARE PRICE DEVELOPMENT OF THE DEAG SHARE

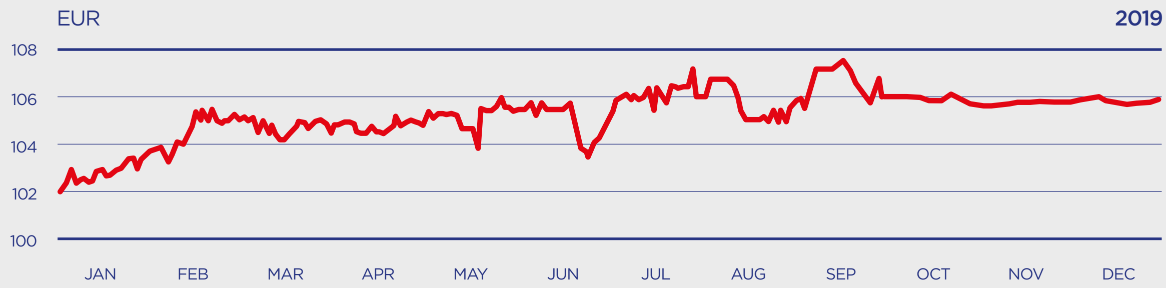



The DEAG share (WKN: A0Z23G, ISIN: DE000A0Z23G6, stock symbol: LOUD) performed extremely positively in financial year 2019. After closing at EUR 3.11 at the end of 2018, the share price stood at EUR 4.38 on 30 December 2019. The share price thus increased by 41% over the course of 2019. In the period under review, the DEAG share thus performed significantly better than the DAX and SDAX indices, which rose by around 23% and 31% respectively in 2019. The DEAG share was priced at EUR 3.10 at the beginning of the year. Shortly thereafter, on 4 January 2019, the share recorded its lowest price for the reporting period at EUR 2.99. A clear and continuous upward trend followed from January to December 2019. The share reached its high for the reporting period of

[1] All share prices listed are Xetra closing prices.

EUR 4.80 on 18 April 2019. DEAG's market capitalisation on the reporting date was EUR 85.96 million. The DEAG share is extremely liquid. The average number of shares traded per day in the period from January to the end of December was 26,461, of which 20,739 were traded on Xetra.

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




The DEAG corporate bond 2018/2023 (WKN: A2NBF2, ISIN: DE000A2NBF25), which is traded on the Open Market (Segment Quotation Board) of the Frankfurt Stock Exchange, also recorded a positive development in financial year 2019. The bond, which was placed at the end of October 2018, was quoted exclusively at prices above 102% in the reporting period and at 106.18% at the end of the year. The goal of placing the bond on the capital market was to finance the internal and external growth of the company in its core markets and at the same time optimise the financing structure. By issuing the bond with an issue volume of EUR 20 million and the subsequent placement of EUR 5 million carried out in June 2019, DEAG secured its long-term financing in order to be able to continue its sustainable and profitable growth 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%.

## 1.4 CONVERTIBLE BOND

All convertible bonds (ISIN: DE000A02Z23G6) with a total nominal value of EUR 4.3 million were converted into new, no-par-value ordinary bearer shares in DEAG in June 2019. Based on the conversion ratio defined in the bond terms and conditions, this is equivalent to 1,228,553 shares. In addition, 571,420 shares were generated from a mandatory conversion, bringing the total number of shares to 19,625,976. In June 2016, DEAG successfully issued a convertible bond with a total nominal amount of EUR 5.7 million as part of a private placement. After repayment of EUR 1.4 million, convertible bonds of EUR 4.3 million were still outstanding as of June 2019.

## 1.5 ANALYSTS' ESTIMATES

The DEAG share is currently (as of March 2020) being followed by research experts from FMR Frankfurt Main Research AG, Hauck & Aufhäuser AG, Kepler Cheuvreux, MainFirst Bank AG, Montega AG and Solventis Beteiligungen GmbH. The average target price is EUR 6.50 (as of 27 March 2020). The analyst studies are available on the company website of DEAG in the Investor Relations/Analysts' Ratings section.

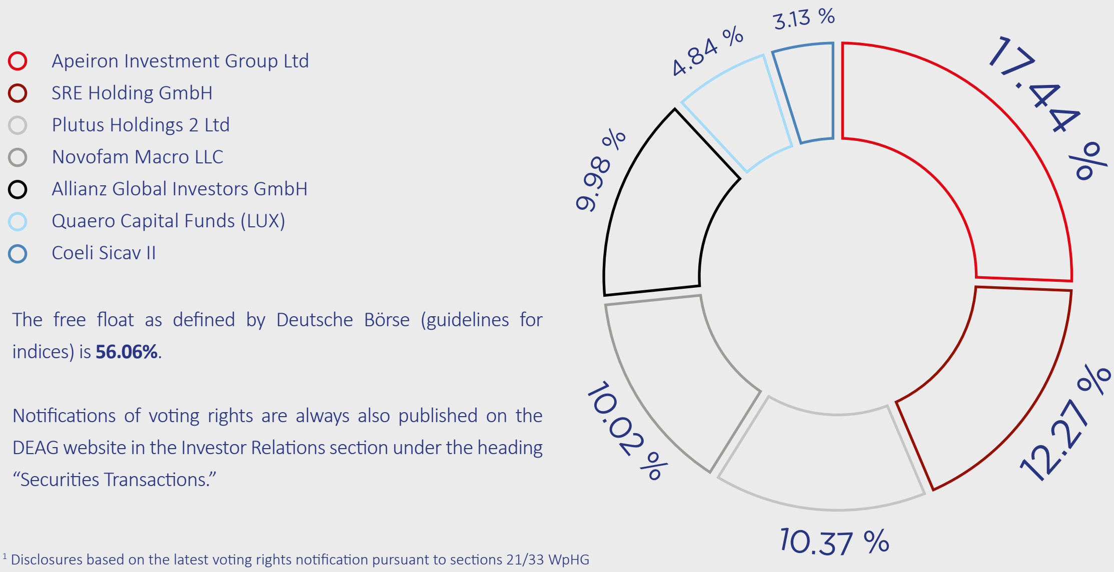
| Institute | Recommendation | Target price | Date |
| --- | --- | --- | --- |
| Hauck & Aufhäuser AG | Buy | EUR 7.50 | 27 March 2020 |
| Kepler Cheuvreux | Buy | EUR 6.00 | 25 March 2020 |
| Montega AG | Buy | EUR 6.60 | 3 March 2020 |
| FMR Research AG | Buy | EUR 6.70 | 3 February 2020 |
| Solventis Beteiligungen GmbH | Buy | EUR 5.20 | 18 December 2019 |
| MainFirst Bank AG | Outperform | EUR 7.00 | 29 October 2019 |
| **Target price (Ø)** | | **EUR 6.50** | 27 March 2020 |

## 1.6 SHAREHOLDER STRUCTURE [1]

The basis for the DEAG shareholder structure is formed by the voting right notifications pursuant to Sections 21/33 of the German Securities Trading Act (WpHG), which have been sent to DEAG by shareholders subject to reporting requirements.

Changes may have occurred in the following shares after publication of the respective voting rights notification. These were either not subject to reporting to DEAG (reporting thresholds were not affected) or were not reported to the company.

DEAG shareholder structure in % - all information is based on the most recent notification to the company by a person or company subject to the reporting obligation:




The free float as defined by Deutsche Börse (guidelines for indices) is **56.06%**.

Notifications of voting rights are always also published on the DEAG website in the Investor Relations section under the heading "Securities Transactions."

[1] Disclosures based on the latest voting rights notification pursuant to sections 21/33 WpHG

## 1.7 INVESTOR RELATIONS

DEAG attaches the greatest importance to the need for information on the capital market and meets the highest transparency requirements with its listing in the Prime Standard segment of the Frankfurt Stock Exchange. In addition to its legal obligations, the company also undertook numerous other IR activities in financial year 2019:

- » Participation in 12 capital market conferences in Germany and other European countries
- » Three roadshows in Germany and the USA
- » Numerous one-on-one meetings with investors in Germany and abroad
- » Publication of 19 corporate news items and one ad hoc announcement

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. In addition, DEAG increasingly communicates with international investors in the UK and the USA via roadshows and capital market conferences.

Detailed information on Investor Relations can be found at www.deag.de/ir. DEAG Deutsche Entertainment AG constantly provides information here on all relevant business developments. Furthermore, investors can make use of a direct communications channel with the company by writing to deag@edicto.de.

## 1.8 ANNUAL GENERAL MEETING

The Annual General Meeting for financial year 2018 was held on 27 June 2019 in the "Meistersaal" in Berlin. The Annual General Meeting approved the resolutions of the management on all agenda items by a large majority. The Executive Board and Supervisory Board were discharged for financial year 2018. In addition, the creation of new authorised and conditional capital was approved. Detailed information on the Annual General Meeting is available on the company's website in the Investor Relations section.

| FINANCIAL CALENDAR 2020 | |
|---|---|
| Feb: 04 | **HIT \| Hamburger Investorentag** (Hamburg) |
| Mar: 18 | **Metzler Micro Cap Days** (Telephone conference) (Frankfurt am Main) |
| Apr: 06 | **Annual Financial Report 2019** |
| May: 28 | **Quarterly Financial Statement** (3M) |
| Jun: 25 | **Annual General Meeting** (Berlin) |
| Aug: 28 | **Half-Year Financial Report 2020** |
| Sep: 02-03 | **German Fall Conference** (Frankfurt am Main) |
| Nov: 16-18 | **EKF \| German Equity Forum** (Frankfurt am Main) |
| Nov: 30 | **Quarterly Financial Statement** (9M) |

# INTERVIEW

## » MORITZ SCHWENKOW, CHIEF TICKETING OFFICER OF DEAG


Moritz Schwenkow has been a member of the Executive Board of DEAG since 1 April 2020. As Chief Ticketing Officer (CTO), he is responsible for DEAG's entire ticketing business with its own ticketing platforms myticket.de, myticket.at and myticket.co.uk as well as the UK ticketing platform Gigantic.com, which was acquired in December 2019. Moritz Schwenkow has 15 years of experience in the live entertainment industry and has held many management positions at DEAG and other Group companies in recent years. Among other positions, he has been CEO of mytic myticket AG since 2015.

**Mr Schwenkow, as Chief Ticketing Officer (CTO) of DEAG, you are responsible for the company's entire ticketing business. What are your goals for the next few years?**

DEAG's ticketing business developed very dynamically once again in financial year 2019. We are selling more and more tickets via our own platforms. The best example is sold out mega-concerts, such as that of Böhse Onkelz, which we sold almost exclusively via our platforms. The increasingly strong position of ticketing in our integrated business model will be a driver of earnings and margins for DEAG. We will continue on this path. We sell more than 5 million tickets internationally every year. A significant share of the tickets sold for concerts and events are handled via our MyTicket ticketing platforms. We already managed to increase the number of tickets significantly to 1.1 million tickets in 2019. In the medium term, we want to increase the ticket volume to over 8 million tickets. Growth impulses are being generated by increasing digitalisation, in particular.

**What role will the UK ticketing platform Gigantic.com acquired in December 2019 play?**

With over 1,000 events per year, we are already a major player in the industry in the UK. We have significantly strengthened our strong position in the UK and our ticketing business through the acquisition of Gigantic, increasing the share of third-party content for events not belonging to the Group. As one of the largest independent ticketing vendors in the UK, Gigantic exclusively manages third-party content and is thus a good complement to our own ticketing platforms. Through the partnership with MyTicket there are high synergy effects between myticket.co.uk and the MyTicket platforms in Germany and Austria.

**What will be your future expansion strategy in the area of ticketing?**

We are already well positioned internationally with MyTicket and Gigantic. However, the live entertainment and ticketing market in Europe is still very fragmented. We are planning further expansion into other European countries in the coming years and are focusing on M&A as an important growth driver.

**DEAG made a total of five acquisitions in the financial year 2019 and successfully integrated them into the Group. What synergy effects will this bring for MyTicket?**

We are extremely satisfied with our acquisitions. Our expectations have already been fully met and in some cases even exceeded. The acquisitions have also created considerable synergy and integration potential for MyTicket. We have been able to expand our portfolio and have gained access to new, top-class event formats. MyTicket will receive growth impulses from the additional sale of tickets from the companies acquired in 2019, namely I-Motion, C² CONCERTS, Mewes Entertainment Group and Live Music Production/Live Music Entertainment, for example.

**The expansion of the company's own content plays an increasingly important role for DEAG. What does this mean for MyTicket and the company's ticketing business?**

The expansion of self-produced content is also playing an increasingly important role for MyTicket and is an important component of our market success. After all, any sales platform in any industry is only as good as the content offered on it. We of course have the best access to DEAG's content, also with regard to exclusive sales, presales or even artist page links. Nevertheless, we will continue to be able to convince external partners to sell tickets via our state-of-the-art platform.

**DEAG has continued to expand its ticketing business most recently. What are the advantages of having its own ticketing platforms for the Group?**

Our ticketing platforms offer us a whole range of benefits, both economically and technologically. MyTicket is independent of other content providers and generates significantly higher margins than other areas of the business. By continuing to expand our ticketing platforms, we can realize further potential along the entire value chain. Furthermore, the cooperation with SecuTix has provided us with state-of-the-art software with a reduced cost base. We can already cover future developments such as the use of blockchain today. As one of the leading ticketing vendors, we can draw directly from the full potential of blockchain and expand our market share. MyTicket also offers our customers many advantages, however. For example, MyTicket has an integrated resale platform. This enables us to offer our customers a fair secondary ticket market and can put a stop to the black market.

**Where do you see your ticketing platforms five years from now?**

The entire music industry is currently in a state of change. In times of digitalisation, artists are compensating for the decline in physical sales revenues with higher tour revenues. Consumers today clearly prefer experiences to physical goods. This development means great growth opportunities for the live music industry. In the years to come, we want to be successful as an established and important distribution platform in our core markets and also grow as a distribution platform in areas such as sports, culture and exhibitions.

Image: © DEAG

# DEAG'S WONDERFUL CHRISTMAS

The smell of gingerbread, roasted almonds, mulled wine and fir needles is in the air. It's Christmas time, a time of contemplation and peace. However, every year at the most beautiful time of the year, a different picture appears not only in German cities. Hectic, crowds of people and shopping stress characterise the townscape. Visitors to the Christmas Gardens can leave the hustle and bustle of the Christmas season behind and enjoy a contemplative evening between the end of November and the beginning of January each year. At dusk, historic parks, botanical gardens and zoos are transformed into winter wonderlands with fairy-tale backdrops and beautiful light installations. Visitors can experience fantastically illuminated nature and architecture on predetermined circular paths and immerse themselves in spectacular scenarios and mysterious landscapes. The light spectacle is rounded off by attractive additional offers such as ice-skating rinks or historical carousels as well as a culinary offer adapted to the season and the region. "But of course, classics such as bratwurst and mulled wine must be offered too," says Sebastian Stein, Managing Director of Christmas Garden Deutschland GmbH. Last year alone, around 380,000 bratwursts and over 100,000 litres of mulled wine were sold at the German Christmas Gardens.

When preparing the Christmas Gardens, a number of precautions must be taken and the areas must be carefully examined and selected, according to Stein. Many of the event locations are listed buildings, and the flora and fauna are highly sensitive. "The well-being of the animals is the top priority." Unlike tightly packed Christmas markets, large crowds are avoided, which is why the number of guests per hour is limited. "We invite our visitors to take a deep breath and enjoy the tour at the desired pace and without crowds," says Stein. So far, this has always worked out well. Thanks to time slots allocated beforehand when buying tickets, every Christmas Garden visitor can enjoy a contemplative walk without stress and hectic. Around 85% of the tickets sold are purchased in advance, Stein reports. Especially from mid-December on, Christmas Gardens are in high demand. "People who have not yet purchased a ticket in advance prefer to stay at home only when the weather is bad and it rains." But it's not only the rain that poses a challenge to the technicians and staff of the Christmas Gardens. Even uninvited animal guests sneak onto the grounds from time to time. "At the Berlin Botanical Gardens, our visitors may sometimes encounter a fox." The latter has in the meanwhile shed its shyness towards humans and counts cables in particular among its preferred prey. However, with the help of a so-called wildcat, a device for the targeted expulsion and keeping away of animals that emits a high frequency sound, the animal could be successfully kept away from the highly sensitive technology.

Image: DEAG

Image: © DEAG

Together with local partners, Stein and his team on site are now responsible for holding six Christmas Garden events: Botanical Garden Berlin, Tierpark Berlin (Europe's biggest animal park), Pillnitz Castle & Park Dresden, Münster All-Weather Zoo, Zoological and Botanical Gardens "Wilhelma" Stuttgart and the Real Jardin Botánico, Madrid, Spain, the first Christmas Garden held outside Germany. The 150 to 170 employees, depending on the location, spend three weeks constructing, dismantling and holding a Christmas Garden. "But the actual preparation begins much earlier." Stein and his team begin preparations for Christmas Gardens as early as February, negotiating contracts, drawing up concepts and talking to existing and new venues. "We want to offer our visitors different and new arrangements and perspectives every year." A sound programme specially created by a sound designer was new in 2019, for example. The illuminations are accompanied by specially composed music and soundscapes. This creates a perfectly harmonious interplay of light spectacle and listening experience. Sensitive areas such as aviaries with night birds are naturally left out.

The Christmas Gardens started in 2016 with three locations and around 100,000 visitors. In the 2019/2020 season, the six Christmas Gardens attracted around 950,000 visitors, nearly three times as many as in the previous year (350,000). The Christmas Garden in Madrid was also a complete success, with 200,000 visitors in its first year. The further expansion of the Christmas Garden events into other European countries is also planned for this year. In 2020, a total of nine to ten Christmas Gardens will be presented to visitors. The 2020/2021 season runs from 19 November 2020 to 10 January 2021. The Christmas Gardens have become a real visitor magnet even beyond the city limits of the respective cities. Almost every fourth visitor to a Christmas Garden travels from a distance of over 60 kilometres.

# DEAG‘S CODE OF CONDUCT

## 1 FOREWORD

Ladies and Gentlemen, Dear Shareholders,

The success of companies depends to a large extent on how the management and employees of a company act in their dealings with stakeholders and how they use their skills for the benefit of their stakeholders. Sustainable management and the consideration of ethical, social and ecological aspects (ESG criteria) play an increasingly important role in the long-term success of a company. The employees of DEAG Deutsche Entertainment Aktiengesellschaft (DEAG) also assume responsibility for their actions every day towards colleagues, artists, customers, shareholders and also in their cooperation with business partners, authorities and institutions. In the long term, it is crucial to our company’s success that we orient our business activities towards sustainability while taking ethical, social and ecological aspects into account.

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 expresses our understanding of values and is regarded as our promise both internally and externally. We have formulated binding guidelines in all central areas of our Group, which you will find on the following pages. These rules form minimum standards and are intended to support our employees in their daily work with concrete instructions and to promote proper 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 an important component of our company culture. The employees of DEAG are obliged to comply with all applicable laws and regulations of the respective country when carrying out the work assigned by DEAG. In the event of uncertainty as to whether an action 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, presentations and discussions, DEAG ensures that the company philosophy, policy and management guidelines are implemented in the parent company and at all subsidiaries. The success of the integration and the development of a common Group culture are ensured through a continuous exchange of information and the organisation of various meetings, workshops and telephone conferences.

# 3

## CONFLICT OF INTEREST

Conflicts of interest can cast doubt on DEAG's integrity. We therefore 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 personally or to represent DEAG in business activities that could result in personal benefits for them. Decisions by employees should be made solely on the basis of business-related content and not under the influence of personal interests. Any conflict of loyalty and/or interest or the risk of such a conflict arising should be discussed immediately with the superior.

As a company that has been listed on the stock exchange for over 20 years, we of course comply with the rules on insider trading. If, despite all precautions taken by DEAG, employees should accidentally or unintentionally become aware of insider information, this 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 or Investor Relations department.

## 4 DISCRIMINATION

Discrimination or harassment in the working environment is not tolerated by DEAG. 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 of DEAG notices that a colleague is behaving in a discriminatory manner, he/she is requested to inform this person openly.

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 in a socially acceptable price range, by inviting socially disadvantaged groups to our events and by ensuring that these events can be attended by people with physical, mental or emotional disabilities.

DEAG also attaches great importance to 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.

## 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, employees and their concerns are one of the most fundamental issues in our company 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 employee training courses focus on security, protection, customer service for events, compliance with respect to events and job-specific training (e.g. social media, graphic design and application, accounting, software applications). As a result of the company culture described above, we have implemented home office, part-time work and the promotion of women in management positions in DEAG's personnel policy. We offer the employees of DEAG and its subsidiaries various part-time models as well as flexible working hours, in which the number of working hours per day can be independently divided according to the amount of work required, for example. In addition, employees receive numerous further training opportunities, in the form of IHK training or participation in the Music Business Summer School, for example.

Annual health days for the workforce have also already been introduced at various Group companies. These include health checks, presentations and workshops on health-related topics.

Besides 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. Yet other tasks are to train young people in various professions and to promote young talents.

## 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 violated by the handling of this data. In our Ticketing division, in particular, the protection of personal data has the highest priority for us. We expect our employees to treat the data they collect with the appropriate care and in 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. Its employees' wealth of ideas is one of DEAG's most valuable assets. When we use the intellectual property rights of third parties, we ensure that there is an effective agreement with the rights 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 to obtain any benefit or information from them. Employees may also not grant any official or any 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 governmental 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 employee of DEAG 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 and respect.

Grants customary in the industry are permissible, provided they are within socially acceptable limits. 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, it is important for DEAG to present a uniform image to the outside world and to provide truthful information on 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 activities independently, however 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 meet the highest transparency requirements with our listing in the Prime Standard segment of the Frankfurt Stock Exchange. 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 development. Communication with the financial markets is carried out exclusively by the Executive Board 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 six independent banks and brokers to carry out research on DEAG.

Detailed information on investor relations is available at www.deag.de/ir. DEAG provides ongoing information on all relevant business developments there. In addition, investors can also use deag@edicto.de as a direct communication channel with the company.

# 9 SUSTAINABILITY

Environmental and climate protection are part of the company culture at DEAG and its Group companies. One important goal is to improve our own carbon footprint and thus conserve resources while reducing costs. We have been practising this since the company was founded – in other words, for over 40 years: For example, to avoid plastic waste, we provide employees with free mineral water in reusable glass bottles and use reusable tableware in the offices and wherever possible in the backstage areas of events. All employees of the DEAG Group must comply with the applicable national environmental protection regulations and respective ordinances. The effects on the environment and climate are to be kept as low as possible and environmental pollution avoided or reduced. Resources must be used efficiently and environmentally friendly technologies used. Training courses on environmental protection are now an integral part of employee programmes at Group companies such as I-Motion. Employees of the Kilimanjaro Live Group have formed an internal "Environmental Committee" that has ensured that reusable technology and equipment has been purchased for events, for example. The DEAG Group has already launched a number of initiatives to avoid or reduce the impact on people and nature: Tickets for nearly all events include free travel to and from the event by public transport. In addition, some DEAG Group companies work closely with bus operators from all over Germany and provide shuttle buses to events. In addition, car fleets have been converted to hybrid models in subsidiaries. DEAG mainly purchases green electricity and uses energy-saving LED technology for events such as the Christmas Garden or the Postdamer Schlössernacht. Disposable tableware is no longer used at many of the events, particularly major events such as “Nature One,” Ed Sheeran or the “Kew The Music” series of events in the UK, as well as the KISS Tour 2019 in Switzerland. Instead, waste deposit systems and returnable cups are used to avoid unnecessary waste.

DEAG is constantly developing the topic of “environmental and climate protection” and examining what further initiatives are possible in this important area.

## 10 SOCIAL RESPONSIBILITY

As an internationally active promoter of live events, DEAG Group is aware of its social responsibility. As a recognised member of society, we endeavour to fulfil our social responsibility. We feel obliged not only to our employees, but also to every single person with whom we interact along our value chain. We meet our social responsibility, among other ways, by offering programmes that support public institutions and associations. The net proceeds from the nostalgic carousel in the Christmas Garden Stuttgart, for example, go to the association Herzenssache. The general rehearsal for the Berliner Philharmoniker’s season-closing concert at Berlin’s Waldbühne is organised by DEAG free of charge year after year. 100% of the proceeds from the tickets sold to the guests of the orchestra and the recording rbb (TV) are donated to UNICEF. Starting in 2020, the Swiss Group company Good News Productions AG will support a charitable project, with a different organisation being selected each year. The charitable project “Musik trotz allem” will be supported financially in 2020.

## 11 COMPLIANCE WITH THE CODE

All employees of all companies that belong 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 the company is active in. 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 of Conduct directly to their superiors or the Executive Board.

## 12 NO RETALIATORY MEASURES

Employees who express concerns about what is going on in the company or report suspicious cases in good faith will not be disadvantaged as a result. This expressly applies even if the concerns or suspicions prove to be unfounded. “In good faith” means that the employee is convinced that his or her accounts of the situation are accurate. We do 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, April 2020

DEAG Deutsche Entertainment Aktiengesellschaft

For the Executive Board

**Prof. Peter L.H. Schwenkow**
CEO

# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

In financial year 2019, 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 operational and strategic development of the Group was 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 the 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 the Supervisory Board meetings. Deviations in the development of business from the plans and objectives drawn up were explained in detail and the underlying causes analysed. The members of the Supervisory Board always had ample opportunity to comment critically on the reports and resolution proposals submitted 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 situation. The Supervisory Board gave its consent to individual business transactions to the extent that this was necessary in accordance with the law, the Articles of Association or the Rules of Procedure.

The Supervisory Board met a total of nine times for ordinary meetings in financial year 2019. Five of these sessions were physical meetings and four were conference calls. In addition, the Supervisory Board met for two additional extraordinary Supervisory Board meetings in the past financial year, one of which was held in person and one as a telephone conference. All members of the Supervisory Board attended more than half of the meetings. The members of the Executive Board participated in the regular Supervisory Board meetings unless the Chairman of the Supervisory Board had determined otherwise. At the two extraordinary Supervisory Board meetings, the Supervisory Board met without the members of the Executive Board. Urgent matters were decided by way of written circular resolutions. All resolutions were passed on the basis of detailed resolution proposals and discussions with the Executive Board. Between Supervisory Board meetings, the Chairman of the Supervisory Board was also in close contact and dialogue with the members of the Executive Board on an ongoing basis. Subsequently, the Chairman of the Supervisory Board informed the other members of the Supervisory Board about the current development of the business and key business transactions in the company.

**Focus of the discussions of the Supervisory Board**

The Group Financial Statements, the Consolidated Financial Statements, the Combined Management Report and the Group Management Report for the company and the DEAG Group as well as the Annual Financial Statements of the company for financial year 2018 were discussed with the auditors in person at the Supervisory Board meetings on 21 March 2019 and by phone on 29 March 2019. 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 approved the Annual Financial Statements and the Consolidated Financial Statements and the Combined Management Report and Group Management Report for the company and the DEAG Group as of 31 December 2018. No objections were raised. The Supervisory Board also approved the Annual Financial Statements of the company as of 31 December 2018, which are thus adopted.

At the Supervisory Board meeting held by phone on 27 May 2019, the Executive Board reported on the quarterly financial statements as of 31 March 2019, the current course of business and the forecast 1/2019. By written circular resolution on 3 June 2019, the Supervisory Board approved the acquisition of a majority stake in C2 Concerts GmbH, Stuttgart. At the personal Supervisory Board meeting on 5 June 2019, the Executive Board reported on the current status of the ongoing acquisitions. The acquisition of a majority interest in I-Motion GmbH Events & Communication, Mülheim-Kärlich, was approved. By circular resolution on 17 June 2019, the Supervisory Board approved the acquisition of a majority interest in the Swiss Live Music Production SA and Live Music Entertainment SA via the subsidiary AIO Group AG. By resolution on 24 June 2019, the Supervisory Board approved the Executive Board's decision to increase the 2018/2023 bond in the amount of EUR 5 million. At the personal meeting of the Supervisory Board on 27 June 2019, which took place after the company's Annual General Meeting, the Executive Board reported, among other topics, on the current status of the acquisitions, the increase of the corporate bond by EUR 5 million and the structure of the stock option programme 2019, which was resolved by the Annual General Meeting on that day. By resolution of the Supervisory Board on 15 August 2019, the Supervisory Board approved the acquisition of a majority stake in MEWES Entertainment Group GmbH, Hamburg. At the Supervisory Board meeting held by phone on 28 August 2019, the Executive Board reported on the half-year financial statements as of 30 June 2019, the current course of business and the forecast 2/2019. The personal Supervisory Board meeting held on 7 November 2019 dealt with the Executive Board's report on the status of the acquisitions in the UK and Germany and the Executive Board's report on the status of ‚New Product[s]'. Furthermore, the current legal disputes the company is involved in were reported on. The Supervisory Board approved the specific structure of the 2019 Stock Option Plan and the conclusion of subscription right agreements with the Executive Board and senior executives. During the meeting of the Supervisory Board on 21 November 2019 that was held by telephone, the Executive Board reported on the quarterly financial statements as of 30 September 2019 and the company's forecast 3/2019. The personal meeting of the Supervisory Board on 12 December 2019 focused on the resolution on the acquisition of 75% of the English company Gigantic Holdings Ltd. by the English subsidiary Myticket Services Ltd, the adoption of the 2020 budget, the efficiency review of the Supervisory Board and the submission of the Declaration of Compliance with the German Corporate Governance Code in the version of 7 February 2017.

**Composition of the Executive Board and the Supervisory Board**

The composition of the Executive Board changed as follows in financial year 2019: Effective 1 April 2019, the Supervisory Board appointed Roman Velke the company's Chief Financial Officer. Roman Velke has taken over the position from his predecessor, Ralph Quellmalz, who left the company by mutual agreement on 31 March 2019. The Supervisory Board appointed Moritz Schwenkow to the Executive Board as Chief Ticketing Officer (CTO) in the reporting period with effect from 1 April 2020.

The composition of the Supervisory Board changed as follows in the reporting period: In financial year 2019, the Supervisory Board consisted of the three members Prof. Dr. Katja Nettesheim, Wolf-D. Gramatke and Michael Busch. With effect from the end of the day on 31 December 2019, Prof. Dr. Katja Nettesheim resigned her office as a member of the Supervisory Board for personal reasons. The Supervisory Board thanks Prof. Dr. Katja Nettesheim for her valuable cooperation in the past years. With the consent of the Chairman of the Supervisory Board, the Executive Board has submitted an application to the relevant Charlottenburg Local Court for the addition to the Supervisory Board in accordance with Section 104 (1) of the German Stock Corporation Act (AktG) and requested the appointment of Tobias Buck as a further member of the Supervisory Board until the end of the next Annual General Meeting in 2020. By order of the Charlottenburg Local Court of 23 December 2019, served on the company on 8 January 2020, Tobias Buck was appointed a member of the company's Supervisory Board in accordance with Section 104(1) of the AktG. Wolf-D. Gramatke was Chairman of the Supervisory Board throughout the reporting period and Michael Busch served as Deputy Chairman. 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 or thereafter.

**Corporate Governance and Declaration of Conformity**

The implementation of the recommendations of the German Corporate Governance Code in the version of 7 February 2017 was the topic of the Supervisory Board meeting on 12 December 2019. On this date, 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 in 2017. The joint Declaration of Conformity issued by the Executive Board and the Supervisory Board is permanently accessible on DEAG's website at www.deag.de/ir. Further information on the implementation of the recommendations of the German Corporate Governance Code can be found in the Corporate Governance Report and in the Notes to the Consolidated Financial Statements.

**Audit of the Annual and Consolidated**

**Financial Statements**

On 27 June 2019, the Annual General Meeting of DEAG selected Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, as auditor for the Financial Statements and Consolidated Financial Statements for financial year 2019 and as auditor for the possible audit review of interim reports and other financial information by the next Annual General Meeting. The auditor audited the 2019 Financial Statements of DEAG Deutsche Entertainment Aktiengesellschaft, the 2019 Consolidated Financial Statements and the Combined Management Report and Group Management Report for the company and the DEAG Group and issued an unqualified audit certificate in each case.

The Consolidated Financial Statements, the Combined Management Report and Group Management Report for the company and the DEAG Group and the company's Annual Financial Statements for financial year 2019 were discussed in detail with the auditor's representatives at the Supervisory Board meeting held on 24 March 2020. The auditor reported on the main findings of his audit. He also assessed the effectiveness of the internal auditing system in terms of accounting, which did not lead to any objections. The Consolidated Financial Statements and the Annual Financial Statements were discussed in detail with the auditor at the Supervisory Board meeting on 6 April 2020. The Consolidated Financial Statements and the Combined Management Report and Group Management Report for the company and the DEAG Group, as well as the Annual Financial Statements of DEAG and the audit reports of the auditor, were presented to all members of the Supervisory Board for examination and resolution. Following examination and discussion of the Consolidated Financial Statements and the Combined Management Report and Group Management Report as well as the Annual Financial Statements of DEAG by the Supervisory Board, no objections were raised to the results of the audit of the Consolidated Financial Statements and the Annual Financial Statements by the auditor.

After final examination, the Supervisory Board had no objections to the Consolidated Financial Statements and the Combined Management Report and Group Management Report prepared by the Executive Board for the company and the DEAG Group and approved them. The Supervisory Board also approved the Annual Financial Statements prepared by the Executive Board for the company for financial year 2019 and raised no objections on the basis of the final results of its audit. The Annual Financial Statements of the company are thus adopted in accordance with Section 172 of the German Stock Corporation Act.

The Supervisory Board would like to thank the Executive Board and all employees of the company and the DEAG Group for their work in financial year 2019.

Berlin, April 2020

For the Supervisory Board

**Wolf-D. Gramatke**
Chairman of the Supervisory Board

# COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FINANCIAL YEAR 2019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# COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT

## 1 PRINCIPLES OF THE COMPANY AND GROUP

### 1.1 BUSINESS MODEL INCLUDING OBJECTIVES AND STRATEGY

DEAG Deutsche Entertainment AG (DEAG) is a leading European player in the live entertainment industry in Germany, the UK and Switzerland with over 40 years of experience. As a live entertainment service company with a vertically integrated business model, DEAG has extensive expertise in planning, organising, marketing and holding of live events as well as in ticket sales via its own ticketing platforms MyTicket and Gigantic.com for its own and third-party content. 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 more than 4,000 concerts and 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 holds a stake in and for which DEAG exclusively handles ticketing. It was expanded to Berlin and Munich in 2019 following successes in Cologne and Dresden. DEAG will continue to accompany the successful growth course of the VR experience "TimeRide" in the current year as well. In 2020, visitors will also be able to embark on a historical journey through time in Frankfurt/Main and Hamburg, among other places. DEAG is increasingly using its own ticketing platforms of MyTicket to market its more than 5 million annual tickets. In the medium term, the share distributed via the company's own ticketing platforms is to be steadily increased and MyTicket is also to function as an attractive alternative for third-party content producers. Around 1.1 million tickets were sold via the MyTicket platforms in financial year 2019. With the acquisition of the British ticketing platform Gigantic.com in December 2019, DEAG has significantly strengthened its ticketing business and further expanded the share of third-party content for non-Group events. Ticketing is expected to be DEAG's fastest growing segment in 2020. As a result of the cooperation with the Swiss ticketing software provider SecuTix, which started in the third quarter of 2019, MyTicket now has state-of-the-art software with additional features for customers and simplified handling for its own and non-Group organisers. In addition, DEAG thus has a significantly reduced cost base in this business segment and can benefit from new technologies such as "blockchain" in the future.

65% of sales before consolidation were generated in Germany and Switzerland and 35% in the UK in 2019.

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. These strategic collaborations open up additional growth potential for DEAG.

Through its subsidiaries, DEAG is now an established player in the live entertainment industry in its core markets Germany, the UK and Switzerland. DEAG acquired a total of five companies in 2019 by acquiring C2 CONCERTS, I-Motion, Live Music Production/Live Music Entertainment, MEWES Entertainment Group and Gigantic Holdings Ltd., and successfully integrated them into the Group. DEAG is using the acquisitions to expand its portfolio, gain access to top-class event formats and venues and strengthen its geographical coverage in its core markets. The expansion of its portfolio offers the company high synergy and integration potential. International activities are also to be further expanded in the future. Besides the expansion of the operational business, growth is also to be advanced externally through selective acquisitions 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.

In the live business, DEAG is active as a tour operator and local promoter. The company has strong international content for further company growth in the years to come. With its ticketing business, DEAG is 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 2019 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 company with its 50 affiliated companies at eleven locations in Germany, the UK and Switzerland.

The Live Touring segment ("touring business") comprises the touring business. This includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Wizard Promotions Konzertagentur (Frankfurt/Main), Grünland Family Entertainment (Berlin), Global Concerts Touring (Munich), Christmas Garden Deutschland (Berlin), I-Motion GmbH Event & Communications (Mülheim-Kärlich), MEWES Entertainment Group (Hamburg), the sub-group Gigantic Holdings Ltd. including Myticket Services Ltd. (London, UK), the sub-group Kilimanjaro (London, UK) including 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 includes the activities of the AIO Group (Glattpark, Switzerland) including the sub-group Live Music Production SA (LMP)/Live Music Entertainment SA (LME); both based in Le Grand-Saconnex, Switzerland, Global Concerts (Munich), Concert Concept (Berlin), the sub-group C2 CONCERTS (Stuttgart), Grandezza Entertainment (Berlin), River Concerts (Berlin) and Elbklassik (Hamburg), handwerker promotion (Unna), LiveGeist Entertainment (Frankfurt/Main), Kultur- und Kongresszentrum Jahrhunderthalle (Frankfurt/Main), FOH Rhein Main Concerts (Frankfurt/Main) as well as mytic myticket (Berlin) and Kultur im Park (Berlin).

In the year under review, changes in the scope of consolidation mainly related to the domestic subsidiaries C2 CONCERTS GmbH (since 1 June 2019), I-Motion GmbH Events & Communication (since 30 June 2019) and MEWES Entertainment Group GmbH (since 1 August 2019), which were consolidated for the first time, as well as the foreign subsidiaries Live Music Entertainment SA and Live Music Production SA (since 30 June 2019) and the sub-group Gigantic Holdings Ltd. (since 1 December 2019).

An average of 263 employees (previous year: 200) worked for the DEAG Group in Germany and abroad during the financial year. The increase in the number of employees in the Group mainly relates to the employees of the majority holdings acquired in 2019. DEAG Deutsche Entertainment AG employed an annual average of 37 employees (previous year: 35 employees).

### 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 manages 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 calculations by the Federal Statistical Office, Destatis, the German economy is expected to have grown by 0.6% in 2019. The gross domestic product (GDP) adjusted for prices thus rose for the tenth year in succession, but lost further momentum compared to previous years (2018: +1.5%, 2017: +2.5%). The Federal Statistical Office attributes the rise to increased private and government consumer spending as well as a sharp rise in gross fixed capital investment. In its March 2020 economic forecast, the Organisation for Economic Cooperation and Development (OECD) assumes that the German economy will grow by 0.3% in 2020 and by 0.9% in 2021. However, it cannot be ruled out that the global spread of the Coronavirus will be more severe than initially expected, with the result that the development of the global economy and the German economy would be impaired in 2020.

Economic growth in the UK was at 1.4% in 2019, a slight increase in growth compared to the previous year (2018: 1.3%). The International Monetary Fund (IMF) is forecasting economic growth at the previous year's level in 2020. If an agreement is reached between the UK and the European Union in the Brexit negotiations and a new trade agreement can be reached, GDP could increase slightly in 2021.

In the euro zone, the economy grew by 1.2% in the reporting period, 0.6 percentage points less than in 2018 (1.8%). According to IMF forecasts, economic growth in the euro zone will increase by 1.3% in 2020 and by 1.4% in 2021.

In its study entitled "German Entertainment and Media Outlook 2019-2023," the auditing firm PricewaterhouseCoopers International (PwC) assumes an average annual growth rate of 1.6% for the German media market through 2023. According to the study, the market volume at this point in time would amount to EUR 57.3 billion, which represents an increase of EUR 4 billion compared to the volume in 2018. For the media market in the UK, PwC forecasts an even stronger average annual growth rate of 3.5% and revenues of GBP 80.5 billion by 2023.

For the live music sector, PwC expects a positive growth trend in ticket sales with an average growth rate of 2.9%. Revenues from ticket sales are forecast to reach EUR 1.8 billion by 2022 and total revenues (including sponsoring) are expected to reach EUR 2.2 billion.

Concerns about possible negative consequences in the wake of the rampant Corona pandemic could lead to a slowdown in the economy in DEAG's core markets in the current year. Experience shows, however, that live entertainment is a highly emotional product which, as a highly individual experience, shows an above-average decoupling from economic developments.

## 2.2 BUSINESS DEVELOPMENT

Sales amounted to EUR 185.2 million in financial year 2019, after EUR 200.2 million the previous year. EBITDA for the full year 2019 amounted to EUR 14.1 million. EBITDA of EUR 14.6 million was generated in the previous year. DEAG continued its growth course in 2019 with a good final quarter, as expected. In the strong fourth quarter of 2019, consolidated revenues rose by 31% to EUR 62.1 million after EUR 47.4 million in the same period of the previous year. Fourth quarter sales thus accounted for 34% of total sales in financial year 2019 (previous year: 24%). EBITDA for the period was EUR 6.1 million (previous year: EUR 4.2 million). This equates to an EBITDA margin of 9.8%, driven mainly by good ticketing business and the high share of own formats organised.

Sales amounted to EUR 185.2 million in financial year 2019, after EUR 200.2 million the previous year. EBITDA for the full year 2019 amounted to EUR 14.1 million, including expenses that reduced earnings of around EUR 0.5 million incurred in the preparation and execution of the acquisitions. EBITDA amounted to EUR 14.6 million in 2018, including extraordinary income of EUR 5.3 million from the deconsolidation of the Group company Raymond Gubbay Ltd. The positive business development is primarily due to the organic and inorganic growth of the company. DEAG's own ticketing platforms, MyTicket, also performed well during the financial year. A significant volume of ticket sales for concerts and events, approximately 1.1 million tickets, is now handled via the MyTicket platforms. Thanks to the cooperation with the Swiss software provider SecuTix, DEAG has a state-of-the-art software with which it will also benefit in the future from developments such as the use of blockchain. MyTicket once again proved its efficiency when 150,000 personalised tickets for concerts of Böhse Onkelz were sold in November 2019 in just two hours.

In the Rock/Pop division, DEAG focuses on selected profitable formats and long-term, exclusive relationships with renowned artists. For the reporting period, the company can once again report on top-class events. Andreas Gabalier played in front of more than 75,000 visitors at the Munich Olympic Stadium. Ed Sheeran delighted his fans in Leeds and Ipswich. There were also concerts by Kiss, Nena and Limp Bizkit. Furthermore, DEAG's strength in the music business was underscored by the three successful open-air events "Belladrum," "Nature One" and "Sion sous les étoiles." In the Classics & Jazz division, Andrea Bocelli, Anna Netrebko and Till Brönner, among others, ensured full concert halls. Music fans can once again look forward to a series of top-class events in 2020. Highlights in the second half of the year include concerts by Iron Maiden, Die Toten Hosen, Simply Red and Deep Purple.

The Arts+Exhibitions division also showed strong growth momentum, with DEAG increasingly generating sales with its own attractive, higher-margin event formats. This division, which is independent of individual artists, includes events such as TimeRide, Potsdam's Schlössernacht and Christmas Garden. The number of Christmas Garden sites was doubled to six in 2019, with Madrid, Spain, the first Christmas Garden outside Germany, being opened. The number of visitors rose significantly compared to the previous year from 350,000 to around 950,000, with over 85% of Christmas Garden tickets in Germany sold via MyTicket. The opening of another three locations is planned this year, both in Germany and in other European countries. DEAG will also forge ahead with its growth strategy for “TimeRide,” where visitors can take a nostalgic journey through time in major German cities using virtual reality. Following the expansion of the format to Berlin and Munich last year, this year’s agenda includes Frankfurt /Main and Hamburg.

DEAG also recorded great success in the area of Family Entertainment with “Disney on Ice.” Formats such as “Thriller Live” and DEAG’s Christmas Circuses also provided growth impulses. Essen with the Chinese National Circus is new since 2019.

Furthermore, DEAG set the strategic course for its long-term growth in 2019 by making a total of five acquisitions and successfully integrating them into the Group. The expectations placed on the companies were fully confirmed or even exceeded. For example, DEAG acquired I-Motion, an organiser of electro-music events in Germany, thereby tapping into a new, young target audience with high sales potential. The additional acquisitions in Switzerland will also help to stabilise the business in the short to medium term and strengthen the currently low profitability. With the acquisition of the British ticketing platform Gigantic.com in December 2019, DEAG has strengthened its ticketing division and further expanded its position in the UK. DEAG will continue its successful integration and acquisition strategy in the future.

## 2.3 FINANCIAL, ASSET AND EARNINGS POSITION

### 2.3.1 Income Position of the Group

The DEAG Group generated sales of EUR 185.2 million in the past financial year (previous year: EUR 200.2 million). While the previous year’s figure still included revenues of EUR 6.5 million attributable to the deconsolidated Raymond Gubbay Ltd., revenues in the year under review were characterised by additions to the consolidated Group with a total volume of around EUR 27.5 million. On a pro forma basis, i.e. taking into account the sales generated throughout the year, which are attributable to the five acquisitions, consolidated sales would have amounted to around EUR 198 million. In the strong fourth quarter of 2019, which was in line with planning, consolidated sales rose by 31% to EUR 62.1 million after EUR 47.4 million in the same period of the previous year. Fourth quarter sales thus accounted for 34% of total sales in financial year 2019 (previous year: 24%).

Gross profit from sales amounted to EUR 41.8 million after EUR 38.5 million in the previous year, which equates to an increased gross margin of 23% (previous year: 19%). The increase in the gross margin is due in particular to the contributions made by ticketing and the profitable event formats in the Christmas business.

At EUR 18.3 million, sales and marketing costs were 4% lower than in the previous year (previous year: EUR 19.0 million). This decline correlates with the change in sales revenues. The increase in administrative expenses from EUR 16.5 million to EUR 19.6 million primarily relates to higher personnel expenses as a result of additions to the consolidated Group. This also reflects the increase in the average number of employees from 200 to 263.

Other operating income amounted to EUR 4.8 million compared to EUR 8.5 million in the previous year. As in the previous year, this primarily includes a gain of EUR 2.6 million from changes in the consolidated Group (initial consolidation). In the previous year, these amounted to EUR 6.6 million, of which EUR 5.3 million alone was attributable to the sale of the shares in Raymond Gubbay Ltd. Taking into account other operating expenses of EUR 1.0 million (previous year: EUR 1.0 million), EBITDA amounted to

EUR 14.1 million (previous year: EUR 14.6 million). This figure includes expenses of around EUR 0.5 million (previous year: 0.1 million) for the year under review, which were incurred for the preparation and execution of the acquisitions. The EBITDA margin for the year as a whole rose to around 7.6% after 7.3% the previous year. In the final quarter, the EBITDA margin was around 9.8%, driven mainly by the good ticketing business.

Depreciation and amortisation of EUR 6.4 million (previous year: EUR 4.0 million) comprises scheduled depreciation of property, plant and equipment, amortisation of intangible assets and depreciation of lease usage rights of EUR 3.3 million (previous year: EUR 1.7 million). Depreciation and amortisation resulting from purchase price allocations amounted to EUR 2.6 million, compared to EUR 2.1 million in the previous year.

EBIT amounted to EUR 7.7 million in the reporting period (previous year: EUR 10.6 million). The decline is essentially accompanied by significantly higher depreciation for leasing-use rights as a result of the changes in the scope of consolidation (EUR +1.6 million) and for assets discovered in the course of purchase price allocations (EUR +0.5 million). EBIT before M&A-related expenses and depreciation and amortisation amounted to EUR 10.8 million after EUR 12.8 million the previous year.

The financial result amounted to EUR - 5.8 million in the past financial year (previous year: EUR - 3.2 million). The reason for the decline is higher interest expenses due to the increase in borrowings and charges in connection with lease accounting.

Income taxes amounted to EUR - 1.3 million (previous year: EUR - 0.7 million).

Consolidated profit from continued operations before minority interests amounted to EUR 0.6 million (previous year: EUR 6.7 million), which equates to earnings of EUR - 0.06 per share (previous year: EUR 0.20 per share).

### 2.3.2 Business Development by Segment

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

The touring business is reported in the Live Touring segment. 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), I-Motion GmbH Events & Communication (Mülheim-Kärlich), MEWES Entertainment Group (Hamburg), the sub-group Gigantic Holdings Ltd. including Myticket Services Ltd. (London, UK), the sub-group Kilimanjaro (London, UK) including the Flying Music Group and The Classical Company (Zurich, Switzerland).

The Entertainment Services segment ("stationary business") includes regional business as well as the entire services business. It includes the activities of the AIO Group (Glattpark, Switzerland) including the sub-group Live Music Production SA (LMP)/Live Music Entertainment SA (LME); both based in Le Grand-Saconnex, Switzerland, Global Concerts (Munich), Concert Concept (Berlin), the sub-group C2 CONCERTS (Stuttgart), Grandezza Entertainment (Berlin), River Concerts (Berlin) and Elbklassik (Hamburg), handwerker promotion (Unna), LiveGeist Entertainment (Frankfurt/Main), Kultur- und Kongresszentrum Jahrhunderthalle (Frankfurt/Main), FOH Rhein Main Concerts (Frankfurt/Main) as well as mytic myticket (Berlin) and Kultur im Park (Berlin).

## Business development of the segments

### Sales

in EUR millions

| | 2019 | 2018 | Change from the previous year |
|---|---|---|---|
| Live Touring | 118.1 | 131.6 | -13.5 |
| Entertainment Services | 78.9 | 79.0 | -0.1 |

### Operating result (EBITDA)

in EUR millions

| | 2019 | 2018 | Change from the previous year |
|---|---|---|---|
| Live Touring | 14.1 | 16.3 | -2.2 |
| Entertainment Services | 5.9 | 3.6 | +2.3 |

### Live Touring

At EUR 118.1 million, sales in the Live Touring segment were down year-on-year in the financial year under review. The decline mainly pertains to a reduced number of concerts performed by Ed Sheeran (around EUR 22 million); the previous year also included a sales contribution of EUR 6.5 million from Raymond Gubbay Ltd.

In the Rock/Pop division, DEAG focused on selected profitable formats and long-term, exclusive relationships with renowned artists and once again organised top-class events and concerts, for example, Andreas Gabalier (more than 75,000 visitors in the Munich Olympic Stadium) and Ed Sheeran, who delighted audiences in Leeds and Ipswich. Furthermore, there were concerts by Kiss, Nena or Limp Bizkit. In addition, DEAG's strength in the music business was underscored by the three successful open-air events "Belladrum," "Nature One" and "Sion sous les étoiles." In the Classics & Jazz division, Andrea Bocelli, Anna Netrebko and Till Brönner, among others, filled concert halls.

The Arts+Exhibitions division also showed strong growth momentum. This division, which is independent of individual artists, includes events such as the Potsdam Schlössernacht and Christmas Garden. The number of Christmas Garden locations was doubled to six in 2019, with Madrid, Spain, the first Christmas Garden outside Germany, being opened.

DEAG also recorded great success in the Family Entertainment sector. "Disney on Ice" is now offered in six cities. Formats such as "Thriller Live" and DEAG's Christmas Circuses also provided growth impulses. Essen with the Chinese National Circus is new since 2019.

### Entertainment Services

Sales in the Entertainment Services segment were virtually unchanged in the past financial year at EUR 78.9 million. Revenues include EUR 6.8 million from the operation of the Jahrhunderthalle in Frankfurt/Main (previous year: EUR 6.2 million). The local tour operators participated mainly in the Group's own tour business in the period under review, whereby activities in Switzerland in particular were characterised by fewer major events.

The Entertainment Services segment still included the ticketing activities of the Group's own MyTicket sales platforms. Around 1.1 million tickets were sold via the MyTicket platforms in financial year 2019. With the acquisition of the British ticketing platform Gigantic.com in December 2019, DEAG has significantly strengthened its ticketing business and further expanded the share of third-party content for non-Group events.

### 2.3.3 Asset Position of the Group

As of the reporting date, total assets increased by EUR 52.2 million to EUR 185.2 million (31 December 2018: EUR 133.0 million).

Current assets amounted to EUR 79.4 million after EUR 63.9 million in the previous year. The increase is mainly due to a higher level of cash and cash equivalents as a result of a prepayment balance of EUR 37.5 million, which is significantly higher than in the previous year (previous year: EUR 25.5 million). The positive change results from increased contract liabilities (EUR +15.3 million).

As of the balance sheet date, non-current assets increased significantly by EUR 36.6 million to a total of EUR 105.7 million (31 December 2018: EUR 69.1 million). This development is due to significantly higher carrying amounts for goodwill (EUR +9.5 million), other intangible rights (EUR +19.6 million) and property, plant and equipment (EUR +6.7 million). The effects mainly result from purchase price allocations for the majority interests acquired in the year under review.

Current liabilities amounted to EUR 104.8 million as of the reporting date, EUR 26.4 million above the previous year (EUR 78.4 million). Besides the contractual liabilities, trade payables increased as a result of the strong final quarter due to the reporting date. Overall, current debt fell once again. It amounted to 57% after 59% in the previous year and 85% in 2017.

The reason for the changed maturity profile are the increased leasing liabilities (EUR +5.4 million) in the reporting year, which are offset by corresponding rights of use in nearly the same amount, as well as the net addition of the increase in the corporate bond placed in June 2019 (EUR +5.1 million), whose remaining term is around 4 years. Please refer to the comments in section 2.3.4 of this report.

At EUR - 8.4 million, net debt – interest-bearing liabilities less cash and cash equivalents on the balance sheet date – is again positive, compared to - EUR 1.6 million in the previous year, despite the increase in interest-bearing liabilities.

Shareholders' equity increased by EUR 10.2 million to EUR 25.2 million (31 December 2018: EUR 14.9 million), a significant rise. This equates to an equity ratio of 13.6% after 11.2% for the previous year. The changes in equity primarily relate to the capital increase following the complete conversion of the convertible bond that expired in June, the improved overall consolidated earnings and, in the opposite direction, dividend payments to minority interests.

### 2.3.4 Financial Position of the Group

in EUR millions

| | 2019 | 2018 |
|---|---|---|
| Cash inflow/outflow from operating activities (total) | 16.4 | -13.3 |
| Cash outflow/inflow from investing activities (total) | -5.3 | 2.9 |
| Cash outflow/inflow from financing activities (total) | -0.3 | 5.7 |
| **Change in cash and cash equivalents** | **10.8** | **-4.7** |
| | | |
| Exchange rate effects | -0.9 | 0.7 |
| **Financial assets on 1 Jan.** | **36.4** | **41.8** |
| | | |
| **Financial assets on 31 Dec.** | **46.3** | **36.4** |

Cash flow from operating activities amounted to EUR 16.4 million, compared to EUR -13.2 million the previous year. This positive development is mainly due to the prepayment balance of EUR 37.5 million, which is significantly higher than in the previous year (previous year: EUR 25.5 million). The rise relates in particular to increased contract liabilities. The increase of EUR 15.3 million in this item reflects the very high number of fixed-sale tickets for future shows as of 31 December 2019.

The cash outflow from investing activities (total) of EUR -5.3 million (previous year: cash inflow of EUR 2.9 million) resulted from net payments (EUR 2.3 million) for the majority interest acquired in 2019 and from payments for investments in intangible assets, property, plant and equipment and financial assets (EUR 3.1 million). The latter relate, among other items, to cooperation agreements in the UK.

The cash outflow from financing activities (total) of EUR 0.3 million relates to the proceeds from the corporate bond increased in June 2019 (EUR 5.0 million) and the balance from the raising and scheduled repayment of financial liabilities and the complete conversion of the bond (EUR 6.7 million). This item is reduced by interest payments (EUR 1.8 million) and minority interests in dividends (EUR 1.1 million). In addition, there were payments to lessors (EUR 4.3 million).

Overall – including exchange rate effects – cash and cash equivalents increased by approx. EUR 10 million.

DEAG currently has financing lines of EUR 23.1 million at its disposal, of which EUR 9.1 million had not been used as of 31 December 2019. Including sight deposits at subsidiaries, the Group's cash and cash equivalents, which are entirely at the disposal of the Group, thus amounted to around EUR 55 million, which is available for financing additional internal and external growth.

### 2.3.5 Financial, Asset and Earnings Position of DEAG (Holding)

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

#### Earnings position

In the past financial year, DEAG achieved an annual net profit of EUR -4.5 million (previous year: EUR +0.8 million). The change is mainly due to a lower investment result. DEAG's income mainly resulted from service income, commissions and licence fees and amounted to EUR 1.7 million in 2019 (previous year: EUR 2.8 million). Expenses were mainly incurred for material and personnel costs. Net interest expense decreased to EUR -1.5 million (previous year: EUR -0.9 million). Net investment income amounted to EUR 3.1 million, compared to EUR 7.8 million in the previous year. This change is mainly due to reduced dividend payments from subsidiaries in the previous year.

#### Asset position

Total assets increased by EUR 5.1 million to EUR 70.1 million (31 December 2018: EUR 65.0 million). DEAG's equity amounted to EUR 20.9 million (31 December 2018: EUR 21.1 million). This is mainly attributable to the complete conversion of the convertible bond, less the net profit for the year. The equity ratio declined slightly by 3% to 30% (31 December 2018: 33%).

Financial assets amounted to EUR 17.2 million (previous year: EUR 16.8 million). This relates primarily to the payment into the capital reserve in the case of one investment.

Receivables from affiliated companies amounted to EUR 51.2 million (previous year: EUR 45.2 million). This is mainly due to the granting of loans to subsidiaries to finance the acquisition of equity interests.

As of the balance sheet date in 2019, cash and cash equivalents remained unchanged at EUR 0.1 million. In total, DEAG has credit lines of EUR 22.0 million at its disposal, of which EUR 8.1 million had not been utilised as of 31 December 2019.

Liabilities increased compared to the previous year by EUR 5.1 million to EUR 47.6 million (previous year: EUR 42.5 million). This is mainly due to the bond increase and the increase in liabilities to affiliated companies by EUR 3.6 million. Liabilities include the bond at EUR 25.0 million.

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

In the Executive Board's view, the company's performance in 2019 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 integrated business model was impressively demonstrated in financial year 2019, in particular with another successful fourth quarter, mainly driven by a good ticketing business.

For the full year 2019, DEAG's sales before consolidation amounted to around EUR 199 million and EUR 185.2 million after consolidation. Sales in financial year 2018 amounted to around EUR 213 million before consolidation and EUR 200.2 million after consolidation. The total of five acquisitions made between June and December 2019 are only included in the 2019 sales figures pro rata temporis with a volume of EUR 27.5 million each. On a pro forma basis, i.e. taking into account the full-year sales of these investments, consolidated sales would amount to approximately EUR 198 million. Thus, the sales lost from the deconsolidation of Raymond Gubbay Ltd. (EUR 6.5 million) and the significantly reduced number of Ed Sheeran concerts (EUR 22.0 million) were partly compensated for in 2019.

EBITDA for the full year 2019 amounted to EUR 14.1 million. In 2018, EBITDA amounted to EUR 14.6 million. Accordingly, DEAG posted a successful year 2019 overall and, above all, a further improvement in its EBITDA margin, although sales and earnings remain slightly below expectations that both would rise moderately. This is due to the fact that the timing of some of the acquisitions implemented had been postponed during the year. Two further acquisitions originally planned for the fourth quarter of 2019 were postponed until 2020 due to the Brexit issue which was not resolved at that time.

The Executive Board considers the business development in 2019 as a whole as confirmation that the business model is fundamentally intact and profitable. In view of the positive developments in the divisions, the ticketing division and the well-filled event pipeline for 2020, the Executive Board assumes that the strategy pursued will be increasingly reflected in sales growth and higher profitability. The extent and duration of possible effects of the Coronavirus on the Group's business cannot yet be estimated.

# 3 CORPORATE GOVERNANCE

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

## 3.1 DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTIONS 289F AND 315D HGB (GERMAN COMMERCIAL CODE)

### 3.1.1. Direction and Management by the Executive Board

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

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

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

The Supervisory Board has decided in its most recent determination that the target figure for women's participation in the Supervisory Board should be at least 30%. In the past financial year, the share of women on the Supervisory Board was 33%. Due to the resignation of Prof. Dr. Katja Nettesheim as of 31 December 2019 and the court appointment of Tobias Buck, the share of women on the Supervisory Board is currently 0%. However, the Supervisory Board is sticking to the agreed target figure for the future. In the Executive Board, the women's share is 0%. The current target for women's participation in the Executive Board is 0%. The Executive Board has also decided that the share of women in the first management level below the Executive Board (divisional Board members) should reach 30%. With a ratio of 33% (as of December 2019) at the divisional Board level, the company has already achieved its target. The company has no other management levels.

The Executive Board and Supervisory Board have not yet adopted an independent diversity concept in accordance with section 289f Para 2 No. 6 of the German Commercial Code (HGB) regarding the composition of the body entitled to represent the company and of the Supervisory Board with regard to aspects such as age, gender and educational or professional background. The Executive Board and Supervisory Board are of the opinion that, next to the objectives for the composition of the Executive Board and Supervisory Board, the resolved competence profile for the Supervisory Board, and the measures implemented and aimed for in the company to promote diversity, an additional diversity concept would not bring any substantial added benefits. However, in financial year 2019, the Executive Board and Supervisory Board will again examine whether it makes sense to draw up an independent diversity concept.

### 3.1.2 Supervisory Board Report

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

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

On 12 December 2019, the Executive Board and Supervisory Board of DEAG issued the Declaration of Compliance with the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) in the current version from 7 February 2017, and made it permanently available to shareholders. The full declaration is published on the company's website (www.deag.de/ir).

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

As of 31 December 2019, the subscribed capital amounts to EUR 19,625,976 in total (previous year: EUR 18,397,423.00).

The change corresponds to the extent of the capital increase carried out in 2019 due to the complete conversion of the convertible bond in the amount of EUR 1,228,553.00. The share capital consists of 19,625,976 ordinary bearer shares in the form of no-par value shares with a notional interest in the share capital of EUR 1.00 per share. Further details are provided in Note 25 and Note 29 in the Notes to the Consolidated Financial Statements.

There are no different share classes or shares with special powers conferring control rights. There are also no statutory restrictions on the voting rights or the transfer of shares. The Executive Board is not aware of any such agreements between shareholders.

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

Apeiron Investment Group Ltd, directly and/or indirectly holds more than 15% of the voting rights. Plutus Holdings 2 Ltd., SRE Holding GmbH and Novofam Macro LLC each hold, directly and/or indirectly, more than 10% of the voting rights. Insofar as employees hold an interest in the capital, they exercise their voting rights directly. Further information is provided in Note 56 in the Notes to the Consolidated Financial Statements.

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

### Conditional Capital

The share capital of DEAG has been conditionally increased by an amount of EUR 1,905,455.00 (Conditional Capital 2019/I) in accordance with the resolution of the General Meeting on 27 June 2019. The entry in the commercial register was made on 8 July 2019.

The conditional capital increase serves exclusively to fulfil subscription rights granted on the basis of the authorisation of the Annual General Meeting on 27 June 2019. It will only be implemented to the extent that the holders of subscription rights issued under the 2019 Stock Option Plan exercise their right to subscribe to shares of the Company and the Company does not deliver treasury shares to fulfil the options. The new shares participate in the profit from the beginning of the financial year for which no resolution on the appropriation of profits has been passed at the time of their issue. The Executive Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

The conditional capital resolved on 26 June 2014 (Conditional Capital 2014/I) no longer exists.

We refer to Note 29 of the Notes to the Consolidated Financial Statements. Therefore, there is still a conditional capital 2019/I that can be used in its entirety.

### Authorised Capital

The General Meeting on 27 June 2019 created new authorised capital with the abolition of the unused authorised capital (Authorised Capital 2014/I). The Executive Board was authorised, subject to the approval of the Supervisory Board, to increase the share capital by a total of EUR 9,527,278.00 by 26 June 2024 (Authorised Capital 2019/I).

The resolution on authorised capital 2019/I was entered in the Commercial Register on 8 July 2019.

The authorised capital (2019/I) has not yet been used.

### Acquisition of Treasury Shares (Section 71 (1) no. 8 AktG)

DEAG is authorised by resolution of the Annual 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. The company held 615 treasury shares on 31 December 2018.

### 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 remuneration granted to the Executive Board in 2019, including fringe benefits, amounted to a total of EUR 3.0 million (previous year: EUR 2.9 million). EUR 1.8 million in allowances, including fringe benefits (previous year: EUR 2.2 million), were received in the year under review. This figure includes remuneration for activities for subsidiaries included in the Consolidated Financial Statements (EUR 148 thousand, 2018: EUR 118 thousand).

The first tranche of the 2019 stock option programme was issued in the financial year. In connection with this, each member of the Executive Board active at the time of issue on 1 December 2019 was granted 79,394 subscription rights. The pro rata value of the options is reported as multi-year remuneration (allowance granted per Executive Board member in 2019 amounting to EUR 66 thousand).

The remuneration of the Supervisory Board is regulated in the Articles of Association. Since 1 January 2017, the fixed annual remuneration of the Supervisory Board amounts to EUR 28,000.00. Conversely, no variable remuneration is received. 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 that are linked to the industry, in particular, 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 that are reviewed regularly and adapted as necessary.

Regular forecasts and plan/actual comparisons are prepared for the individual business segments. Pre-calculations and post-calculations are carried out for projects at the business level. 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, asset 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 display 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 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, DEAG is 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 the actual results to differ from our expectations.

## 4.2 RISK REPORT

### 4.2.1 Market/Competition

The DEAG Group operates in a competitive market. The company strives to recognise changes in the market at an early stage and 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 the area of 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. This, in turn, improves our bargaining position.

The DEAG Group's business is also determined by whether or not the appropriate venues are available. For the most part, venues are rented for the respective event. If the artists are unable to perform at the respective venues, this could adversely affect the Group's business. DEAG has secured exclusive access to nine venues, partly through long-term contracts.

DEAG's business development 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 which, in terms of their origin and business model, are suitable for making an appropriate contribution to business development. In principle, there are still good opportunities to achieve 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. DEAG acquired majority stakes in five companies in 2019. A total of seven majority shareholdings with a sales contribution of EUR 65 million were acquired over the last three years.

In addition, there is a dependency on artists, agents, producers and other players 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. DEAG is becoming increasingly independent by establishing and expanding the Myticket platforms, but also through the majority shareholding in Gigantic Tickets Ltd. in the UK, including its ticketing platform Gigantic.com, that was acquired in December 2019.

The Group's course of business is also influenced by whether it is still able 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. Fluctuation in these employee groups was low in 2019. In order to provide further long-term incentives for these employees and to allow them to participate in the company's success, a stock option programme was set up in 2019 and corresponding stock options were issued to the Executive Board, members of the management of the subsidiaries and management personnel.

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 retained on a medium and long term basis, and new artists can step forward. The Group counters this risk with a broad portfolio of artists.

Events due to force majeure such as terrorist attacks and health risks such as the current spread of the novel Coronavirus SARS-CoV-2, which can cause the lung disease COVID-19, can have an impact on DEAG's business success. Should such events continue to occur in the future or should the development in connection with the Coronavirus become more acute and lead to an increased number of events having to be cancelled due to official requirements, it cannot be ruled out that this will have a negative impact on the development of the Group. In such cases, DEAG first checks whether the event can be postponed to a later date. Furthermore, these risks are covered by insurance. With regard to the management's current assessment of the effects of the Coronavirus risk, reference is made to 5. Forecast Report.

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

### 4.2.2 Valuation of Goodwill and Other Intangible Assets

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

Within the Group, a portion of the difference between the purchase price and the equity of the acquired company shares is allocated to brands and to artist and agent relationships. This portion is depreciated according to plan.

### 4.2.3 Investment Property

The Group continues to report the sale of the sub-lots located around Frankfurt's Jahrhunderthalle (section 16 of the Consolidated Financial Statements) in the balance sheet under the item "Investment Property."

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

With the granting of a building permit, the transfer of ownership is to be carried out and the entire real estate or parts thereof are to be fully developed and marketed by the joint venture under the responsibility of the real estate investor. In the case of a positive and successful development of the properties, an additional profit would be generated that would exceed the book value (EUR 5.6 million). Concrete planning procedures have thus far been blocked due to legal concerns regarding the proximity of the Hoechst Industrial Park and the resulting legal questions concerning the applicability of the so-called Seveso III Directive, according to which minimum distances between construction projects and certain operating areas must be observed. DEAG nevertheless considers the creation of building rights to be realistic in the medium term and sees itself strengthened in this regard by the developments in 2018. For example, the city of Frankfurt/Main and the industrial park operators have reached an agreement under which the operators of the industrial park will not take any legal action in the future against (residential) construction projects outside a radius of 500 m (measured from the border of operations). In return, the city of Frankfurt/Main undertook not to plan and approve any particularly vulnerable uses such as residential buildings, schools and retirement homes located within the 500 m radius. The legal certainty created by this agreement now enables the construction of up to 3,000 apartments near the industrial parks, especially in the parking town of Unterliederbach next to the Jahrhunderthalle and the associated infrastructure development, e.g. with retail trade.

If the building capacity is not approved as planned or if the estimated prices per square meter are significantly reduced for other reasons, there is a risk of a substantial impairment, which would have a negative impact on the company's assets and earnings situation.

### 4.2.4 Financial Liabilities

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

For this reason, DEAG has agreed on a comprehensive framework with six house banks, which is to be used for the purposes of acquisition financing (EUR 6.0 million), the pre-financing of touring and concert events (EUR 6.0 million) as well as the operating business (EUR 11.1 million). In total, the Group has financing lines totalling EUR 23.1 million at its disposal, of which EUR 9.1 million had not been utilised as of 31 December 2019.

The current rate of return on the respective draws and claims is, on the one hand, based on the general development of the EURIBOR.

The financial and non-financial covenants toward credit institutions and bond holders are monitored on an ongoing basis.

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

Furthermore, DEAG issued a corporate bond in the amount of EUR 20 million in October 2018. This corporate bond was increased by another EUR 5.0 million in 2019. 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 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 relevant financial and non-financial covenants are also monitored on an ongoing basis.

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

On the basis of revenue and earnings forecasts as well as the liquidity derived from it, the Executive Board estimates this and the financial position of the company and the Group to be in order, also with regard to financing requirements for internal and external growth. With regard to the forecast, please refer to 5. Forecast Report.

The rapid spread of COVID-19 in the core markets is currently affecting the DEAG Group's operational business. For this reason, DEAG and its subsidiaries are also making use of state-subsidised options such as short-time working. In addition, the management is strengthening the currently good liquidity position. This includes, in particular, measures to increase flexibility and the expansion of existing lines of credit with the principal banks, but also to create the conditions for access to government support programmes.

Should the course of business differ from planning, e.g. as a result of a significant decline in ticket sales as an effect of the COVID-19 crisis, which permanently and sustainably worsens the earnings power of the DEAG Group, liquidity shortages could occur if the planned financial inflows and credit lines are not sufficiently available. DEAG would then have to rely on being able to obtain additional financing sources (debt or equity).

#### 4.2.5 Financial Instruments

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

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

Payments for artists, orchestras, show productions, etc. are partly USD-based and therefore subject to the currency risk against the EUR, the CHF or the GBP. The same applies to dividends paid by foreign subsidiaries in CHF and GBP. The company regularly performs analyses to anticipate the effects of currency fluctuations and to assess whether hedging transactions are beneficial. In the reporting period and the following financial year, currency hedging transactions (USD and GBP) were carried out for intercompany loans and a purchase price liability that stemmed from an acquisition.

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

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

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

#### 4.2.6 Tax Risks

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

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

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

#### 4.2.7 Litigation and Lawsuits

The Group currently carries out both active and passive legal proceedings. Where risks are discernible, these risks are generally recognised in the annual financial statements on the one hand by making valuation adjustments on the assets and on the other by way of provisions. Only procedural costs were recorded in the reporting year. There are no individual contingent liabilities arising from passive proceedings. Potential assets in connection with court claims for damages and contract fulfilment have not been recognised as of the balance sheet date. Please refer to our comments in Note 47 of the Notes to the Consolidated Financial Statements for more information on the amount of the resulting contingent assets and liabilities.

#### 4.2.8 Holding Structure

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

In order to avoid or minimise these risks, the company operates a risk management system at Group level in which all subsidiaries are involved (see 4.1 Internal Monitoring and Risk Management System). Through this risk management system, the opportunities and risks at the Group level are recorded and assessed, control measures are defined and monitored and the uniform Group accounting process is ensured.

## 4.3 OPPORTUNITIES REPORT

Given the good internal and external growth opportunities, the DEAG Group expects a successful business performance in 2020 and beyond. Following the issue of the 2018/2023 bond with a total volume of EUR 25 million, the company is solidly financed in the long term.

» **External growth opportunities:** DEAG pursues a consistent buy & build strategy with further synergy potential and additional growth opportunities in all divisions. DEAG sees increased growth opportunities through selective M&A activities in the future. DEAG has extensive M&A expertise and made five acquisitions during the reporting period as part of its buy & build strategy, and successfully integrated them into the Group. In June 2019, DEAG acquired the musical producer and tour organiser C² CONCERTS and I-Motion, an organiser of electro-music events. DEAG expects the additional sale of tickets to stimulate growth in the ticketing business via MyTicket. Also, in June, the music promoter Live Music Production/Live Music Entertainment from Switzerland was acquired. DEAG expects the takeover to generate growth potential for the Live Entertainment and Ticketing business. For example, successful events which previously took place exclusively in German or French-speaking Switzerland will be offered in the other region in the future. DEAG's shareholding in the MEWES Entertainment Group has further strengthened its position in the Schlager and Folk music sector. The company is active in the fields of artist management and placement as well as in the event business and has specialised in artists in the Schlager and Folk music sector. Most recently, in December, DEAG acquired a stake in the British ticketing company Gigantic Holdings Ltd, thereby significantly strengthening its ticketing division and further expanding the share of third-party content for non-Group events. The partnership with MyTicket will result in high synergy effects between myticket.co.uk and the MyTicket platforms in Germany and Austria. The companies acquired by DEAG are able to increase sales and EBITDA due to synergy effects with DEAG. The Live Entertainment and Ticketing market in Europe remains highly fragmented. M&A remains an important growth engine for DEAG. The acquisition pipeline remains strong with several synergetic targets. The company is focusing on complementary ticketing acquisitions.

» **Growth market UK:** With over 1,000 events, DEAG is a firmly established player on the British market and already one of the largest entertainment service companies. DEAG intends to expand this position in the future. In December 2019, DEAG acquired the UK ticketing platform Gigantic.com and further strengthened its ticketing division. The company is one of the largest independent ticketing providers in the UK and exclusively manages third-party content. Thus, Gigantic is a good addition to the company's own ticketing platform MyTicket and thus offers considerable growth opportunities. Already in August 2017, DEAG took over the promoter Flying Music Group and in 2018 the Belladrum Festival in Scotland. As the second-largest market in the media and entertainment industry in the EMEA economic region, the UK offers great growth opportunities, particularly through digitalisation in the area of ticketing. DEAG has a heterogeneous and broad range of events in the UK. With its diversified event portfolio, DEAG has considerable revenue potential and strategic options for the Group's overall business in Europe, despite uncertainties with regard to the further coordination of the Brexit between the UK and the European Union

» **Family Entertainment:** In the area of Family Entertainment, the company sees above-average growth opportunities for the future thanks to its attractive content and newly established formats. It can look forward to a promising offer for 2020 and the coming years. With various shows such as "Disney on Ice" in Germany, DEAG can benefit from a broad and reliable target audience, internationalisation through licensing models and increasing ticket sales – especially through its own ticketing platform.

» **Arts+Exhibitions:** DEAG is also looking forward to the Arts+Exhibitions division with great confidence. Events such as the Christmas Garden are proof of the company's success in this area. The number of locations was increased from three to six in 2019, with Madrid, Spain, becoming the first Christmas Garden to be held abroad. The Christmas Gardens are now enjoying enormous demand and "abducted" around 950,000 visitors to magical Christmas worlds. The Arts+Exhibitions area also offers growth opportunities with the "Potsdamer Schlössernacht" and numerous exhibitions such as MANDELA – The official Exhibition. » Furthermore, DEAG is positioned in the live entertainment market for virtual reality via TimeRide GmbH, a provider in the virtual reality (VR) entertainment sector, and is solely responsible for its ticket sales. The TimeRide format was expanded from Cologne and Dresden to Berlin and Munich in 2019. Hamburg and Frankfurt/Main are to follow this year.

» **Ticketing:** As a tour operator and local promoter in the live entertainment business, DEAG sells more than 5 million tickets each year. An increasingly growing share is sold via the company's own ticketing platforms of MyTicket. MyTicket is independent of other content providers and generates significantly higher profit margins than the live content business. MyTicket receives highly attractive content from DEAG's own business units Rock/Pop, Classics & Jazz, Family Entertainment and Arts+Exhibitions. In addition, the attractiveness of MyTicket is also steadily increasing for third-party content. Our own reporting system, probably from 2021 on, will further increase transparency and stimulate growth.

With an average annual share of 40% of tickets sold, the Internet is already the most important sales channel 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.

MyTicket has been working with the Swiss ticketing software provider SecuTix since the summer of 2019. 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, illustrates the scalability of the business model and will contribute to increasing profitability in the future.

In the medium term, DEAG hopes to sell over 8 million of its own tickets per year via its own platforms and to become an established sales channel in its core markets, not only with respect to concerts and events, but also sports and exhibitions.

» **Special income from the development and sale of the Jahrhunderthalle properties:** DEAG is the operator of the Jahrhunderthalle venue and conference centre and owns the site with an area of around 45,000 m2 through a joint venture 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. A corresponding agreement with the city of Frankfurt/Main enables the development of residential and commercial space. In the event of a positive and successful development of the properties, an additional profit will be generated which will be significantly higher than the book value of EUR 5.6 million.

# 5 FORECAST REPORT

In financial year 2019, 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, through the successfully implemented organic and inorganic growth steps, laid the foundation for continued dynamic company development in terms of sales and earnings. The further development of the profitable business segments and the creation of own brands and rights are the main drivers of business development, along with the high-growth ticketing business. For the current financial year 2020, the Executive Board is planning for the Group to achieve growth in the lower double-digit range in terms of sales and EBITDA, taking into account the full-year inclusion of the companies acquired in 2019, and a balanced result at the AG. Possible influences from effects that would be attributable to the spread of the Coronavirus (Covid-19) are not considered in the above-mentioned forecast values.

Since the beginning of March, however, the rapid spread of Covid-19 in the core markets is affecting the DEAG Group's operating business, particularly with regard to ticket sales and acquiring artists for shows, tours and other events. However, full insurance coverage (including Covid-19) is in place with one of the world's largest insurance groups for cancellations by "force majeure" events, both current and those in advance booking. The first claims have already been assessed and refunded. In order to minimise damage and to take fan interest into account, DEAG is in intensive dialogue with artists and partners regarding the postponement of events. More than 850 events have already been almost completely rescheduled to later dates, a small number of them even into the first two quarters of 2021. Accordingly, the structure of sales and earnings has so far changed mainly in the current financial year.

At present, it cannot be ruled out that the period to which event bans apply will be partially extended beyond May and that cancellations and further postponements into the coming year will be necessary. For this reason, the Executive Board does not rule out the possibility of a moderate or, if the restrictions apply beyond the summer, significant decline in sales and EBITDA for the current financial year. A detailed outlook for the current year as of the balance sheet date is not possible from today's perspective.

In the short term, the Executive Board will manage the situation as well as possible, while at the same time keeping an eye on strategically strengthening the business model, so that the momentum of the very good sales and earnings growth will continue as soon as the situation has returned to normal.

### 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, 6 April 2020

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L.H. Schwenkow

Christian Diekmann

Detlef Kornett

Roman Velke

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Foto: © DEAG

# CONSOLIDATED FINANCIAL STATEMENTS


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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

in EUR‘000

| | Note | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|---|
| Cash and cash equivalents | 7 | 46,341 | 36,427 |
| Trade receivables | 8 | 12,704 | 10,289 |
| Down payments | 9 | 12,056 | 9,357 |
| Income tax receivables | | 520 | 2,180 |
| Inventories | 10 | 1,064 | 74 |
| Other current financial assets | 11 | 3,794 | 2,886 |
| Other current non-financial assets | 11 | 2,956 | 2,692 |
| **Current assets** | | **79,435** | **63,905** |
| | | | |
| Goodwill | 13 | 33,379 | 23,915 |
| Other intangible assets | 13 | 32,806 | 13,203 |
| Tangible fixed assets | 14 | 26,094 | 19,409 |
| Investment properties | 16 | 5,625 | 5,625 |
| Investments | 17 | 2,340 | 1,899 |
| Financial assets accounted for using the equity method | 17 | 49 | 1,182 |
| Down payments | 9 | 500 | 4 |
| Other non-current financial assets | 18 | 3,392 | 2,545 |
| Deferred tax assets | 19,39 | 1,558 | 1,294 |
| **Non-current assets** | | **105,743** | **69,076** |
| | | | |
| | | **185,178** | **132,981** |

## TOTAL LIABILITIES AND EQUITY

in EUR'000

| | Notes | 31 Dec. 2019 | 31 Dec. 2018 |
|---|---|---|---|
| Bank loans payable | 20,28 | 10,959 | 10,101 |
| Trade accounts payable | 21 | 18,337 | 11,866 |
| Accruals | 22 | 7,408 | 8,257 |
| Convertible bond | 25 | - | 4,300 |
| Contract liabilities | 23 | 50,001 | 34,658 |
| Income tax liabilities | | 2,111 | 1,021 |
| Other current financial liabilities | 26 | 10,875 | 3,705 |
| Other current non-financial liabilities | 26 | 5,118 | 4,527 |
| **Current liabilities** | | **104,809** | **78,435** |
| Accruals | 22 | 279 | 238 |
| Bond | 24 | 24,032 | 18,921 |
| Bank loans payable | 20,28 | 2,995 | 1,500 |
| Contract liabilities | 23 | 93 | 181 |
| Other non-current financial liabilities | 27 | 20,882 | 15,467 |
| Deferred taxes | 19,39 | 6,932 | 3,291 |
| **Non-current liabilities** | | **55,213** | **39,598** |
| Subscribed capital | | 19,625 | 18,396 |
| Capital reserve | 25,29 | 28,695 | 42,508 |
| Retained earnings | | -466 | -466 |
| Cumulative deficit | | -36,495 | -52,107 |
| Cumulative other income | 29 | 1,698 | 1,563 |
| **Equity before non-controlling interests** | | **13,057** | **9,894** |
| Non-controlling interests | 29 | 12,099 | 5,054 |
| **Equity** | 29 | **25,156** | **14,948** |
| | | **185,178** | **132,981** |

# CONSOLIDATED STATEMENT OF INCOME

in EUR'000

| | Notes | 1 Jan. to 31 Dec. 2019 | 1. Jan. to 31 Dec. 2018 |
|---|---|---|---|
| Sales | 31 | 185,212 | 200,221 |
| Cost of sales | 32 | -143,364 | -161,725 |
| **Gross profit** | | **41,848** | **38,496** |
| Distribution costs | 33 | 18,266 | -18,962 |
| Administrative costs | 34 | -19,641 | -16,516 |
| Other operating income | 35 | 4,804 | 8,549 |
| Other operating expenses | 36 | -1,005 | -975 |
| **Operating income (EBIT)** | | **7,740** | **10,592** |
| Interest income and expenses | 37 | -3,940 | -2,995 |
| Income from investments | 38 | -379 | 682 |
| Income shares in companies accounted for using the equity method | 17 | -1,525 | -883 |
| **Financial result** | | **-5,844** | **-3,196** |
| **Result before taxes** | | **1,896** | **7,396** |
| Income taxes | 39 | -1,337 | -665 |
| **Group result from continued operations after taxes** | | **559** | **6,731** |
| **Group result from discontinued operations after taxes** | 40 | **-7** | **-132** |
| **Group result after taxes** | | **552** | **6,599** |
| thereof attributable to non-controlling interests | | 1,739 | 3,109 |
| **thereof attributable to DEAG shareholders (Group result)** | | **-1,187** | **3,490** |
| Earnings per share in EUR (diluted/undiluted) | | | |
| from continued operations | 29 | -0.06 | 0.20 |
| from continued and discontinued operations | 29 | -0.06 | 0.19 |
| **Average number of shares in circulation (diluted/undiluted)** | 29 | 19,136,758 | 18,396,808 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| | | |
| **Group result after taxes** | **552** | **6,599** |
| **Other result** | | |
| (+/-) Differences from exchange rates (independent foreign units) | -161 | 984 |
| **Amounts that may be reclassified to profit and loss account in future periods** | **-161** | **984** |
| (+/-) Actuarial profit/loss recorded in equity | 9 | -61 |
| (+/-) Deferred taxes | -2 | 12 |
| **Amounts that may not be reclassified to profit and loss** | **7** | **-49** |
| **Total recognised directly in other comprehensive income** | **-154** | **935** |
| **Total result** | **389** | **7,534** |
| **Thereof attributable to** | | |
| *Non-controlling interests* | *1,469* | *3,121* |
| *Shareholders of the parent company* | *-1,071* | *4,413* |

# CONSOLIDATED STATEMENT OF CASH FLOWS (NOTE 43)

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| | | |
| Group result from continued operations after taxes | 559 | 6,731 |
| Depreciation and amortisation | 6,353 | 2,256 |
| Expenditure from retirement of fixed assets | -1 | -9 |
| Changes not affecting payments | -2,240 | 1,546 |
| Income from valuation of investment property | 0 | -132 |
| Change in other accruals | -2,202 | 1,581 |
| Result of changes in the scope of consolidation | -2,559 | -6,649 |
| Deferred taxes (net) | 9 | -463 |
| Result from the valuation of associated companies accounted for using the equity method | 1,525 | 883 |
| **Cash flow before changes in net current assets** | **1,444** | **5,744** |
| Net interest income | 3,940 | 2,995 |
| Changes to receivables, inventories and other assets | 3,369 | 11,559 |
| Changes to other loan capital without financial debts | 7,694 | -33,486 |
| **Net cash inflow/outflow from continued operations** | **16,447** | **-13,188** |
| Net cash outflow from discontinued operations | -4 | -125 |
| **Net cash inflow/outflow from operating activities (total)** | **16,443** | **-13,313** |
| Outflows for investments in | | |
| intangible assets | -1,356 | -248 |
| Tangible assets and financial investments | -1,760 | -1,503 |
| Payments received from the acquisition of consolidated companies and business units | - | 777 |
| Payments made to acquire consolidated companies and business units | -2,295 | -3,030 |
| Payment inflows from the sale of consolidated companies and business units | - | 6,647 |
| Asset disposals | -2 | 191 |
| Interest income | 98 | 76 |
| **Net cash outflow/inflow from investing activities (total)** | **-5,315** | **2,910** |

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| | | |
| Raising of financial debt | 6,692 | 2,729 |
| Repayment of financial debt | -4,339 | -8,043 |
| Cash outflow from the convertible bond | - | -1,400 |
| Cash proceeds from the bond | 5,000 | 20,000 |
| Cost of the bond | -270 | -1,108 |
| Cash payments by a lessee for the reduction of the outstanding liability relating to lease obligations | -4,564 | -3,015 |
| Interest expenditure | -1,819 | -978 |
| Dividend shares of other shareholders | -1,055 | -373 |
| Payments to/from other shareholders | 2 | -2,108 |
| **Cash outflow/inflow from financing activities (total)** | **-353** | **5,704** |
| **Changes in cash and cash equivalents** | **10,775** | **-4,699** |
| Effects of changes in exchange rates | -861 | -690 |
| Cash and cash equivalents as of 1 Jan. | 36,427 | 41,816 |
| **Cash and cash equivalents as of 31 Dec.** | **46,341** | **36,427** |

# DEVELOPMENT OF EQUITY WITHIN THE GROUP (NOTE 29)

in EUR'000

| | Number of shares issued | Subscribed capital of DEAG | DEAG capital reserve |
|---|---|---|---|
| | | | |
| **As of 1 Jan. 2018** | **18,396,808** | **18,396** | **42,508** |
| Total result | - | - | - |
| Capital increase | - | - | - |
| Dividend | - | - | - |
| Acquisition / sale of shares of other shareholders | - | - | - |
| Other changes | - | - | - |
| **As of 31 Dec. 2018** | **18,396,808** | **18,396** | **42,508** |
| | | | |
| Total result | - | - | - |
| Capital increase | 1,228,553 | 1,229 | 3,071 |
| Dividend | - | - | - |
| Acquisition / sale of shares of other shareholders | - | - | - |
| Other changes | - | - | -16,884 [2] |
| **As of 31 Dec. 2019** | **19,625,361** | **19,625** | **28,695** |

[1] Decreases/previous year: increases (EUR -85 thousand; previous year: EUR -1,519 thousand)
[2] Release of capital reserve to offset losses
[3] Stock option programme (+26)

| | Retained earnings | Cumulative deficit | Cumulative other income | Attributable to DEAG shareholders | Attributable to non-controlling | Equity |
|---|---|---|---|---|---|---|
| | | | | | | |
| | **-466** | **-54,078** | **638** | **6,998** | **5,154** | **12,152** |
| | - | 3,490 | 925 | 4,415 | 3,081 | 7,496 |
| | - | - | - | - | - | - |
| | - | - | - | - | -373 | -373 |
| | - | - | - | - | -2,808 | -2,808 |
| | - | -1,519 [1] | - | -1,519 | - | -1,519 |
| | **-466** | **-52,107** | **1,563** | **9,894** | **5,054** | **14,948** |
| | | | | | | |
| | - | -1,187 | 135[3] | -1,052 | 1,745 | 693 |
| | - | - | - | 4,300 | - | 4,300 |
| | - | - | - | - | -1,055 | -1,055 |
| | - | - | - | - | 6,270 | 6,270 |
| | - | 16,799 [1, 2] | - | -85 | 85 | - |
| | **-466** | **-36,495** | **1,698** | **13,057** | **12,099** | **25,156** |

# 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 as well as the British company Gigantic.com since December 2019.

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 to the further development of DEAG’s own content. Its network of strong partners allows DEAG to put itself in an excellent market position as an internationally active live entertainment Group.

These Consolidated Financial Statements of DEAG as of December 2019 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 annual financial statements of the Group companies, which have been prepared in accordance with the German Commercial Code (HGB), including the accounting standards adopted by the German Accounting Standards Committee (DRSC) and the German Stock Corporation Act (AktG) in accordance with Section 342 of the HGB, and, in the case of foreign companies, in accordance with their national regulations, using consistently and uniformly applied accounting and valuation principles as of a uniform balance sheet date. 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 separate financial statements and interim financial statements of the consolidated companies have been prepared as of the balance sheet date of the Consolidated Financial Statements. Valuations based on tax regulations 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 separate financial statements prepared under German commercial law, in a so-called Handelsbilanz II.

The items combined in the Statement of Financial Position and the Group Statement of Income are explained in the Notes to the Consolidated Financial Statements.

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. When determining the utility value, a discounted cash flow procedure was applied. 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 development, the premises and, if necessary, the carrying amounts of the goodwill of EUR 33,379 thousand (previous year: EUR 23,915 thousand) are adjusted accordingly. Reference is made to our comments in Note 13.

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, investments and share-based payments.

Furthermore, 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 for financial years beginning on 1 January 2019:

» IFRS 16 – Leases
» IFRS 9 – Financial Instruments: Prepayment Features with Negative Compensation
» IAS 19 – Employee Benefits: Plan Amendment, Curtailment or Settlement
» IAS 28 – Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
» AIP (Cycle 2015 - 2017 ) – Amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11
» IFRIC 23 - Uncertainty over Income Tax Treatments

With the exception of IFRS 16 Leases, which DEAG has already applied early since the previous period, other new or amended IFRS standards, the first application of which in the EU was mandatory as of 1 January 2019, had no material impact on the Consolidated Financial Statements.

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.

New accounting standards of the IASB and IFRS IC not yet applied

The following standards and interpretations have been adopted by the IASB and IFRS Interpretations Committee (IFRS IC). They are not yet mandatory for financial year 2019 and have not been applied:

Already incorporated into EU law:

» Various standards – changes to the cross-references to the framework concept in IFRS standards (to be applied on or after 01/01/2020)
» Amendments to IAS 1 and IAS 8 – Definition of Materiality (to be applied on after 01/01/2021)
» IAS 39 and IFRS 7 – Reform of Reference Interest Rates (to be applied on or after 01/01/2020)
» Amendments to IFRS 4 – Application of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts
(Option a) temporary exemption from IFRS 9 – then application from 1 January 2021 or b) overlay approach – application from 1 January 2018 with transitional regulations)

Not yet incorporated into EU law:

» Amendments to IFRS 3 – Definition of a Business (to be applied on after 1 January 2021)
» IFRS 17 – Insurance Contracts (to be applied on after 1 January 2021)
» Amendments to IAS 1 – Adjustment of the criteria for the classification of debt as current or non-current (to be applied retrospectively on or after 1 January 2022)

The Group intends to apply these standards and interpretations from the effective date. Overall, these standards are expected to have a minor impact on the asset, financial and earnings position of the DEAG Group.

# 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.

As of 31 December 2019, in addition to DEAG, the scope of consolidation included 50 (previous year: 39) fully consolidated domestic and foreign companies, including two companies in the discontinued operations. As joint ventures and associated companies, eight investments were valued using the equity method, unchanged from the previous year. Due to their insignificance for the Group, one affiliated company (previous year: one affiliated company) and five shareholdings (previous year: four shareholdings) are shown at cost. As in the previous year, an investment is carried at fair value.

**Consolidation methods**

Capital consolidation involves offsetting the acquisition costs of shareholdings against equity at the time of starting up or acquiring the respective subsidiary. Depreciation of shares in subsidiaries in the separate 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 Statement of Financial Position, 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 shareholdings 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 separate 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:

| Segment | Company | Shareholdings |
|---|---|---|
| Live Touring | | |
| | DEAG Concerts GmbH, Berlin | 100.0 % |
| | Global Concerts GmbH, Munich | 100.0 % |
| | Grünland Family Entertainment GmbH, Berlin | 100.0 % |
| | Christmas Garden Deutschland GmbH, Berlin | 100.0 % |
| | Wizard Promotions Konzertagentur GmbH, Frankfurt/Main | 75.1 % |
| | DEAG Classics AG, Berlin | 100.0 % |
| | KBK Konzert- und Künstleragentur GmbH, Berlin | 51.0 % |
| | I-Motion GmbH Events & Communication, Mühlheim-Kärlich | 50.1 % |
| | MEWES Entertainment Group GmbH, Hamburg | 51.0 % |
| | Kilimanjaro Holdings Limited, London (UK) | 49.7 % |
| | Kilimanjaro Live Limited, London (UK) | 49.7 % |
| | Kilimanjaro Theatricals Limited, London (UK) | 26.0 % |
| | Wakestock Limited, London (UK) | 49.7 % |
| | Matterhorn Events Limited, London (UK) | 49.7 % |
| | Ben Wyvis Live Ltd., Glasgow (UK) | 49.7 % |
| | Flying Music Holdings Limited, London (UK) | 29.8 % |
| | The Flying Music Group Limited, London (UK) | 29.8 % |
| | Flying Music Company Limited, London (UK) | 29.8 % |
| | Flying Entertainment Limited, London (UK) | 29.8 % |
| | The Classical Company AG, Zürich (Switzerland) | 100.0 % |
| | MyTicket Services Ltd., London (UK) | 49.7 % |
| | Gigantic Holdings Ltd., London (UK) | 37.3 % |
| | Gigantic Tickets Ltd., London (UK) | 37.3 % |
| Entertainment Services | | |
| | Concert Concept Veranstaltungs-GmbH, Berlin | 100.0 % |
| | Global Concerts GmbH, Munich | 100.0 % |
| | Elbklassik Konzerte GmbH, Hamburg | 100.0 % |
| | Friedrichsbau Varieté Stuttgart Betriebs- und Verwaltungs GmbH, Stuttgart | 100.0 % |
| | Broadway Varieté Management GmbH, Berlin | 100.0 % |

| | | |
|---|---|---|
| | River Concerts GmbH, Berlin | 100.0 % |
| | mytic myticket AG, Berlin | 100.0 % |
| | LiveGeist Entertainment GmbH, Frankfurt/Main | 75.1 % |
| | FOH Rhein Main Entertainment GmbH, Frankfurt/Main | 63.1 % |
| | handwerker promotion e. gmbh, Unna | 51.0 % |
| | pro media GmbH, Unna | 51.0 % |
| | Grandezza Entertainment GmbH, Berlin | 51.0 % |
| | Viel Vergnügen GmbH, Essen | 51.0 % |
| | Kultur im Park GmbH, Berlin | 51.0 % |
| | Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main | 49.0 % |
| | $C^2$ Concerts GmbH, Stuttgart | 51.0 % |
| | Kessel Festival GmbH, Stuttgart | 51.0 % |
| | Kessel Festival GmbH & Co. KG, Stuttgart | 46.0 % |
| | AIO Group AG, Glattpark (Switzerland) | 100.0 % |
| | Good News Productions AG, Glattpark (Switzerland) | 100.0 % |
| | The Smart Agency AG, Glattpark (Switzerland) | 100.0 % |
| | Fortissimo AG, Glattpark (Switzerland) | 100.0 % |
| | Venue Consulting AG, Glattpark (Switzerland) | 100.0 % |
| | Live Music Production LMP SA, Le Grand-Saconnex (Switzerland) | 60.0 % |
| | Live Music Entertainment LME SA, Le Grand-Saconnex (Switzerland) | 51.0 % |
| Discontinued Operations | | |
| | DEAG Music GmbH, Berlin | 100.0 % |
| | Blue Moon Entertainment GmbH, Vienna (Austria) | 100.0 % |

On 29 January 2019, DEAG Concerts GmbH acquired 51% of the voting rights (49.7% of the capital shares) in MyTicket Services Ltd, London (UK). At MyTicket Services Ltd, London (UK), DEAG has the right of final decision on decisions made by the Management Board. The control concept pursuant to IFRS 10.7 is therefore fulfilled here.

On 5 June 2019, Concert Concept GmbH, a wholly owned subsidiary of DEAG, acquired 51% of the shares in $C^2$ Concerts GmbH, Stuttgart. $C^2$ Concerts GmbH holds 90% of the shares in Kesselfestival GmbH & Co. KG and 100% of its general partner Kesselfestival GmbH.

On 7 June 2019, DEAG's wholly-owned subsidiary DEAG Concerts GmbH acquired 50.1% of the shares in I-Motion GmbH Events & Communication, Mülheim-Kärlich. This company is fully consolidated in the Group.

On 20 June 2019, AIO Group AG, Glattpark (Switzerland), a wholly owned subsidiary of DEAG Concerts GmbH, acquired a 60% interest in Live Music Production SA, Le Grand-Saconnex (Switzerland) and a 51% interest in Live Music Entertainment SA, Le Grand-Saconnex (Switzerland). Thus the position of DEAG in Switzerland was further expanded.

On 19 August 2019, DEAG Concerts GmbH acquired 51% of the shares in MEWES Entertainment Group GmbH, Hamburg.

MyTicket Services Ltd, London (UK) has held shares in Gigantic Holdings Ltd, London (UK) amounting to 75.0% of the equity since 1 December 2019. Consequently, Gigantic Holdings Ltd., London (UK) and its wholly owned subsidiary Gigantic Tickets Ltd., London (UK) are fully consolidated in the scope of consolidation.

The percentage capital share of DEAG Concerts GmbH in Kilimanjaro Holdings Ltd., London (UK) decreased slightly to 49.7%, while the share of voting rights remained unchanged at 51%. Therefore, the control concept in accordance with IFRS 10.7 still applies and Kilimanjaro Holdings Ltd. and its subsidiaries continue to be fully consolidated in the scope of consolidation.

Since 1 January 2018, DEAG has been entitled to make the 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.

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:

| Segment | Company | Shareholdings |
|---|---|---:|
| Live Touring | A.C.T. Artist Agency GmbH, Berlin | 50.0 % |
| Entertainment Services | JHH Entwicklungsflächen GmbH & Co. KG, Frankfurt/Main | 50.0 % |
| | JHH Entwicklungsflächen Verwaltungs GmbH, Frankfurt/Main | 50.0 % |

The following companies are accounted for as associated companies and included in the Consolidated Financial Statements using the equity method:

| Segment | Company | Shareholdings |
|---|---|---:|
| | EIB Entertainment Insurance Brokers GmbH, Hamburg | 49.0 % |
| Entertainment Services | Verescon AG, Berlin | 44.0 % |
| | Rock the Ring AG, Hinwil (Switzerland) | 35.0 % |
| Live Touring | Twin Peaks Festival Limited, London (UK) | 24.8 % |
| | Seefestspiele Berlin GmbH, Berlin | 40.0 % |

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 company is immaterial for the Consolidated Financial Statements of DEAG and is not relevant for providing a true and fair view of the asset, financial and earnings position of the Group and is therefore not consolidated: GOLD Entertainment GmbH (formerly: 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) | Earnings in financial year (in EUR'000) |
|---|---|---|---|---|
| GOLD Entertainment GmbH | Berlin | 100.0% | -2 | 0 |

The group of consolidated companies of DEAG Group changed as follows in financial year 2019:

| Segment | Company | Addition |
|---|---|---|
| Live Touring | I-Motion GmbH Events & Communication, Mühlheim-Kärlich | 30 June 2019 |
| | MEWES Entertainment Group GmbH, Hamburg | 1 August 2019 |
| | Myticket Services Ltd., London (UK) | 1 December 2019 |
| | Gigantic Holding Ltd., London (UK) | 1 December 2019 |
| | Gigantic Tickets Ltd., London (UK) | 1 December 2019 |
| | Kilimanjaro Theatricals Ltd., London (UK) | 26 April 2019 |
| Entertainment Services | C² Concerts GmbH, Stuttgart | 1 June 2019 |
| | Kessel Festival GmbH & Co. KG, Stuttgart | 1 June 2019 |
| | Kessel Festival GmbH, Stuttgart | 1 June 2019 |
| | Live Music Entertainment SA (LME), Grand-Saconnex (Switzerland) | 30 June 2019 |
| | Live Music Production SA (LMP), Grand-Saconnex (Switzerland) | 30 June 2019 |

# 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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| 1 pound sterling | 1.1754 | 1.1179 | 1.1399 | 1.1303 |
| 1 Swiss franc | 0.9213 | 0.8874 | 0.8987 | 0.8659 |

# 5 BALANCE SHEET ACCOUNTING AND VALUATION PRINCIPLES

**Notes to the Statement of Financial Position**

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 as part 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 brands for which a certain useful life cannot normally be defined, there is no depreciation. Otherwise, this is not done until the management decides to continue the brand only for a certain period of time. These brands 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 takes place 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 use non-leasing components (so-called service components) when determining the usage rights.

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.

Unscheduled write-downs are made if impairment of intangible assets or property, plant and equipment is found to exist. The fair value of intangible assets or property, plant and equipment is determined on the basis of future net income or net proceeds from disposal (impairment test). A review is carried out if there is reason to assume an impairment.

Scheduled depreciations are 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 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 Statement of Income 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. Appropriate value adjustments are made if net sales proceeds on the balance sheet date are less than the cost of acquisition.

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.

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 recorded at the cash value of the expected future cash flows.

Pursuant to IAS 12, tax deferrals are calculated on the basis of different valuations of assets and liabilities in the commercial and tax balance sheets, on circumstances within the scope of commercial balance sheet II, on consolidation processes and on realisable losses carried forward. Deferred tax assets on losses carried forward are recognised to the extent that they will be used up within a period of 5 years. Other deferred tax assets on losses carried forward are only recognised to the extent that they are offset by deferred tax liabilities. Deferred tax assets and deferred tax liabilities are netted in the balance sheet to the extent that they can be offset 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 before 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.

The Group's financial instruments essentially comprise cash and cash equivalents, trade receivables, other non-current financial receivables, other intangible assets and investments, trade payables, liabilities to banks and other financial liabilities.

On initial recognition, trade receivables are carried at the 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 with no effect on income
» 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 using the effective interest method. Amortisation using the effective interest method is included in the Statement of Comprehensive Income as part of the financial result. 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, assets are measured at fair value through profit or loss.

The valuation hierarchy described below is used for financial assets and liabilities and the investment property 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 given priority over the use of non-observable input factors. The classification of the various measurement methods into the individual levels is reviewed at the end of each reporting period.

The assessment under level 3 is carried out according to the following principles:

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. 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. Changes in fair value are recognised in the income statement under other operating income or expenses.

Material Investments are measured at fair value. Fair value is determined primarily on the basis of an externally objectified value from equity measures or alternatively by means of recognised valuation methods, in particular the discounted cash flow method (DCF method), based on the expected investment results. The unrealised gains and losses resulting from the change in fair value are recognised directly in income from investments.

In the context of the sale subject to a condition precedent for the investment property, the parties agreed on a minimum price for the sub-plots of land, which is to be applied prior to a fair value determined by an expert valuation due to the fact that it was concluded in a transaction. For financial year 2019, the price agreed in 2015 subject to a condition precedent was still used as the best indicator of fair value.

The fair value of the purchase price option for a minority interest included in other non-current receivables is determined by comparing the purchase price calculation agreed in the option agreement with the proportionate enterprise value determined using the discounted cash flow method (DCF method) on the basis of the expected achievable EBIT. Changes in fair value are recognised in the income statement under other operating income or expenses

Impairment losses on financial assets classified at amortised cost are recognised using the impairment model of IFRS 9, taking into account expected credit losses (ECL). The model requires management to assess how changes in economic factors affect expected credit losses. For this purpose, assumptions are made on the basis of reliable weighted information.

DEAG makes use of the simplified approach for value adjustments on trade receivables in order to assess default risks and calculates the expected credit losses (ECL) via a risk provision in the amount of the expected credit losses over the remaining term, irrespective of when the default event occurs. Expected credit losses over the life of the financial instrument are credit losses that result from all possible default risks during the expected life of the financial instrument. In order to reflect the risk provisioning, the Group has performed an analysis based on historical default events. Since sales are mainly generated from pre-sales and the past default events are immaterial from the Group's point of view, no impairment matrix is being presented.

For all other financial assets for which the credit risk has not increased significantly since initial recognition, the expected credit loss that is expected within the next 12 months is recognised. For financial instruments for which there has been a significant increase in the credit risk, risk provisions are calculated in the amount of the expected credit losses over the remaining term. In determining whether the default risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and readily available without undue delay or expense. This includes both quantitative and qualitative information and analysis based on the Group's past experience and sound judgements, including forward-looking information.

Financial assets continue to be written off in full or in part by way of individual value adjustments if, after appropriate assessment, it can no longer be assumed that full realisation is possible. For this purpose, the Group makes an individual assessment of the timing and amount of the write-down, based on whether there is an appropriate expectation of recovery.

DEAG assesses at each balance sheet date whether financial assets at amortised cost are impaired in creditworthiness. A financial asset's credit rating is impaired if one or more events with an adverse effect on the expected future cash flows of the financial asset occur.

Indicators that a financial asset is impaired in terms of creditworthiness include the following observable data:

- default of a debtor or indications that a debtor will file for insolvency, or
- significant negative changes in the debtor's payment history

The determination of impaired creditworthiness is not made automatically in the case of overdue payments of more than 90 days, but always on the basis of the individual assessment by credit management.

A financial asset is derecognised when the rights to payments from the asset expire or are transferred, and thus at the time when essentially all risks and rewards associated with ownership have been transferred.

Financial liabilities are derecognised if the obligation on which the liability is based has either expired, been cancelled or already been fulfilled.

Gains and losses from derecognition, value adjustments and currency translation differences are recognised in other operating income or other operating expenses.

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

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

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

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 amortised over the term of the bond using the effective interest method.

As remuneration for the work performed, the Executive Board and the Managing Directors of the domestic and foreign subsidiaries and management personnel receive share-based payment in the form of equity instruments. These can optionally be fulfilled by the company in cash. However, the company currently has no intention or determination to make use of this option. The stock options are therefore accounted for as equity-settled plans.

The costs of transactions settled by equity instruments are measured using a suitable valuation model at fair value at the time when they are granted. See also Note 45.

The balance sheet is sub-divided in accordance with IAS 1 into non-current and current assets and liabilities. Current assets and liabilities are those that are due within one year and their realisation is expected within the normal business cycle or that 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 Statement of Income**

Pursuant to IFRS 15, 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. Sales revenues and other revenues include all income for services already provided. 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. The ticket monies received in the respective pre-sales period are reported as contract liabilities until then. The contract liabilities are reclassified as revenue when the event takes place.

The 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:

- 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

Expenses are recognised in the Statement of Income 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 subdivides 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), I-Motion GmbH Event & Communications (Mülheim-Kärlich), MEWES Entertainment Group (Hamburg), the sub-group Gigantic Holdings Ltd. incl. Myticket Services Ltd. (London, UK), 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") includes the regional business and all services business. This comprises the activities of the AIO Group (Glattpark, Switzerland), including the subgroup Live Music Production SA (LMP)/Live Music Entertainment SA (LME), both based in Le Grand-Saconnex, Switzerland, Global Concerts (Munich), Concert Concept (Berlin), the sub-group $C^2$ CONCERTS (Stuttgart), Grandezza Entertainment (Berlin), River Concerts (Berlin) and Elbklassik (Hamburg), handwerker promotion (Unna), LiveGeist Entertainment (Frankfurt/Main), Kultur- und Kongresszentrum Jahrhunderthalle (Frankfurt/Main), FOH Rhein Main Concerts (Frankfurt/Main), mytic myticket (Berlin) and Kultur im Park (Berlin).

## Segment data

in EUR'000

| | Live Touring | | Entertainment Services | | Total Segments | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Sales | 118,051 | 131,589 | 78,907 | 78,965 | 196,958 | 210,554 |
| Other income | 3,974 | 8,103 | 531 | 767 | 4,505 | 8,870 |
| **Total earnings** | **122,025** | **139,692** | **79,438** | **79,732** | **201,463** | **219,424** |
| - thereof internal income | 2,101 | 1,091 | 12,450 | 12,410 | 14,551 | 13,501 |
| Cost of sales* | 98,366 | 113,884 | 57,433 | 59,244 | 155,799 | 173,128 |
| Operating expenses* | 12,585 | 11,175 | 18,055 | 18,086 | 30,640 | 29,261 |
| Depreciations and amortisation (for information only) -scheduled* | 3,572 | 2,003 | 2,412 | 1,720 | 5,984 | 3,723 |
| Segment result (EBIT) | 10,560 | 14,338 | 3,482 | 1,645 | 14,042 | 15,983 |
| Full-time employees as of 31 Dec. | 69 | 64 | 121 | 95 | 190 | 159 |
| Return on sales | 8,9 % | 10,9 % | 4,4 % | 2,1 % | 7,1 % | 7,6 % |

* Including proportional, scheduled depreciation

External revenues comprise revenues from the sale of tickets and the provision of services to customers.

Internal revenues relate 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 | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Sales | 196,958 | 210,554 | -11,746 | -10,333 | 185,212 | 200,221 |
| Other income | 4,505 | 8,870 | 299 | -321 | 4,804 | 8,549 |
| **Total earnings** | **201,463** | **219,424** | **-11,447** | **-10,654** | **190,016** | **208,770** |
| - thereof internal income | 14,551 | 13,501 | -14,551 | -13,501 | - | - |
| Cost of sales | 155,799 | 173,128 | -12,435 | -11,403 | 143,364 | 161,725 |
| Operating expenses | 30,640 | 29,261 | 7,267 | 6,217 | 37,907 | 35,478 |
| Segment result (EBIT) | | | | | 14,042 | 15,983 |
| Unallocated expenditure and income (incl. DEAG and consolidation effects) | | | | | -6,302 | -5,391 |
| **Operating result (EBIT)** | | | | | **7,740** | **10,592** |
| Income shares in companies accounted for using the equity method | | | | | -1,525 | -883 |
| Other financial result | | | | | -4,319 | -2,313 |
| **Earnings before taxes (EBT)** | | | | | **1,896** | **7,396** |
| Taxes on income and earnings | | | | | -1,337 | -665 |
| **result from continuing operations after taxes** | | | | | **559** | **6,731** |
| **result from discontinuing operations after taxes** | | | | | **-7** | **-132** |
| **Group earnings after taxes** | | | | | **552** | **6,599** |
| thereof attributable to other shareholders | | | | | 1,739 | 3,109 |
| **thereof attributable to DEAG shareholders (Group earnings)** | | | | | **-1,187** | **3,490** |

EBITDA in the Live Touring segment amounts to EUR 14.1 million (2018: EUR 16.3 million) and EUR 5.9 million in the Entertainment Services segment after EUR 3.6 million the previous year.

Group EBITDA amounted to EUR 14.1 million (previous year: EUR 14.6 million) and, taking into account scheduled depreciation and amortisation of EUR 6.4 million (previous year: EUR 4.0 million), Group EBIT amounted to EUR 7.7 million (previous year: EUR 10.6 million).

The result of associated companies relates to DEAG in the amount of EUR -12 thousand (previous year: EUR 1 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 | |
|---|---|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| Sales | 101,885 | 98,297 | 83,327 | 101,924 | 185,212 | 200,221 |

The sales of the other countries amount to EUR 65,276 thousand (2018: EUR 85,864 thousand) for the sub-group Kilimanjaro (UK) and EUR 18,051 thousand (2018: EUR 16,060 thousand) for the AIO Group (Switzerland).

## 7 LIQUID FUNDS

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

## 8 TRADE RECEIVABLES

Trade receivables comprise the following items:

in EUR'000

| | **31.12.19** | **31.12.18** |
|---|---|---|
| Trade receivables | 12,789 | 10,428 |
| Value adjustments on trade receivables | -85 | -139 |
| **Trade receivables** | **12,704** | **10,289** |

The value adjustments have changed by EUR 115 thousand (2018: EUR 294 thousand) due to utilisation, by EUR 52 thousand (2018: EUR 17 thousand) due to reversal and by EUR 113 thousand (2018: EUR 120 thousand) due to additions. The value adjustments were recorded under other operating expenses. The receivables written off mainly relate to the valuation based on the expected credit losses in accordance with IFRS 9. As the write-downs of trade receivables in the Group in 2019 and in the near future are not material, no impairment matrix was presented for reasons of materiality.

For further details on trade receivables, please refer to Note 31 "Sales."

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## DOWN PAYMENTS

Down payments essentially relate to advance payments of fees and individually attributable event costs relating to events after the balance sheet date.

10

## INVENTORIES

Inventories pertain to finished products and goods.

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## OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

Other current financial assets comprise the following:

in EUR‘000

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Loans | 637 | 766 |
| Receivables from associated companies | 1,170 | 598 |
| Reimbursement/compensation payments | 377 | 394 |
| Receivables from cooperation contracts | 414 | 165 |
| Deposits | 126 | 162 |
| Creditors with debit balances | 55 | 201 |
| Others | 1,015 | 600 |
| **Other current financial assets** | **3,794** | **2,886** |

Other current non-financial assets essentially comprise the following:

in EUR‘000

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Tax authorities claims | 324 | 1,079 |
| Down payments | 1,585 | 927 |
| Input tax deductible in the following year | 539 | 416 |
| Others | 508 | 270 |
| **Other current non-financial assets** | **2,956** | **2,692** |

# 12 INFORMATION ABOUT SUBSIDIARIES

## 12.1 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES

Summarised financial information on 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 companies 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 comprises 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 under financial investments.

**Carrying values**

in EUR‘000

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Current assets | 15,762 | 21,032 |
| Non-current assets | 18,014 | 19,141 |
| Current liabilities | 23,645 | 26,633 |
| Non-current liabilities | 1,892 | 3,513 |
| Equity attributable to DEAG shareholders | 4,285 | 5,278 |
| Equity attributable to non-controlling interest | 3,954 | 4,749 |

**Profit and loss accounting values**

in EUR‘000

| | 2019 | 2018 |
|---|---|---|
| Sales revenue | 65,078 | 85,864 |
| Expenses and other income | 65,189 | 81,755 |
| **Annual earnings** | **-111** | **4,109** |

| | | |
|---|---|---|
| Annual earnings attributable to the shareholders of the parent company | -151 | 1,249 |
| Annual earnings attributable to non-controlling interests | 40 | 2,860 |
| **Total annual earnings** | **-111** | **4,109** |
| | | |
| Other result attributable to shareholders of the parent company | -147 | -9 |
| Other result attributable to non-controlling interests | -271 | -42 |
| **Total other result** | **-418** | **-51** |
| | | |
| Total result attributable to the shareholders of the parent company | -298 | 1,240 |
| Total result attributable to non-controlling interests | -231 | 2,818 |
| **Total result** | **-529** | **4,058** |

in EUR thousands

| | **2019** | **2018** |
|---|---|---|
| Dividends paid to non-controlling interests | -957 | - |
| | | |
| Net payment flows from operating activities | -7,146 | -2,871 |
| Net payment flows from investment activities | -1,536 | -7,836 |
| Net payment flows from financing activities | 1,367 | -36 |
| **Total net payment flows** | **-7,315** | **-10,743** |

## 12.2 ACQUISITIONS

Acquisitions are accounted for under IFRS 3 (Business Combinations) using the purchase method.

The acquisitions made in the financial year had the following effects on the Group's assets and liabilities as of the acquisition date:

### a) C² Concerts GmbH and Kesselfestival GmbH & Co. KG, Stuttgart

C² Concerts GmbH together with the Kesselfestival GmbH & Co. KG (summarised here as subgroup C²) operates as a local organiser in Baden-Württemberg, as a musical producer and tour operator. The promoter offers a very broadly diversified portfolio in the areas of Rock / Pop, Family Entertainment, Arts+Exhibitions and Classics & Jazz and has its own rights to some of its content.

| Share of capital and voting rights | |
|---|---|
| C² Concerts GmbH | 51.0 % |
| Kessel Festival GmbH & Co. KG | 46.0 % |
| Date of initial consolidation | 01.06.19 |
| Purchase price (in EUR'000) | 1,346 |
| Ancillary acquisition costs (in EUR'000) | 19 |

in EUR'000

| | **Carrying amount at time of acquisition** | **Adjustment amount*)** | **Fair value at time of acquisition** |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 180 | 1,372 | 1,552 |
| Other rights | 36 | - | 36 |
| Fixed assets | 38 | - | 38 |
| Cash and cash equivalents | 341 | - | 341 |
| Current assets | 1,340 | - | 1,347 |
| | **1,935** | **1,372** | **3,307** |
| **Liabilities** | | | |
| Current liabilities | 2,098 | | 2,098 |
| Non-current liabilities | - | - | - |
| Deferred tax liabilities | - | - | - |
| | **2,098** | **-** | **2,098** |
| **Net assets** | **-163** | **1,372** | **1,209** |
| Equity attributable to non-controlling interest | | | -119 |

*) The adjustment amount reflects the differences between the carrying amounts of assets and liabilities before their acquisition and their fair values at the date of acquisition by the buyer.

Since 1 June 2019 (the date of initial consolidation), C² and its subsidiary have contributed EUR 5,038 thousand to sales, EUR 614 thousand to EBIT and EUR 223 thousand to net income after minority interests.

The fixed purchase price that was paid on the balance sheet date was paid in cash. The remaining purchase price was recognised as a contingent liability and is due in 2019-2021 depending on how the company's business develops in the future. The prerequisite is that the average EBIT for the years 2019 to 2021 reach a minimum value.

**b) I-Motion GmbH Events & Communication, Mülheim-Kärlich**

I-Motion has been successfully organising electronic music events for over 25 years. With long-established and profitable formats like “MAYDAY” (since 1991), “Nature One” (since 1995) and “Ruhr-in-Love” (since 2003), I-Motion is successful in the market.

| Share of capital and voting rights | |
|---|---|
| I-Motion GmbH Events & Communication, Mülheim-Kärlich | 50.1 % |
| Date of initial consolidation | 30.06.19 |
| Purchase price (in EUR‘000) | 4,436 |
| Ancillary acquisition costs (in EUR‘000) | 203 |

in EUR‘000

| | Carrying amount at time of acquisition | Adjustment amount*) | Fair value at time of acquisition |
|---|---|---|---|
| **Assets** | | | |
| Other rights | 5,499 | 10,696 | 16,195 |
| Software | 58 | 96 | 154 |
| Fixed assets | 419 | - | 419 |
| Cash and cash equivalents | 1,003 | - | 1,003 |
| Current assets | 2,390 | 704 | 3,094 |
| Deferred tax assets | 563 | - | 563 |
| | **9,932** | **11,496** | **21,428** |
| **Liabilities** | | | |
| Current liabilities | 4,014 | - | 4,014 |
| Non-current liabilities | - | 3,449 | 3,449 |
| | **4,014** | **3,449** | **7,463** |
| **Net assets** | **5,918** | **8,047** | **13,965** |
| Equity attributable to non-controlling interest | | | 6,969 |

*) The adjustment amount reflects the differences between the carrying amounts of assets and liabilities before their acquisition and their fair values at the date of acquisition by the buyer.

The purchase price of USD 5.0 million (equivalent to EUR 4.4 million) is due in two instalments. The first instalment of $ 2.5 million was settled on the balance sheet date. The second instalment of $ 2.5 million is due in 2020 and recognised in liabilities.

The purchase price allocation relating to the acquisition of I-Motion GmbH resulted in negative goodwill of EUR 2,559. The purchase price does not take into account the marketing potential estimated by DEAG, such as the potential of the established event brands “Nature One” and “Mayday.” The business combination is therefore to be regarded as a “bargain purchase” in accordance with IFRS 3.34 and the negative difference was recognised in other income.

In accordance with IFRS 3.36, all procedures used to determine the fair values of the identifiable assets and assumed liabilities were also reviewed again. This ensured that all information available at the time of acquisition was taken into account appropriately in the valuation.

Since 30 June 2019 (the date of initial consolidation), I-Motion has contributed EUR 13,529 thousand to sales, EUR 3,168 thousand to EBIT and EUR 1,118 thousand to the consolidated result after minority interests. Sales on a pro forma basis according to IFRS 3.B64(q) amounted to EUR 15.6 million with net income of EUR 0.9 million.

**c) Live Music Production SA and Live Music Entertainment SA, Le Grand-Saconnex (Switzerland)**

In June 2019, the Group acquired a stake in LMP and LME, the group of companies owned by Michael Drieberg, a successful promoter and event organiser in Switzerland. Like DEAG, the group offers attractive events in the areas of Rock/Pop, Family Entertainment, Arts+Exhibitions and Classics & Jazz. It focuses on French-speaking artists and events. Thus, this offer complements the Group's own portfolio and serves the entire Swiss market. This group also operates the famous "Salle Métropole" metropolitan theatre in Lausanne on Lake Geneva. Michael Drieberg is also the organiser of the open air "Sion sous les étoiles," an event with up to 40,000 visitors per year.

**Live Music Production SA**

| Share of capital and voting rights | |
|---|---|
| Live Music Entertainment SA | 60.0 % |
| Date of initial consolidation | 30.06.19 |
| Purchase price (in EUR'000) | 1,328 |
| Ancillary acquisition costs (in EUR'000) | 111 |

in EUR'000

| | Carrying amount at time of acquisition | Adjustment amount*) | Fair value at time of acquisition |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | - | 1,429 | 1,429 |
| Fixed assets | 86 | - | 86 |
| Cash and cash equivalents | 827 | - | 827 |
| Current assets | 4,647 | - | 4,647 |
| | **5,560** | **1,429** | **6,989** |
| **Liabilities** | | | |
| Current liabilities | 5,731 | - | 5,731 |
| | **5,731** | **-** | **5,731** |
| **Net assets** | **-171** | **1,429** | **1,258** |
| Equity attributable to non-controlling interest | | | -68 |

*) The adjustment amount reflects the differences between the carrying amounts of assets and liabilities before their acquisition and their fair values at the date of acquisition by the buyer.

### Live Music Entertainment SA

| Share of capital and voting rights | |
|---|---|
| Live Music Production SA | 51.0 % |
| Date of initial consolidation | 30.06.19 |
| Purchase price (in EUR'000) | 502 |
| Ancillary acquisition costs (in EUR'000) | 23 |

in EUR'000

| | Carrying amount at time of acquisition | Adjustment amount*) | Fair value at time of acquisition |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 0 | 1,855 | 1,855 |
| Cash and cash equivalents | 0 | 0 | 0 |
| Current assets | 62 | 0 | 62 |
| | **62** | **1,855** | **1,917** |
| **Liabilities** | | | |
| Current liabilities | 2,718 | 0 | 2,718 |
| | **2,718** | **0** | **2,718** |
| **Net assets** | **-2,656** | **1,855** | **-801** |
| Equity attributable to non-controlling interest | | | -1,301 |

*) The adjustment amount reflects the differences between the carrying amounts of assets and liabilities before their acquisition and their fair values at the date of acquisition by the buyer.

The fixed purchase price for the shares in the group was CHF 0.4 million (equivalent to EUR 0.3 million) and was paid in on the balance sheet date. DEAG also paid CHF 1.4 million into LME's capital reserves through its subsidiary AIO Group AG, Glattpark (Switzerland).

The purchase contract provides for a contingent purchase price payment depending on how the company's business develops in the future. Prerequisites include that the festival "Sion sous les étoiles" continues to be held, that there is a three-year plan for this festival and that the average EBIT of the festival from 2019 to 2023 reaches a minimum value.

Since 30 June 2019 (the date of initial consolidation), LMP and LME have contributed EUR 7,667 thousand to sales, EUR 83 thousand to EBIT and EUR -105 thousand to the consolidated result after minority interests. On a pro forma basis in accordance with IFRS 3.B64(q), sales for both companies together amounted to EUR 12.9 million with a net loss for the year of EUR - 0.5 million.

### d) MEWES Entertainment Group GmbH, Hamburg

The founder of MEWES Entertainment Group GmbH, Jan Mewes, has been successfully active in the fields of artist management and agency as well as event management for many years. In addition to the mediation of well-known artists in the Rock / Pop area, MEWES is particularly successful as a broker in the field of hits and folk music. By investing in MEWES, the Group is strengthening its portfolio in this area and, with its Managing Director Jan Mewes, also bringing an experienced industry expert on board.

| Share of capital and voting rights | |
|---|---|
| MEWES Entertainment Group GmbH | 51.0 % |
| Date of initial consolidation | 01.08.19 |
| Purchase price (in EUR'000) | 598 |
| Ancillary acquisition costs (in EUR'000) | 3 |

| in EUR'000 | Carrying amount at time of acquisition | Adjustment amount*) | Fair value at time of acquisition |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | - | 605 | 605 |
| Fixed assets | 33 | - | 33 |
| Cash and cash equivalents | 62 | - | 62 |
| Current assets | 231 | - | 231 |
| Other non current financial assets | 35 | - | 35 |
| | **361** | **605** | **931** |
| **Liabilities** | | | |
| Current liabilities | 376 | - | 376 |
| | **376** | **0** | **376** |
| **Net assets** | **-15** | **605** | **555** |
| Non-current liabilities | | | -7 |

*) The adjustment amount reflects the differences between the carrying amounts of assets and liabilities before their acquisition and their fair values at the date of acquisition by the buyer.

The fixed purchase price of EUR 0.5 million was settled in cash as of the reporting date.

The remaining purchase price was recorded as a contingent purchase price liability and is due in 2020 and 2022 depending on the company's future business development. The prerequisite is that the EBIT for the years 2020 to 2022 each reaches a specified minimum value.

Since 1 August 2019 (the date of initial consolidation), MEWES has contributed EUR 1,115 thousand to sales, EUR 33 thousand to EBIT and EUR 5 thousand to consolidated earnings after minority interests. Sales on a pro forma basis in accordance with IFRS 3.B64(q) amounted to EUR 2.3 million with an annual result of EUR 0 million.

**e) Preliminary purchase price allocation Gigantic Holdings Ltd., and Gigantic Tickets Ltd., London (UK)**

Gigantic is one of the largest independent ticketing providers in the UK. Tickets for several hundred concerts, events and festivals per year can be purchased via the company's platform. Only third party content is distributed. The stake in Gigantic is therefore a good addition to DEAG's own ticketing platforms MyTicket.de, MyTicket.co.uk and MyTicket.at. The cooperation with MyTicket leads to high synergy effects between MyTicket.co.uk and the MyTicket platforms in Germany and Austria. Gigantic currently has around 2 million registered end customers.

As of 31 December 2019, Gigantic's purchase price allocation had not yet been completed, as investigations regarding the final balance sheets and the acquired intangible assets are still pending. The disclosures in accordance with IFRS 3 will be made after the purchase price allocation has been completed.

The values of the preliminary purchase price allocation are as follows:

| Share of capital and voting rights | |
|---|---|
| Gigantic Holdings Ltd. und Gigantic Tickets Ltd., London (Großbritannien) | 75 % |
| Date of initial consolidation | 01.12.19 |
| Purchase price (in EUR'000) | 5,864 |
| Ancillary acquisition costs (in EUR'000) | 169 |

| in EUR'000 | Carrying amount at time of acquisition | Adjustment amount*) | Fair value at time of acquisition |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 71 | 3,471 | 3,542 |
| Other rights | - | 3,351 | 3,351 |
| Software | - | 149 | 149 |
| Fixed assets | 17 | - | 17 |
| Cash and cash equivalents | 4,578 | - | 4,578 |
| Current assets | 391 | - | 391 |
| | **5,057** | **6,971** | **12,028** |
| **Liabilities** | | | |
| Current liabilities | 4,702 | - | 4,702 |
| Deferred tax liabilities | - | 665 | 665 |
| | **4,702** | **665** | **5,367** |
| **Net assets** | **355** | **6,306** | **6,661** |
| Equity attributable to non-controlling interest | | | 797 |

*) The adjustment amount reflects the differences between the carrying amounts of assets and liabilities before their acquisition and their fair values at the date of acquisition by the buyer.

Since the date of initial consolidation, the two companies have contributed EUR 0.2 million to sales revenues, EUR -0.1 million to EBIT and EUR -0.1 million to consolidated net income after minority interests. Pro forma revenues in accordance with IFRS 3.B64(q) amounted to EUR 2.3 million with net income for the year of EUR 0.6 million.

The goodwill recorded in the business acquisitions made in the financial year essentially reflects the future earnings potential of these companies and intangible assets that cannot be recognised individually. Goodwill is not tax deductible.

In the cash flow statement, the acquisitions as payments from the acquisition of consolidated companies and business units as part of the cash outflow from investing activities are reflected in EUR 9,107 thousand (previous year: EUR 3,030 thousand).

# 13 GOODWILL AND OTHER INTANGIBLE ASSETS

## 13.1 DEVELOPMENT IN THE FINANCIAL YEAR AND THE PREVIOUS YEAR

The values developed as follows:

in EUR'000

| Acquisition or production costs | Goodwill | Artist and agency relationships | Other rights | Software | Other intangible assets |
|---|---|---|---|---|---|
| **01.01.2019** | **23,915** | **10,347** | **11,064** | **1,309** | **22,720** |
| Additions from initial consolidation | - | - | -96 | 96 | - |
| Additions | 8,983 | 10,749 | 9,007 | 597 | 20,353 |
| Change in scope of consolidation | – | – | 810 | 545 | 1,355 |
| Disposals | – | – | -430 | -112 | -542 |
| Currency adjustments | 481 | 287 | 388 | 28 | 703 |
| **31.12.2019** | **33,379** | **21,383** | **20,743** | **2,463** | **44,589** |
| | | | | | |
| **Depreciation** | | | | | |
| **01.01.2019** | **-** | **6,559** | **1,778** | **1,180** | **9,517** |
| Additions from initial consolidation | - | - | -1 | 1 | - |
| Additions | - | 18 | 157 | 292 | 467 |
| Change in scope of consolidation | - | 1,013 | 914 | 190 | 2,117 |
| Disposals | - | - | -430 | -112 | -542 |
| Currency adjustments | - | 171 | 27 | 26 | 224 |
| **31.12.2019** | **-** | **7,761** | **2,445** | **1,577** | **11,783** |
| | | | | | |
| **Balance sheet values** | **33,379** | **13,622** | **18,298** | **886** | **32,806** |

in EUR'000

| **Acquisition or production costs** | **Goodwill** | **Artist and agency relationships** | **Other rights** | **Software** | **Other intangible assets** |
|---|---|---|---|---|---|
| **01.01.2018** | **26,321** | **15,587** | **3,607** | **1,278** | **20,472** |
| 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 |
| **31.12.2018** | **23,915** | **10,347** | **11,064** | **1,309** | **22,720** |
| | | | | | |
| **Depreciation** | | | | | |
| **01.01.2018** | **-** | **9,425** | **1,280** | **1,048** | **11,753** |
| 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 |
| **31.12.2018** | **-** | **6,559** | **1,778** | **1,180** | **9,517** |
| | | | | | |
| **Balance sheet values** | **23,915** | **3,788** | **9,286** | **129** | **13,203** |

## 13.2 GOODWILL

TThe goodwill reported is attributable as of 31 December 2019 in the amount of EUR 15,551 thousand (previous year: EUR 11,396 thousand) to the Live Touring segment and in the amount of EUR 17,828 thousand (previous year: EUR 12,519 thousand) to the Entertainment Services segment.

The goodwill in the Live Touring segment relates to DEAG Classics AG in the unchanged amount to the previous year of EUR 2,473 thousand, in the amount of EUR 1,592 thousand unchanged to the previous year to Wizard Promotions Konzertagentur GmbH, in the amount of EUR 853 thousand unchanged to the previous year to KBK Konzert- und Künstleragentur GmbH and in the amount of EUR 6,475 thousand unchanged to the previous year to the sub-group Kilimanjaro. EUR 3,550 thousand of the change pertains to the addition of the Gigantic sub-group. The remaining change in goodwill relates to the additions in connection with the purchase of the shares in MEWES Entertainment Group GmbH (EUR 605 thousand).

In the Entertainment Services segment, the AIO Group accounted for EUR 10,770 thousand (2018: EUR 10,374 thousand). The change is due to the currency-related increase of EUR 397 thousand. Furthermore, the change in the goodwill of the segment is due to the addition in connection with the purchase of the shares in the companies Live Music Entertainment SA and Live Music Production SA in Switzerland in the amount of EUR 3,360 thousand and C[2] Concerts GmbH in the amount of EUR 1,552 thousand. The remaining portion of the Group's goodwill remains unchanged at EUR 1,405 thousand for the domestic sub-group handwerker promotion e., and in the unchanged amount of EUR 741 thousand for the other domestic companies in this segment.

The goodwill reflects the synergy expectations of the DEAG Group in view of the extension of the network associated with the acquisitions, 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 additional offerings 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 one-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 between 8.1% and 8.6% (previous year: between 7.4% and 7.7%) for the CGUs were determined as discount rates. The CGU AIO Group is an exception. The discount rate for this CGU is 6.1% (previous year: 5.9%).

During the standard year, no growth deductions were applied in the reporting year and the previous year. Goodwill does not show any sign of impairment even after the discount interest rate was raised by one percentage point.

## 13.3 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 additions mainly relate to assets acquired as a result of the majority shareholdings acquired in 2019. Otherwise, reference is made to the information in Note 12.2. and 13.1.

The artist and agent relationships are amortised on a straight-line basis usually over a period of 15 years, other rights according to the respective contract term.

The remaining term of amortisation for artist and agent relationships amounts to between 1 and 10 years and between 2 and 23 years for other rights.

# 14 PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment in financial years 2019 and 2018 was as follows

in EUR'000

| Acquisition or production costs | Land and buildings (historical cost) | Technical plant and machinery (historical cost) | Other fixtures and fittings, equipment (historical cost) | Leasing rights | Total tangible assets |
|---|---|---|---|---|---|
| **01.01.2019** | **2,725** | **2,632** | **3,404** | **16,248** | **25,009** |
| Additions from initial consolidation | - | 70 | -70 | - | - |
| Additions | 357 | - | 776 | - | 1,133 |
| Disposals | 206 | 113 | 1,023 | 9,730 | 11,072 |
| Change in the scope of consolidation | -83 | -6 | -216 | -1,167 | -1,472 |
| Currency adjustments | 73 | 31 | 25 | - | 129 |
| **31.12.2019** | **3,278** | **2,840** | **4,942** | **24,811** | **35,871** |
| **Depreciation** | | | | | |
| **01.01.2019** | **401** | **945** | **2,531** | **1,723** | **5,600** |
| Additions from initial consolidation | 112 | - | 431 | - | 543 |
| Additions | 181 | 186 | 521 | 3,351 | 4,239 |
| Disposals | -83 | -6 | -216 | -339 | -644 |
| Change in the scope of consolidation | 5 | 12 | 22 | - | 39 |
| **31.12.2019** | **616** | **1,137** | **3,289** | **4,735** | **9,777** |
| **Balance sheet values** | **2,662** | **1,703** | **1,653** | **20,076** | **26,094** |

in EUR‘000

| Acquisition or production costs | Land and buildings (historical cost) | Technical plant and machinery (historical cost) | Other fixtures and fittings, equipment (historical cost) | Leasing rights | Total tangible assets |
|---|---|---|---|---|---|
| **31.12.2017** | **1,533** | **512** | **2,447** | **-** | **4,492** |
| | - | - | - | 2,239 | 2,239 |
| **01.01.2018** | **1,533** | **512** | **2,447** | **2,239** | **6,731** |
| 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 | -451 |
| Change in the scope of consolidation | -1 | -220 | -289 | 28 | -482 |
| Currency adjustments | -11 | -2 | 10 | - | -3 |
| **31.12.2018** | **2,725** | **2,632** | **3,404** | **16,248** | **25,009** |

| **Depreciation** | | | | | |
|---|---|---|---|---|---|
| **01.01.2018** | **71** | **236** | **1,726** | **-** | **2,033** |
| Additions from initial consolidation | 219 | 654 | 963 | - | 1,836 |
| Additions | 115 | 241 | 338 | 1,723 | 2,417 |
| Disposals | -4 | - | -266 | - | -270 |
| Change in the scope of consolidation | -1 | -186 | -241 | - | -428 |
| Currency a djustments | 1 | - | 11 | - | 12 |
| **31.12.2018** | **401** | **945** | **2,531** | **1,723** | **5,600** |

| | | | | | |
|---|---|---|---|---|---|
| **Balance sheet values** | **2,324** | **1,687** | **873** | **14,525** | **19,409** |

## LEASES

The DEAG Group has concluded leasing contracts for various real estate, motor vehicles and for operating and office equipment used in the Group. Real estate leases generally run for three to five years. In the case of motor vehicles and operating and office equipment, the term is usually between three and five years. The Group's obligations from its leasing contracts are secured by the lessor's ownership of the leased assets. The assignment and subleasing of the leased assets by the Group are generally prohibited. Some leases contain renewal and termination options that have been taken into account when determining the terms if it is reasonably certain that the options will be exercised.

Lease payments in connection with leasing contracts with a maximum term of twelve months and of low value (< EUR 5,000) are simplified as other operating expenses over the respective term of the leases.

For information on the carrying amounts of the recognised rights of use and the changes during the reporting period, see Note 14.

As of 31 December 2019, the leasing usage rights and related depreciation mainly related to real estate. The following table shows the carrying amounts of the leasing liabilities (which are included in financial liabilities) and the changes during the reporting period:

The following amounts were recognised in profit or loss in the reporting period:

in EUR‘000

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Depreciation on leasing rights | 3,351 | 1,723 |
| Interest expense on leasing liabilities | 1,731 | 1,539 |
| Payments | -4,564 | -2,862 |
| **Total** | **518** | **400** |

The Group’s cash outflows for leases amounted to EUR 4,564 thousand in the reporting year (previous year: EUR 2,862 thousand). In addition, the Group reported non-cash additions to the rights of use and leasing liabilities in 2019 in the amount of EUR 5,082 thousand (2018: EUR 3,262 thousand).

# 16 PROPERTY HELD AS A FINANCIAL INVESTMENT

Since 2001, DEAG has valued the plots of land held as a financial investment that 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.

In the context of the sale subject to a condition precedent, the parties agreed on a minimum price for the partial plots of land, which, due to the fact that it was concluded in one transaction, is to be applied with priority over a fair value determined by an expert valuation. For financial year 2019, the price agreed upon in 2015 subject to a precedent condition continued to be the best indicator of the fair value.

The property surrounding the Jahrhunderthalle in Frankfurt/Main is reported unchanged at EUR 5,625 thousand, based on the minimum purchase price agreed subject to a condition precedent, less safety margins for unsecured development.

Note 54 contains details and information on the hierarchy levels of the fair values of the Group’s investment properties as of 31 December 2019 and 31 December 2018.

# 17 INVESTMENTS AND FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

## 17.1 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 valuation on the balance sheet date was carried out using an externally objectified price based on an equity transaction. The valuation of the TimeRide investment resulted in a fair value of EUR 16.0 million as of 31 December 2019 (previous year: EUR 12.2 million). Compared to 31 December 2018, the fair value of this investment increased by EUR 450 thousand to EUR 1,914 thousand. EUR 400 thousand of this amount relates to participation in the equity transaction.

In addition, this item mainly includes minority shareholdings in the UK in the amount of EUR 382 thousand (previous year: EUR 388 thousand) and in Switzerland in the amount of EUR 40 thousand (previous year: EUR 44 thousand).

## 17.2 FINANCIAL ASSETS ACCOUNTED FOR USING THE EQUITY METHOD

The following table summarises the financial information of financial assets accounted for using the equity method (separately for joint ventures and associates):

in EUR‘000

| | Joint Ventures | | Associated Companies | |
|---|---|---|---|---|
| | **31.12.19** | **31.12.18** | **31.12.19** | **31.12.18** |
| Carrying amount of financial assets accounted for using the equity method (accumulated) | 11 | 11 | 38 | 1,171 |
| Annual net profit | -247 | -150 | -1,142 | -134 |
| Other result | - | - | 20 | -8 |
| Total result | -247 | -150 | -1,120 | -142 |

IFRS 11 covers joint arrangements as the contractual arrangement for joint control, whereby the type and form of the contractual arrangement is not explicitly determined.

In the reporting year, the Group had two unchanged agreements for the joint organisation of projects. The cooperation agreements each provided for a common decision-making right for all important 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 of the application of IFRS 11 is as follows:

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| Reduction of sales | - | -5,779 |
| Reduction of cost of sales | 15 | 5,709 |
| Reduction of selling expenses | - | 668 |
| Reduction of administrative expenses | 120 | 2 |
| Decrease of income from associated companies | -135 | -600 |
| **Change in net profit** | **0** | **0** |

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## OTHER NON-CURRENT FINANCIAL RECEIVABLES

The other non-current financial receivables in the amount of EUR 3,392 thousand (2018: EUR 2,545 thousand) have a maturity of more than one year. They mainly include a purchase option of EUR 1,852 thousand (2018: EUR 1,013 thousand) and unchanged loan claims of EUR 1,000 thousand.

With regard to the call option, we refer to our further explanations in Notes 5 and 54.

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## DEFERRED TAX ASSETS

The deferred tax assets in the amount of EUR 2.7 million (2018: EUR 2.5 million) mainly relate to deferred taxes on losses carried forward offset against deferred tax liabilities of EUR 1.2 million (2018: EUR 1.2 million) (same tax authorities). We refer to our comments in Note 39.

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## BANK LOANS PAYABLE

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

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## TRADE ACCOUNTS PAYABLE

The liabilities are all due within one year. There is no collateralisation.

# 22 ACCRUALS

This item developed as shown below:

in EUR‘000

| | As at 01.01.19 | Changes in conso-lidation | Use | Disposal | Addition | Currency difference | As at 31.12.19 |
|---|---|---|---|---|---|---|---|
| Outstanding invoices | 4,869 | 296 | 5,008 | 80 | 3,817 | 164 | 4,058 |
| Personnel obligations | 2,245 | 162 | 2,097 | 2 | 1,965 | 41 | 2,314 |
| Consulting and audit fees | 420 | 42 | 432 | 8 | 420 | 9 | 451 |
| Other accruals | 961 | 402 | 928 | 103 | 518 | 14 | 864 |
| **Total** | **8,495** | **902** | **8,465** | **193** | **6,720** | **228** | **7,687** |

in EUR‘000

| | As at 01.01.18 | Changes in conso-lidation [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 fees | 297 | 18 | 312 | - | 416 | 1 | 420 |
| Other accruals | 883 | 42 | 468 | 13 | 521 | -4 | 961 |
| **Total** | **6,810** | **25** | **5,881** | **91** | **7,607** | **25** | **8,495** |

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

The accruals – except for EUR 279 thousand (2018: EUR 238 thousand) for personnel liabilities – are, as a matter of principle, due within one year.

# 23 CONTRACT LIABILITIES

This item includes customer’s takings for concert and theatre tickets as well as guarantee payments for events after the balance sheet date. Contract liabilities are recognised in income on the day of the respective event.

The contract liabilities recognised as of 31 December 2018 are included almost in full in the sales revenue for the year under review.

For further details on contract liabilities, please refer to Note 31 “Sales.”

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## BOND

To finance external and internal growth measures, DEAG issued a corporate bond in the amount of EUR 20,000,000.00 in the previous year. This corporate bond was increased by a further EUR 5,000,000.00 in June 2019. 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 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 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 at: http://www.deag.de/navi-bottom/investors/investor-relations/anleihe-2018.html.

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## CONVERTIBLE BOND

In 2016, a convertible bond 2016/2019 (ISIN DE000A2AAX86) 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 was divided into bearer bonds with equal rights and a nominal value of EUR 100,000.00 each.

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.

Accordingly, the convertible bond was fully converted into new ordinary bearer shares of DEAG with no par value in the year under review. This equates to 1,228,553 shares based on the conversion ratio defined in the bond terms and conditions. This increased DEAG's share capital, which on the balance sheet date amounted to EUR 19,625,976, divided into the same number of no-par-value shares.

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## OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

Other current financial liabilities break down as follows:

in EUR'000

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Financial liabilities | 7,977 | 1,612 |
| Escrow monies from ticket sales | 1,559 | 1,380 |
| Other | 1,339 | 713 |
| **Other current financial liabilities** | **10,875** | **3,705** |

The financial liabilities primarily relate to a purchase price liability of EUR 2,217 thousand (previous year: EUR 0 thousand), current lease liabilities of EUR 3,320 thousand (previous year: EUR 1,366 thousand) and contingent purchase price liabilities of EUR 1,763 thousand (previous year: EUR 0 thousand).

With regard to the contingent purchase price liabilities, we refer to our further explanations in Notes 5 and 54.

The other non-financial liabilities consist of:

in EUR'000

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Tax liabilities | 4,776 | 3,357 |
| Prepayment of cooperation agreements | 57 | 1,002 |
| Social security liabilities | 154 | 99 |
| Other | 131 | 69 |
| **Other current non-financial liabilities** | **5,118** | **4,527** |

## 27 OTHER NON-CURRENT FINANCIAL LIABILITIES

in EUR'000

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Leasing liabilities | 18,141 | 14,025 |
| Conditional purchase price payment | 2,741 | 1,442 |
| **Other non-current financial liabilities** | **20,882** | **15,467** |

In addition to obligations for conditional purchase price payments – primarily in connection with the acquisition of Gigantic Holdings Ltd. – this item includes leasing liabilities, of which EUR 9,472 thousand (previous year: EUR 9,924 thousand) relate to the lease for the Jahrhunderthalle in Frankfurt/Main and EUR 8,669 thousand (previous year: 4,100 thousand) to other leasing liabilities.

Please refer to the explanations in Notes 5, 15 and 54.

## 28 COLLATERALISATION

To secure liabilities to banks (31 December 2019: EUR 5,125 thousand; 31 December 2018: EUR 2,167 thousand) in connection with acquisition financing, dividend claims against three subsidiaries were transferred to the financing bank or shares of a subsidiary were pledged to the financing bank.

During the reporting year, EUR 5,927 thousand (previous year: EUR 4,617 thousand) was assigned to the financing bank for the collateralisation of liabilities to banks, in connection with tour pre-financing, receivables from ticket money and insurance claims.

# 29 EQUITY

DEAG's capital stock amounts to EUR 19,625,976 (31 December 2018: EUR 18,397,423.00), divided into the same number of ordinary bearer shares in the form of no-par-value shares with a notional share in the capital stock of EUR 1.00 per share.

We refer to Note 25 for information on the change in share capital.

The share capital of the company is paid in full.

The capital reserve includes the premium from the issue of shares, the reduction due to the capital increase from company funds to adjust the subscribed capital due to the conversion to the euro, and the costs of capital measures implemented. 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 change in the capital reserve of EUR 13,813 thousand relates to the premium of EUR 3,071 thousand from the conversion of the convertible bond (see also Note 25), less the amount to compensate for the accumulated loss of EUR 16,884 thousand.

The accumulated loss includes the past results of the companies included in the Consolidated Financial Statements and the consolidated net profit for the current financial year.

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

Basic earnings per share are calculated in accordance with IAS 33 on the basis of 19,625,361 shares (19,625,976 issued shares less 615 treasury shares). The weighted average of shares for 2019 is 19,136,758 (previous year: 18,396,808). The underlying consolidated profit amounts to EUR -1,187 thousand (previous year: 3,490 thousand).

**Contingent Capital**

The share capital of DEAG was conditionally increased in accordance with the resolution adopted by the Annual General Meeting on 27 June 2019 by an amount of EUR 1,905,455.00 (Contingent Capital 2019/I). The contingent capital resolved on 26 June 2014 (Contingent Capital 2014/I) no longer exists.

The contingent capital increase serves exclusively to fulfil subscription rights granted on the basis of the authorisation of the Annual General Meeting on 27 June 2019. It will only be implemented to the extent that the holders of subscription rights issued under the 2019 Stock Option Plan exercise their right to subscribe to shares of the company and the company does not deliver treasury shares to fulfil the options. The new shares participate in the profit from the beginning of the financial year for which no resolution on the appropriation of profits has been passed at the time of their issue. The Executive Board is empowered to define the further details of the implementation of the contingent capital increase with the consent of the Supervisory Board.

The resolution on the contingent capital (2019/I) was entered in the commercial register on 8 July 2019.

**Authorised Capital**

The Ordinary General Meeting on 27 June 2019 created new authorised capital by cancelling the unused authorised capital (Authorised Capital 2014/I). The Executive Board has been empowered, with the approval of the Supervisory Board, to increase the subscribed capital by 26 June 2024 by a total of EUR 9,527,278.00 (Authorised Capital 2019/I).

The resolution on Authorised Capital 2019/I was entered in the commercial register on 8 July 2019.

The Authorised Capital 2019/I has not yet been used.

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

As resolved by the Annual General Meeting on 25 May 2015, DEAG is in accordance with Section 71 para. 1 no. 8 AktG authorised until 24 June 2020 upon approval of the Supervisory Board to purchase up to 10% of the share capital existing on the date of the 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 all shareholders. This authorisation has not yet been exercised. As of 31 December 2019, the company still held 615 treasury shares.

**Accumulated other result**

The accumulated other result developed as follows in 2019 and 2018, respectively:

in EUR‘000

| | As of 01.01.2019 | Variance in reporting year | As of 31.12.2019 |
|---|---|---|---|
| Balancing item IAS 19.93A | 614 | 7 | 621 |
| Balancing item for foreign currency translation | 949 | 102 | 1.051 |
| Share-based payments | - | 26 | 26 |
| **Accumulated other income** | **1.563** | **135** | **1.698** |

in EUR‘000

| | As of 01.01.2018 | Variance in reporting year | As of 31.12.2018 |
|---|---|---|---|
| Balancing item IAS 19.93A | 663 | -49 | 614 |
| Balancing item for foreign currency translation | -25 | 974 | 949 |
| **Accumulated other income** | **638** | **925** | **1,563** |

**Shares of other shareholders**

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

# 30 INFORMATION ON RELATIONSHIPS WITH RELATED PARTIES

According to IAS 24, the Executive Board of DEAG Deutsche Entertainment AG, its shareholders and the Supervisory Board as well as relatives and companies controlled by them come into consideration as related parties (related persons and companies).

All business relationships with related parties and companies presented below were based on standard market terms.

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

» Two family members of Prof. Peter L. H. Schwenkow, who are employees of companies in the DEAG Group, and
» A family member of Prof. Peter L. H. Schwenkow, who acts as Managing Director or CEO of consolidated subsidiaries.

Remuneration and fees of a total amount of EUR 349 thousand (2018: EUR 356 thousand) were settled for these persons and companies in the reporting year.

**Executive Board**

Mr Ralph Quellmalz was Chief Financial Officer (CFO) of the company until 31 March 2019. As of 1 April 2019, Mr Roman Velke was appointed CFO by the Supervisory Board. As of 1 April 2020, Mr Moritz Schwenkow was appointed to the Executive Board as Chief Ticketing Officer (CTO).

The total remuneration granted to the Executive Board, including fringe benefits, amounted to a total of EUR 3.2 million in 2019 (previous year: EUR 2.9 million), of which EUR 1.8 million (previous year: EUR 2.3 million) was received in the reporting year. This includes remuneration for activities for subsidiaries included in the Consolidated Financial Statements (EUR 148 thousand, 2018: EUR 118 thousand).

In the reporting year, the Executive Board was granted 79,394 stock option rights in each case under the stock option program 2019 (see also Note 45). The personnel expenses recorded pro rata for 2019 are reported as multi-year remuneration.

The benefits granted are broken down as follows:

| Compensation granted (in EUR'000) | Prof. Peter L.H. Schwenkow CEO | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 (Min) | 2019 (Max) |
| Fixed remuneration | 529 | 550 | 550 | 550 |
| Other compensation | 145 | 180 | 180 | 180 |
| **Total** | **674** | **730** | **730** | **730** |
| One-year variable remuneration | 712 | 808 | 808 | 950 |
| Mulit-year variable remuneration | 0 | 66 | 0 | - |
| **Total** | **712** | **874** | **808** | **950** |
| **Total compensation granted** | **1.386** | **1.604** | **1.538** | **1.680** |

| Compensation granted (in EUR'000) | Christian Diekmann COO, CDO | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 (Min) | 2019 (Max) |
| Fixed remuneration | 313 | 330 | 330 | 330 |
| Other compensation | 155 | 66 | 66 | 66 |
| **Total** | **468** | **396** | **396** | **396** |
| One-year variable remuneration | 153 | 237 | 237 | 300 |
| Mulit-year variable remuneration | 0 | 66 | 0 | - |
| **Total** | **153** | **303** | **237** | **300** |
| **Total compensation granted** | **621** | **699** | **633** | **696** |

| Compensation granted (in EUR'000) | Detlef Kornett CMO | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 (Min) | 2019 (Max) |
| Fixed remuneration | 275 | 275 | 275 | 275 |
| Other compensation | 28 | 31 | 31 | 31 |
| **Total** | **303** | **306** | **306** | **306** |
| One-year variable remuneration | 210 | 102 | 102 | 225 |
| Mulit-year variable remuneration | 0 | 66 | 0 | - |
| **Total** | **210** | **168** | **102** | **225** |
| **Total compensation granted** | **513** | **474** | **408** | **531** |

| Compensation granted (in EUR'000) | Roman Velke (since April 2019) CFO | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 (Min) | 2019 (Max) |
| Fixed remuneration | - | 135 | 135 | 135 |
| Other compensation | - | 121 | 121 | 121 |
| **Total** | **-** | **256** | **256** | **256** |
| One-year variable remuneration | - | 44 | 44 | 90 |
| Mulit-year variable remuneration | - | 66 | 0 | - |
| **Total** | **-** | **110** | **44** | **90** |
| **Total compensation granted** | **-** | **366** | **300** | **346** |

| Compensation received (in EUR'000) | Ralph Quellmalz (until March 2019) CFO | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 (Min) | 2019 (Max) |
| Fixed remuneration | 220 | 55 | 55 | 55 |
| Other compensation | 31 | 13 | 13 | 13 |
| **Total** | **251** | **68** | **68** | **68** |
| One-year variable remuneration | 160 | 20 | 20 | 20 |
| Mulit-year variable remuneration | 0 | 0 | 0 | 0 |
| **Total** | **160** | **20** | **20** | **20** |
| **Total compensation granted** | **411** | **88** | **88** | **88** |

Of the total remuneration granted, the following grants will be received in 2019:

| Compensation received (in EUR'000) | Prof. Peter L.H. Schwenkow CEO | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 (Min) | 2019 (Max) |
| Fixed remuneration | 529 | 550 | 550 | 550 |
| Other compensation | 145 | 180 | 180 | 180 |
| **Total** | **674** | **730** | **730** | **730** |
| One-year variable remuneration | 300 | 100 | 100 | 950 |
| Mulit-year variable remuneration | 0 | 0 | 0 | 0 |
| **Total** | **300** | **100** | **100** | **950** |
| **Total Compensation received** | **974** | **830** | **830** | **1.680** |

| Compensation received (in EUR'000) | Christian Diekmann COO, CDO | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2019 (Min) | 2019 (Max) |
| Fixed remuneration | 313 | 330 | 330 | 330 |
| Other compensation | 136 | 66 | 66 | 66 |
| **Total** | **449** | **396** | **396** | **396** |
| One-year variable remuneration | 100 | 0 | 0 | 300 |
| Mulit-year variable remuneration | 0 | 0 | 0 | 0 |
| **Total** | **100** | **0** | **0** | **300** |
| **Total Compensation received** | **549** | **396** | **396** | **696** |

| Compensation received (in EUR'000) | Detlef Kornett<br>CMO | | | |
|---|---|---|---|---|
| | **2018** | **2019** | **2019 (Min)** | **2019 (Max)** |
| Fixed remuneration | 275 | 275 | 275 | 275 |
| Other compensation | 28 | 31 | 31 | 31 |
| **Total** | **303** | **306** | **306** | **306** |
| One-year variable remuneration | 120 | 0 | 0 | 225 |
| Mulit-year variable remuneration | 0 | 0 | 0 | 0 |
| **Total** | **120** | **0** | **0** | **225** |
| **Total Compensation received** | **423** | **306** | **306** | **531** |

| Compensation received (in EUR'000) | Roman Velke (since April 2019)<br>CFO | | | |
|---|---|---|---|---|
| | **2018** | **2019** | **2019 (Min)** | **2019 (Max)** |
| Fixed remuneration | - | 135 | 135 | 135 |
| Other compensation | - | 78 | 78 | 78 |
| **Total** | **-** | **213** | **213** | **213** |
| One-year variable remuneration | - | 0 | 0 | 90 |
| Mulit-year variable remuneration | - | 0 | 0 | 0 |
| **Total** | **-** | **0** | **0** | **90** |
| **Total Compensation received** | **-** | **213** | **213** | **303** |

| Compensation received (in EUR'000) | Ralph Quellmalz (until March 2019)<br>CFO | | | |
|---|---|---|---|---|
| | **2018** | **2019** | **2019 (Min)** | **2019 (Max)** |
| Fixed remuneration | 220 | 55 | 55 | 55 |
| Other compensation | 31 | 13 | 13 | 13 |
| **Total** | **251** | **68** | **68** | **68** |
| One-year variable remuneration | 80 | 20 | 20 | 20 |
| Mulit-year variable remuneration | 0 | 0 | 0 | 0 |
| **Total** | **80** | **20** | **20** | **20** |
| **Total Compensation received** | **331** | **88** | **88** | **88** |

For the duration of the non-competition clause from 1 April 2019 to 19 December 2019, Mr Quellmalz received monthly compensation of EUR 13 thousand, whereby the month of December had to be taken into account on a pro rata basis. These payments amounted to a total of EUR 110 thousand, all of which was paid to Mr Quellmalz in 2019.

The members of the Executive Board are each subject to a comprehensive post-contractual non-competition clause for a period of 24 months after termination of the underlying employment relationship. For this, DEAG pays compensation 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 remuneration for another six months, but no longer than until the end of the employment contract.

In the event of death in active service, the surviving dependents of the CEO will be paid for six months and the surviving dependents of the COO/CDO, CMO and CFO will be paid for three months 100% of the fixed compensation and part of the variable remuneration earned up to that point in time.

Both in the event of premature termination of the contract by mutual consent and/or resignation of the Executive Board mandate at the request of DEAG and in case of a change of control event, DEAG will pays severance pay to the members of the Executive Board. The corresponding agreements are in compliance with the recommendation of the German Corporate Governance Code (GCGC) as amended on 7 February May 2017.

**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 165 thousand (previous year: EUR 172 thousand).

# 31 SALES

The segment reporting (Note 6) shows the breakdown of sales by line of business and geographical market. We refer to our comments on the details of the accounting and valuation principles in Note 5.

The changes in trade receivables, payments made and contract liabilities in the financial year are due to the following factors:

**Contract balances**

in EUR‘000

| | **31.12.19** | **31.12.18** | **01.01.18** |
|---|---|---|---|
| Trade receivables | 12,704 | 10,289 | 25,926 |
| Contract liabilities | 50,094 | 34,839 | 67,642 |

**Reconciliation of contract liabilities**

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| Earnings that were included in the balance of contract liabilities at the beginning of the period | -34,658 | -67,642 |
| Additions from payments received less amounts reported as sales in the reporting period | 50,001 | 34,839 |
| Adjustments to earnings that have an effect on the respective contract liability | -88 | - |
| **Total** | 15,255 | -32,803 |

# 32 COST OF SALES

The cost of materials, purchased services, especially fees, personnel expenses, event-related hire and rental charges and other material costs (including pro rata scheduled depreciation and amortisation) incurred to achieve sales revenue are recognised as cost of sales.

# 33 DISTRIBUTION COSTS

Distribution costs amounted to EUR 18.3 million after EUR 19.0 million in the previous year. This figure includes personnel expenses (EUR 2.0 million, 2018: EUR 1.6 million), system fees (EUR 5.0 million, 2018: EUR 6.9 million) and other distribution-related material costs (EUR 11.2 million, 2018: EUR 10.5 million).

# 34 ADMINISTRATIVE EXPENSES

Administrative expenses rose by EUR 3.1 million compared to the previous year to EUR 19.6 million. They include personnel expenses (EUR 11.2 million, 2018: EUR 9.6 million), other administration-related material costs (EUR 6.6 million, 2018: EUR 5.7 million) plus pro rata depreciation in the amount of EUR 1.9 million (2018: EUR 1.2 million).

## 35 OTHER OPERATING INCOME

Other operating income of EUR 4.8 million (previous year: EUR 8.5 million) primarily includes EUR 2.6 million in income from changes in the consolidated Group (2018: EUR 6.6 million), EUR 0.8 million in income from the fair value measurement of other financial receivables (previous year: EUR 0.0 million) and EUR 0.2 million from insurance refunds (2018: EUR 0.5 million). The previous year included income of EUR 0.7 million from the remission of liabilities, which did not occur to this extent in the financial year.

## 36 OTHER OPERATING EXPENSES

Other operating expenses of EUR 1.0 million are virtually unchanged from the previous year. The main item is the expenses incurred in connection with the company acquisitions in the amount of EUR 0.5 million (previous year: EUR 0.1 million).

The currency losses of EUR 2 thousand (2018: EUR 52 thousand) are offset by currency gains of EUR 132 thousand (2018: EUR 46 thousand).

## 37 INTEREST INCOME AND EXPENSES

This item breaks down as follows:

in EUR‘000

| | 2019 | 2018 |
|---|---|---|
| Other interest and similar income | 98 | 95 |
| Interest and similar expenditure | -4,038 | -3,090 |
| **Interest income and expense** | **-3,940** | **-2,995** |

## 38 INCOME FROM INVESTMENTS

The investment result amounted to EUR -0.4 million (2018: EUR 0.7 million). The result essentially includes impairment losses on investments in the UK (see also Note 17) and, conversely, income from the valuation of the investment in TimeRide.

# 39 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

| | 2019 | 2018 |
|---|---|---|
| Tax expenditure: | | |
| Reporting period | -1.056 | -900 |
| Previous years | -188 | -143 |
| Tax refund previous years | 44 | 11 |
| Deferred tax revenue/expenditure | | |
| Deferrered taxes | -171 | 317 |
| Emergegence of temporary differences | 34 | - |
| Changing tax rate | 0 | 50 |
| **Tax expenditure** | **-1.337** | **-665** |

Income taxes include income taxes 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 2019. 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

| | 2019 | 2018 |
|---|---|---|
| Result before taxes on income and shares of other shareholders | 1,897 | 7,396 |
| Tax expenditure at the DEAG AG tax rate | -569 | -2,219 |
| Tax expenditure as per profit and loss statement | -1,337 | -665 |
| Carryover figure | 768 | -1,554 |

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| Changing tax rate | - | -50 |
| Taxes previous years | 144 | 143 |
| Tax-free earnings and non-deductible expenses | -420 | -1,393 |
| Different tax rates | 50 | -392 |
| Write-up of value adjustment of tax accruals | 1,064 | 102 |
| Other | -70 | 36 |
| | **768** | **-1,554** |

Deferred tax assets comprise the following:

in EUR'000

| | 2019 | 2018 | Variances with no effect on results | Variances with effect on results |
|---|---|---|---|---|
| Tax accruals on losses carried forward | 2,727 | 2,463 | 252 | 12 |
| **Deferred tax assets** | **2,727** | **2,463** | **252** | **12** |
| Deferred tax assets that can be set off against deferred tax liabilities | -1,169 | -1,169 | | |
| **Deferred tax assets (net)** | **1,558** | **1,294** | | |

Deferred tax assets in respect of losses carried forward were recognised in the amount of EUR 2.7 thousand. The tax claims were reported net in the amount, provided that it is possible to offset them with the same tax authority.

The tax losses carried forward in the DEAG Group amounted to around EUR 97 million for corporation tax (2018: EUR 94 million) and around EUR 56 million for trade tax (2018: EUR 55 million) on 31 December 2019.

Due to the usage of previously unrecognised fiscal losses, the current tax expenditure was lowered by EUR 0.5 million (2018: EUR 0.5 million).

Deferred tax liabilities comprise the following:

in EUR'000

| | 2019 | 2018 | Variances with no effect on results | Variances with effect on results |
|---|---|---|---|---|
| Deferred income from the value write-up on the Jahrhunderthalle Frankfurt/Main | 1,320 | 1,320 | 0 | 0 |
| Deferred income on intangible assets | 6,491 | 2,816 | -3,492 | -183 |
| Other temporary variances | 290 | 324 | 0 | 34 |
| **Deferred taxes on the liabilities side** | **8,101** | **4,460** | **-3,492** | **-149** |
| To be settled against deferred tax assets | -1,169 | -1,169 | | |
| **Balance sheet value** | **6.932** | **3.291** | | |

# 40 DISCONTINUED OPERATIONS

The result from discontinued operations was EUR -7 thousand after EUR -132 thousand the previous year.

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

# 41 PERSONNEL EXPENSES

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| Salaries and wages | 17,571 | 15,247 |
| Social security contribution | 2,440 | 1,906 |
| **Total** | **20,011** | **17,153** |

The personnel expenses relate entirely to the continuing operations.

# 42 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.

# 43 CASH FLOW STATEMENT

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

in TEUR

| | Addition |
|---|---|
| Disposal of cash and cash equivalents | -2,295 |
| Addition of fixed assets | 29,461 |
| Addition of other assets | 10,300 |
| Addition of other borrowed capital | 23.753 |

With regard to the investment and financing transactions carried out during the financial year, reference is made to Note 12.2.

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

The payments resulting from the addition of investments in other companies of EUR 2,295 thousand in connection with investing activities relate to EUR 6,812 thousand in cash and cash equivalents (over which control was obtained) and EUR 9,107 thousand in the consideration paid.

Income taxes of EUR 0.5 million were paid in (2018: EUR 1.7 million paid out), which were classified as cash flow from operating activities.

## 44 INFORMATION ON OBLIGATIONS UNDER RETIREMENT BENEFIT PLANS (IAS 19)

Under the defined contribution plans in Germany, the Group contributes by virtue of statutory provisions to state pension insurance schemes. During the financial year, the employer's contribution to the pension insurance amounted to 9.30%, unchanged from the previous year. The ongoing payments of contributions are disclosed as social contributions in personnel expenses and amounted to EUR 1.0 million (2018: EUR 0.8 million).

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 plans. During the reporting period, the sub-group Kilimanjaro paid pension contributions in the amount of 84 EUR thousand (2018: 93 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 2019. 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 22. Disclosures in accordance with IAS 19 have been waived for reasons of materiality.

# 45 SHARE-BASED COMPENSATION

The Group has launched a stock option program ("Stock Option Plan 2019") for the Executive Board, members of the management of affiliated domestic and foreign companies (GF) and for managers (FK). Based on the resolution of the Annual General Meeting on 27 June 2019, a maximum of 1,905,455 subscription rights may be issued until 31 December 2022 for all groups of people.

The option rights can be issued in up to three tranches (tranche I to III), whereby the respective volume of a tranche may comprise up to one third of the total volume of option rights allocated to an authorised group of people. Only one tranche may be issued within a calendar year.

The beneficiary can only exercise the options granted to him after a waiting period of four years from the respective issue date within a three-year period. The total term is therefore seven years from the issue date. They then expire without being replaced.

Subject to the adjustment due to capital increases, reductions or other comparable measures, an option right entitles the holder to acquire one share in the company at the exercise price. The stock options can only be exercised if the price is higher than the exercise price on 10 consecutive days before the exercise. This target was included in the evaluation as a market condition.

The option rights are earned gradually over the waiting period. As of 31 December 2019, 25% had been earned. A further 25% is earned on each additional reporting date. All non-earned option rights expire upon termination of employment for the company.

The company has the right to exercise the earned option rights in cash when exercised. The company currently has no intention or stipulation that this right be exercised. The option rights are therefore accounted for as a plan with equity compensation.

The option rights are granted without additional consideration from the beneficiary.

Until the option rights are exercised, the beneficiary has no rights to dividends or other distributions.

The exercise price of the option rights issued in tranche I in 2019 is EUR 6.00.

The fair value of the stock options is estimated at the time of granting using the Monte Carlo method and taking into account the conditions on which the stock options were granted.

On 1 December 2019, Tranche I was granted a volume of 555,749 subscription rights, 317,576 of which are attributable to members of the Executive Board and 238,173 to members of the management of subsidiaries and executives (together as GF/FK). On the balance sheet date, 138,938 subscription rights had been vested and none had expired.

| | Executive Board | Managing Directors |
|---|---|---|
| Fair value as of the valuation date (in EUR) | 0,83 | 0,67 |
| | | |
| Dividend yield (in %) | 0,0 | 0,0 |
| Expected volatility (in %) | 25,0 | 25,0 |
| Risk-free interest-rate (in %) | 1,27 | 1,27 |
| Anticipated term (in years) | 7,0 | 5,5 |
| Share price | 4,45 | 4,45 |

The anticipated term of the stock options is based on current expectations and does not necessarily correspond to the actual exercise behaviour of the beneficiaries. The expected volatility is based on the assumption that the historical volatility of the DEAG share can be used to infer future trends, although the actual volatility may differ from the measures taken.

Personnel expenses of EUR 26 thousand were recorded in connection with the equity-based stock option programme (Tranche I).

## 46 AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

### Headcount

| | 2019 | 2018 |
|---|---|---|
| Live Touring | 108 | 71 |
| Entertainment Services | 118 | 94 |
| DEAG Holding | 37 | 35 |
| **Total** | **263** | **200** |

On 31 December 2019, the Group employed 315 (2018: 219) people in continuing operations.

# 47 OFF-BALANCE SHEET CONTINGENCIES / CONTINGENT LIABILITIES / CONTINGENT CLAIMS

On the balance sheet date, the following contingencies relating to other securities and guarantees provided for third parties exist in the amount of EUR 975 thousand (previous year: EUR 307 thousand).

This includes an amount of EUR 928 thousand (previous year: EUR 307 thousand) in respect of which DEAG has taken over liability in connection with the letter of comfort to a joint venture.

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

The Group is currently involved in active and passive legal proceedings. In as far as risks can be identified, these risks are covered as a matter of principle in the Consolidated Financial Statements on the one hand by valuation allowances in respect of the assets and on the other hand through provisions. During the reporting year, exclusively costs of proceedings were provisioned. No individual risks from passive proceedings exist.

Potential asset additions in connection with judicially asserted damage claims and claims for contractual performance are not pending on the reporting date. Claims without interest amount to a total of EUR 5.3 million (previous year: EUR 7.8 million). The potential reduction from passive processes amounts to EUR 1.4 million.

# 48 OTHER FINANCIAL OBLIGATIONS

In addition to the provisions and liabilities in the Statement of Financial Position and the contingencies, the following other financial commitments exist:

2019 in EUR‘000

| | Artist guarantees | Rent and leasing | Other | Total |
|---|---|---|---|---|
| 2020 | 13,646 | 602 | 704 | 14,952 |
| 2021-2024 | 2,999 | 36 | 10 | 3,045 |
| **Total** | **16,645** | **638** | **714** | **17,997** |

No commitments of more than 5 years exist.

The other financial obligations of the previous year related to:

2018 in EUR'000

| | Artist guarantees | Rent and leasing | Other | Total |
|---|---|---|---|---|
| 2019 | 18,625 | 413 | 1,353 | 20,391 |
| 2020-2023 | 1,675 | 13 | 21 | 1,709 |
| **Total** | **20,300** | **426** | **1,374** | **22,100** |

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 5,423 thousand may result (previous year: EUR 4,103 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 2019:

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| Audit fees | 214 | 298 |
| Other services rendered | 34 | 67 |
| | **248** | **365** |

In addition to the costs for the audit of the Annual and Consolidated Financial Statements, no further audit services that were directly initiated by the audit or are used in the context of the audit were incurred in 2019. In the previous year, the audit services, the review of the half-yearly financial report (EUR 38 thousand) and other audit services (EUR 42 thousand) were allocated to the audit services in accordance with the underlying regulations.

The other services were commissioned for services in connection with an acquisition.

## 50 DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 AKTG

The Executive Board and Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft have issued a statement of conformity with the recommendations of the Government Commission for the German Corporate Governance Code in accordance with Section 314 no. 8 HGB in conjunction with Section 161 AktG on 12 December 2019 and made it permanently accessible to shareholders. The full declaration is posted on the company's website (www.deag.de/ir).
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## 51 LEGAL DISPUTES

Various DEAG Group companies are involved in legal or out-of-court disputes. We refer to Note 47 for possible effects.

## 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 though an optimisation of the ratio of equity to debt capital. The overall strategy is unchanged from the previous year. Compliance with the covenant criteria in connection with financing used is monitored on an ongoing basis.

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

# 53 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Due to its international business, investment and financing activities, the DEAG Group is subject to interest rate, currency, creditworthiness and liquidity risks with regard to its assets, liabilities and operating business.

**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 vis-à-vis banks are continuously monitored and the resulting interest margins are agreed with the banks concerned.

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 139 thousand as far as floating rate interest financing is concerned. A reduction of 1% is currently not possible because of the low interest rate level.

In the event of a hypothetical increase (decrease) of the interest premium by 0.25%, interest would increase (decrease) by EUR 35 thousand (2018: EUR 29 thousand).

**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 were carried out in GBP intercompany loans and a purchase price liability in USD.

**Solvency risks**

The DEAG Group is exposed in its operating business and in respect of other transactions – sales of shareholdings, for example – 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 ensured.

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.

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**Liquidity risks**

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

DEAG has therefore agreed extensive framework credit lines with four house banks, which for the purpose of acquisition financing (EUR 6.0 million, without further term limits and with an option of another EUR 2.0 million), the pre-financing of tour and concert events (EUR 6.0 million, thereof EUR 4.0 million with a term until 31 July 2021) and current business (EUR 11.1 million, thereof EUR 3.0 million with a term until 31 July 2021).

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 DEAG's very good rating. The framework credit lines can be terminated on the basis of the standard terms and conditions if the asset, 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.

DEAG also issued a corporate bond in the amount of EUR 20.0 million in October 2018. This corporate bond was increased by a further EUR 5.0 million in the reporting year. The bonds from the 2018/2023 corporate bond are listed on the Open Market (Freiverkehr) 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 current forecasts for revenue and earnings and the resulting liquidity, the Executive Board, taking into account the risks of the Coronavirus, considers these and the company's and Group's financial position, also with regard to financing requirements for internal and external growth, to be in good order.

If the course of business worsened permanently and sustainably versus planning, e.g. as a result of a significant decline in ticket sales due to force majeure, and thus the earnings strength of the DEAG Group, there could be a liquidity shortage if the planned financial inflows and framework credit 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.

2019 in EUR'000

| | up to 1 year | > 1 year - 5 years | > 5 years | Total |
|---|---|---|---|---|
| ***Non-derivative financial liabilities*** | | | | |
| Liabilities against banks and other financial liabilities | | | | |
| Repayment | 10,959 | 2,995 | - | 13,954 |
| Interest p.a. (2.11%) | 231 | 63 | - | 294 |
| Trade accounts payable | 18,337 | - | - | 18,337 |
| Bond | - | 24,032 | - | 24,032 |
| Interest p.a. (6.00%) | 1,500 | 4,125 | - | 5,465 |
| Leasing liabilities | 2,868 | 7,061 | 1,607 | 11,536 |
| Other non-derivative liabilties | 1,763 | 391 | - | 2,154 |
| ***Derivative financial liabilities*** | **-** | **-** | **-** | **-** |

2018 in EUR'000

| | up to 1 year | > 1 year - 5 years | > 5 years | Total |
|---|---|---|---|---|
| ***Non-derivative financial liabilities*** | | | | |
| Liabilities against banks and other financial liabilities | | | | |
| Repayment | 10,101 | 1,500 | - | 11,601 |
| Interest p.a. (2.34%) | 236 | 35 | - | 271 |
| Trade accounts payable | 11,866 | - | - | 11,866 |
| Convertible bond | 4,300 | - | - | 4,300 |
| Interest p.a. (6.00%) | 129 | - | - | 129 |
| Bond | - | 18,921 | - | 18,921 |
| Interest p.a. (6.00%) | 1,200 | 4,500 | - | 5,700 |
| Leasing liabilities | 1,366 | 6,032 | 6,627 | 14,025 |
| Other non-derivative liabilties | - | 1,442 | - | 1,442 |
| ***Derivative financial liabilities*** | **-** | **-** | **-** | **-** |

For a more detailed description of the risks, we refer to the Combined Management Report and Group Management Report in chapter 4 of the Annual Report. The task of risk management is to address these risks through precise market observation, risk assessment, reduction of net exposure and targeted security 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. Exceptions are the investments and a purchase option included in the other financial receivables, which are measured at fair value through profit or loss. Furthermore, reference is made to those in Note 5.

The Group's financial assets and liabilities are categorised as follows in accordance with IFRS 9:

in TEUR

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Financial assets measured at fair value in profit and loss | 3.766 | 2.477 |
| Financial assets measured at amortised cost | 64.805 | 51.569 |
| Financial liabilities measured at fair value in profit and loss | -4.504 | -1.442 |
| Financial liabilities measured at amortised cost | -83.576 | -64.418 |

Of the financial liabilities, contingent purchase price liabilities in the amount of EUR 4,504 thousand (previous year: EUR 1,442 thousand) are reported at fair value through profit or loss (Notes 26 and 27). In 2019 and 2018, cash and cash equivalents, trade receivables and payables, other financial assets and liabilities, and current financial liabilities mainly had short remaining maturities. Therefore, their carrying amounts on the reporting date correspond more or less to the fair value.

We assume that the fair values of other non-current receivables approximate their carrying amounts, as the general conditions have not changed materially. The portfolio of primary financial instruments is shown in the Statement of Financial Position; the amount of the financial assets corresponds to the maximum default risk. Valuation allowances for expected credit losses are recognised at amortised cost or at fair value through equity.

Furthermore, it is assumed that the carrying amount of the bond nearly corresponds to the fair value, since the interest rate level and the creditworthiness did not change significantly compared to the issue date.

The following table shows the net gains and losses from financial instruments recognised in profit or loss for the measurement categories according to IFRS 9:

in EUR'000

| | **31.12.19** | **31.12.18** |
|---|---|---|
| Financial assets at fair value through profit or loss | 869 | 1,005 |
| Financial liabilities at fair value through profit or loss | -271 | 96 |
| Financial assets at amortised cost | 44 | 47 |
| Financial liabilities at amortised cost | -3,283 | -2,285 |
| **Total** | **-2,641** | **-1,137** |

The net gains of the category “Financial assets and liabilities at fair value through profit or loss” mainly resulted from the measurement of TimeRide.

The net gains and losses in the category “Financial assets measured at amortised cost” were mainly interest income less impairment losses.

The net result of the category “Financial liabilities measured at amortised cost” mainly comprises interest expenses, currency gains and losses and income from the remission of liabilities.

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

Assets valued at fair value (in EUR'000)

| | 2019 | Market value | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Investment properties (Note 16) | 5,625 | - | - | 5,625 |
| Investments (Note 17) | 1,914 | - | - | 1,914 |
| Call option (Note 18) | 1,852 | - | - | 1,852 |

Liabilities valued at fair value (in EUR'000)

| | 2019 | Market value | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Conditional purchase price payment (Notes 26, 27) | 4,504 | - | - | 4,504 |

Assets valued at fair value (in EUR'000)

| | 2018 | Market value | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Investment properties (Note 16) | 5,625 | - | - | 5,625 |
| Investments (Note 17) | 1,464 | - | - | 1,464 |
| Call option (Note 18) | 1,013 | - | - | 1,013 |

Liabilities valued at fair value (in EUR'000)

| | 2018 | Market value | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Conditional purchase price payment (Note 27) | 1,442 | - | - | 1,442 |

There were no reclassifications between level 1, level 2 and level 3 of the valuation hierarchy in the reporting year.

The fair value of the call option was determined using the DCF method. The valuations were based on plans prepared by local management. An interest rate of 8.2% was used as the discount rate to determine the present value. In the event of a hypothetical increase (decrease) of the underlying earnings indicator (EBIT) by 10.0%, the fair value would increase (decrease) by EUR 185 thousand– without taking exchange rate effects into account.

Of the contingent purchase price liabilities, EUR 3,244 thousand (of which EUR 1,763 thousand is current, see Note 26 and Note 27) relates to variable purchase price components (earn-out obligations) for the acquisition of investments depending on future business development, and EUR 1,260 thousand relates to a purchase price obligation in connection with a put option on minority interests. The respective valuation is based on the DCF method. The valuations were based on plans prepared by local management. A weighted interest rate of 5.96% was used as the discount rate for determining the present values of the long-term earn-out obligations and the put option. In the event of a hypothetical increase (decrease) in the discount rate of 1.0%, these obligations would increase (decrease) by EUR 460 thousand (2018: EUR 0 thousand) – without taking exchange rate effects into account.

## 55 EXEMPTION FROM DISCLOSURE IN ACCORDANCE WITH SECTION 264 PARA 3 HGB

The following companies avail themselves of the possibility of exemption from disclosure of their financial statements and management reports in accordance with Section 264 para 3 HGB (German Commercial Code):

- DEAG Concerts GmbH, Berlin
- Concert Concept Veranstaltungs-GmbH, Berlin
- Global Concerts GmbH, Munich
- Grünland Family Entertainment GmbH, Berlin
- River Concerts GmbH, Berlin
- Christmas Garden Deutschland GmbH, Berlin

## 56 NOTIFICATION IN ACCORDANCE WITH SECTIONS 21, 26 WPHG

Pursuant to Section 160 para. 1 no. 8 of the German Stock Corporation Act (AktG), we hereby inform that DEAG received the following information about investments and changes in voting rights from the beginning of financial year 2019 before the preparation of the financial statements in accordance with the duties of notification pursuant to Sections 33, 34 (before 2 January 2018 pursuant to Sections 21 ff.) of the German Securities Trading Act (WpHG). Furthermore, notifications from prior financial years are stated. The information is based on the last communication by a person authorised to notify on behalf of the company. It is pointed out that with respect to the voting right shares mentioned, there may have been changes after the mentioned points in time which were not subject to notification to DEAG or were not shared with the company. All participation reports were published by DEAG in accordance with Section 40 (1) (before 2 January 2018 in accordance with Section 26 (1)) WpHG and can be accessed on the company's website at: https://www.deag.de/investor-relations/securities-transactions.

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

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company pursuant to Section 21 (1) WpHG on 13 December 2011, in correction of the notification of 12 December 2011, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 10% of the voting rights on 8 December 2011, and amounted to 10.37% on that day (this corresponds to 1,285,256 voting rights).

Allianz Global Investors GmbH, Frankfurt/Main, Germany, notified us pursuant to Section 21 (1) WpHG on 29 July 2016 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, 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.

Axxion S.A., Grevenmacher, Luxembourg, notified us pursuant to Section 33 (1) WpHG on 23 April 2019 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, dropped below the threshold of 3% of the voting rights on 18 April 2019 and amounted to 2.63% (this corresponds to 483,725 voting rights) on that date.

On 30 April 2019, Mr Mikael Larsson 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% of the voting rights on 18 April 2019 and amounted to 3.13% (corresponding to 574,945 voting rights) on that date. 3.13% of these voting rights (corresponding to 574,945 voting rights) are attributable to COELI SICAV II pursuant to Section 34 WpHG.

On 30 April 2019, COELI SICAV II, Luxembourg, Grand Duchy of Luxembourg, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 3% of the voting rights on 18 April 2019 and amounted to 3.13% (corresponding to 574,945 voting rights) on that date.

On 30 April 2019, COELI SICAV II, Luxembourg, Grand Duchy of Luxembourg, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 3% of the voting rights on 18 April 2019 and amounted to 3.13% (corresponding to 574,945 voting rights) on that date.

On 9 July 2019, Mr Samuel Singer 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 10% of the voting rights on 4 July 2019 and amounted to 12.27% (corresponding to 2,408,030 voting rights) on that date. 12.27% of these voting rights (corresponding to 2,408,030 voting rights) are attributed to SRE Holding GmbH pursuant to Section 34 WpHG.

On 15 July 2019, Mr Christian Angermayer notified us pursuant to Section 33 (1) WpHG that his share of voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, fell below the threshold of 20% of the voting rights on 9 July 2019 and amounted to 17.44% (corresponding to 3,423,157 voting rights) on that date. 17.44% of these voting rights (this corresponds to 3,423,157 voting rights) are to be attributed to Apeiron Investment Group Ltd pursuant to Section 34 WpHG.

On 23 October 2019, FundPartner Solutions (Europe) S.A., Luxembourg, Grand Duchy of Luxembourg, notified us pursuant to Section 33 (1) WpHG that its share of voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, fell below the threshold of 5% of the voting rights on 15 October 2019 and amounted to 4.84% (equivalent to 950,691 voting rights) on that date. 4.84% of these voting rights (corresponding to 950,691 voting rights) are attributable to QUAERO CAPITAL FUNDS (LUX) SICAV pursuant to Section 34 WpHG.

Other information: FundPartner Solutions (Europe) S.A. is the AIFM (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 15 January 2020, 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 10% of the voting rights on 13 January 2020 and amounted to 10.002% (corresponding to 1,963,000 voting rights) on that date. 10.002% of these voting rights (corresponding to 1,963,000 voting rights) are attributable to Novofam Macro LLC pursuant to § 34 WpHG.

# 57 EVENTS AFTER THE BALANCE SHEET DATE

In January 2020, the first infections with the corona virus Sars-COV-2, which causes the respiratory disease COVID-19, became known in the Group's core markets. On March 11, 2020 the World Health Organization (WHO) classified the spread of the virus as a pandemic. The coronavirus and in particular the associated regulatory requirements could have an impact on the economic situation of the Group and thus also on society. The effects on the development of ticket volumes and the staging of concert events cannot be estimated at present. For this reason, DEAG and its subsidiaries are also making use of government-subsidised opportunities such as short-time working. In addition, the management is strengthening the currently good liquidity position. This includes, in particular, measures to increase flexibility and the expansion of existing lines of credit with the principal banks, but also to create the conditions for access from government support programmes.

The company is constantly monitoring developments and taking appropriate measures to counteract the risks.

With effect from 01.04.2020, Mr. Moritz Schwenkow will strengthen the Management Board as Chief Ticketing Officer (CTO).

In the opinion of the Management Board, no other significant events have occurred in the period from January 1, 2020 to the date of publication of this report.

# 58 PERSONAL DATA

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

| **Prof. Peter L.H. Schwenkow** | |
|---|---|
| Place of residence | Berlin |
| Profession | Chief Executive Officer |
| Responsibility within the Group | Strategic Business Development and Operations, Public Relations |
| Retainers on other boards | - |
| Group retainers | Administrative Board Member of AIO Group AG, Glattpark, (Switzerland)<br>Administrative Board Member of Good News Productions AG, Glattpark (Switzerland)<br>Chairman of the Administrative Board of The Classical Company AG, Zürich (Switzerland) |
| Shares held as of 31 Dec. 2019 | 228,769 |
| Option rights held as of 31 Dec. 2019 | 79,394 |

**Christian Diekmann**

| | |
|---|---|
| Place of residence | Berlin |
| Profession | Dipl.-Kaufmann, Executive Board Member (Chief Operations Officer, Chief Digital Officer) |
| Responsibility within the Group | Business Operations, German market, Sales, Marketing, Human Resources |
| Group retainers | Administrative Board Member of AIO Group AG, Glattpark (Switzerland)<br>Administrative Board Member of Good News Production AG, Glattpark (Switzerland),<br>Administrative Board Member of The Smart Agency AG, Glattpark (Switzerland)<br>Administrative Board Member of Fortissimo AG, Glattpark (Switzerland)<br>Administrative Board Member of Venue Consulting AG, Glattpark (Switzerland)<br>Administrative Board Member of The Classical Company AG, Zürich (Switzerland)<br>Supervisory Board Member of DEAG Classics AG, Berlin<br>Supervisory Board Member of mytic myticket AG, Berlin<br>Board Member of Kilimanjaro Holdings Ltd., London (Great Britain) |
| Shares held as of 31 Dec. 2019 | 6,469 |
| Option rights held as of 31 Dec. 2019 | 79,394 |

**Detlef Kornett**

| | |
|---|---|
| Place of residence | Kleinmachnow |
| Profession | Kaufmann, Executive Board Member (Chief Marketing Officer) |
| Responsibility within the Group | Marketing, International Business Affairs |
| Group retainers | Administrative Board Member of AIO Group AG, Glattpark (Switzerland)<br>Administrative Board Member of Good News Production AG, Glattpark (Switzerland),<br>Administrative Board Member of The Smart Agency AG, Glatt-park (Switzerland)<br>Administrative Board Member of Fortissimo AG, Glattpark (Switzerland)<br>Administrative Board Member of Venue Consulting AG, Glattpark (Switzerland)<br>Chairman of the Supervisory Board of mytic myticket AG, Berlin<br>Chairman of Kilimanjaro Holdings Ltd., London (Great Britain)<br>Board Member of Flying Music Holding Ltd., London (Great Britain)<br>Chairman of Live Music Production LMP SA, Le Grand-Saconnex (Schweiz)<br>Chairman of Live Music Entertainment SA, Le Grand-Saconnex (Schweiz)<br>Board member of supervisory board of DEAG Classics AG, Berlin<br>Board member of Gigantic Holdings Limited, London (Großbritannien) |
| Shares held as of 31 Dec. 2019 | 3,715 |
| Option rights held as of 31 Dec. 2019 | 79,394 |

**Roman Velke**

| | |
|---|---|
| Place of residence | Berlin |
| Profession | Dipl.-Kaufmann, Chief Financial Officer |
| Responsibility within the Group | Finance, Investor Relations |
| Group retainers | Administrative Board Member of Live Music Entertainment SA, Le Grand-Saconnex (Schweiz)<br>Administrative Board Member of Live Music Production SA, Le Grand-Saconnex (Schweiz) |
| Shares held as of 31 Dec. 2019 | 1,000 |
| Option rights held as of 31 Dec. 2019 | 79,394 |

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

**Wolf-Dieter Gramatke**

| | |
|---|---|
| Place of residence | Salzhausen/Luhmühlen |
| Position on Supervisory Board | Chairman of the Supervisory Board |
| Profession | Freelance media consultant |
| Retainers on other boards | - |
| Group retainers | Chairman of the Supervisory Board of DEAG Classics AG, Berlin |
| Shares held as of 31 Dec. 2019 | - |

**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 of 31 Dec. 2019 | 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 (Management Consulting) 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 of 31 Dec. 2019 | - |

As of 31 December 2019, Prof. Dr. Katja Nettesheim resigned from her position as a member of the DEAG Supervisory Board. The Berlin-Charlottenburg District Court appointed Tobias Buck, London, a new member of the Supervisory Board at the request of the DEAG Executive Board. The appointment of the district court is valid until the next Annual General Meeting of DEAG in June 2020. The Supervisory Board will propose Tobias Buck for election by the Annual General Meeting.

## 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 on 6 April 2020 for forwarding to the Supervisory Board. The Annual Financial Statements will be approved at the meeting of the Supervisory Board on 6 April 2020.

Berlin, 6 April 2020

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L.H. Schwenkow    Christian Diekmann

Detlef Kornett    Roman Velke    Moritz Schwenkow

# 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 2019, 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 2019 to 31 December 2019, 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 2019 to 31 December 2019. 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 2019, and of its financial performance for the financial year from from 1 January 2019 to 31 December 2019, 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 2019. 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”, 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 € 33,379 thousand, which exceeds equity by € 8,223 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 appropriate¬ness.

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 BUSINESS COMBINATIONS

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

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

For the related disclosures on the discretionary judgment exercised by the legal representative, we refer to the disclosures in the notes to the consolidated financial statements in Section 1 “Accounting Policies”. For quantitative disclosures concerning the business combinations, we refer to the disclosures in the notes to the consolidated financial statements in Section 12.2 “Acquisitions”, 27 “Other Non-Current Financial Liabilities” and 35 “Other Operating Income”.

**Facts and Risks for the Audit**

The number of foreign and domestic entities fully consolidated in the corporate Group of DEAG Deutsche Entertainment Aktiengesellschaft increase from 39 to 50 during the reporting year.

In particular, the acquisitions of 50.1 % of the shares of I-Motion GmbH Events & Communication, Mühlheim-Kärlich, of 60.0 % of the shares of Live Music Production LMP SA, Le Grand-Saconnex/Switzerland and of 51.0 % of the shares of Live Music Entertainment LME SA, Le Grand-Saconnex/Switzerland, through its Suisse subsidiary AIO AG, Glattpark/Switzerland, of 75.0 % of the shares of Gigantic Holdings Ltd., London/United Kingdom through its British subsidiary MyTicket Services Ltd., London/United Kingdom, as well as of 51.0 % of the shares of C2 Concerts GmbH, Stuttgart, significantly influenced the net assets and the results of operations of the group for the 2019 financial year.

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 business combinations was considered as a particularly significant audit item.

**Audit Approach and Findings**

As part of our audit, we assessed, the methodological approach to the presentation of the business combination and the initial recognition and measurement within the scope of the purchase price allocations for compatibility with IFRS 3 in order to review the Group‘s consolidation decision.

We have critically assessed the contractual arrangements and shareholder agreements underlying the transaction, in with regard to the control criterion, in order to review the Group‘s consolidation decisions. With view to the purchase price allocation, with the support of valuation specialists, 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 business combinations are justified and consistent.

**Other Information**

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

» the corporate governance declaration in accordance with §§ 289f and 315d HGB contained in section 3.1 of the combined management report and group management report

» the responsibility statement pursuant to Section 297(2) sentence 4 HGB and Section 315 (1) Sentence 5 HGB in Section "Declaration of Statutory Representatives" in the 2019 annual report

» the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code in Section "Corporate Governance Report" in the 2019 annual report

» the remaining parts of the annual report, with the exception of the audited consolidated financial statements, the combined management report and group management report and our auditor's report

The Supervisory Board is responsible for the following information:

» the report of the Supervisory Board in the 2019 annual report

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

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

» is materially inconsistent with the consolidated financial statements, with the combined management report and group management report or our knowledge obtained in the audit, or

» otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## OTHER LEGAL AND REGULATORY REQUIREMENTS

**Further Information pursuant to Article 10 of the EU Audit Regulation**

We were elected as group auditor by the annual general meeting on 27 June 2019. We were engaged by the supervisory board on 12 December 2019. 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, 6 April 2020

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

| | |
|---|---|
| Udo Heckeler<br>Wirtschaftsprüfer | David Reinhard<br>Wirtschaftsprüfer |

# DECLARATION BY THE STATUTORY REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable accounting 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, 6 April 2020

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L.H. Schwenkow

Christian Diekmann

Detlef Kornett

Roman Velke

Moritz Schwenkow

# CONDENSED INDIVIDUAL FINANCIAL STATEMENTS

## Balance sheet items

Assets (in EUR‘000)

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Intangible and tangible fixed assets | 184 | 143 |
| Investments | 17,178 | 16,779 |
| **Total fixed assets** | **17,362** | **16,922** |
| Receivables and deferrals | 52,598 | 47,946 |
| Cash, cash equivalents and securities | 97 | 108 |
| **Total current assets** | **52,695** | **48,054** |
| **Assets** | **70,057** | **64,976** |

Shareholders‘ equity and liabilities (in EUR‘000)

| | 31.12.19 | 31.12.18 |
|---|---|---|
| Share capital | 19,625 | 18,397 |
| Capital reserves | 3,171 | 16,957 |
| Retained income | 697 | 697 |
| Accumulated losses | -2,570 | -14,939 |
| **Shareholders‘ equity** | **20,923** | **21,112** |
| **Accurals and provisions** | **1,516** | **1,340** |
| Liabilities to financial institutions | 11,441 | 9,473 |
| Bond | 25,000 | 20,000 |
| Other liabilities | 11,177 | 13,051 |
| **Total liabilities** | **47,618** | **42,524** |
| **Shareholders‘ equity and liabilities** | **70,057** | **64,976** |

## Profit and Loss accounts items (HGB)

in EUR'000

| | 2019 | 2018 |
|---|---|---|
| Sales | 1,745 | 2,835 |
| Distribution costs | -1,239 | -1,206 |
| General and administration costs | -7,486 | -7,953 |
| Other operating income and expenses | 838 | 307 |
| Interest result and other financial result | -1,505 | -906 |
| Income from investments | 3,132 | 7,759 |
| **Net profit/loss for the year** | **-4,515** | **836** |
| Accumulated losses at beginning of the period | -14,939 | -15,775 |
| **Release of capital reserves** | 16,884 | - |
| **Accumulated losses at end of period** | **-2,570** | **-14,939** |

# CORPORATE GOVERNANCE REPORT

In financial year 2019, the Executive Board and Supervisory Board were constantly 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 (GCGC), the Executive Board and Supervisory Board report on corporate governance at the company as follows:

**Declaration of Conformity**

On 12 December 2019, 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 (GCGC) 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 formed by the Supervisory Board. For a Supervisory Board that is composed of only three members, every substantive issue that requires consultation with the Supervisory Board can be dealt with by directly involving all Supervisory Board members. In light of this situation, no increase in efficiency in the work of the Supervisory Board can be expected by forming committees. (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. In each case, publication takes place within the framework of the statutory periods and the periods under stock exchange law. Earlier publication would involve significantly greater effort by our personnel and higher organisational expenditure and hence considerable extra costs, also in view of several non-listed subsidiaries and investees based outside Germany. (7.1.2 DCGK)

## 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 to perform their duties properly. From the point of view of the Supervisory Board, these criteria are fulfilled by the current Supervisory Board.

The Supervisory Board is to 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 duration of membership of the Supervisory Board and diversity into consideration. Furthermore, the Supervisory Board is to set targets for the share 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 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 share of women on the Supervisory Board should be at least 33%.

All of the above goals were fully achieved in financial year 2019. The Supervisory Board has developed a competence profile for the entire Board. Its requirements were also fully met in financial year 2019. In the opinion of the Supervisory Board, all current members of the Supervisory Board are independent of the shareholders.

## Stock Option Plan

The Annual General Meeting of the company authorised the Executive Board by resolution of 27 June 2019 to issue up to 1,905,455 subscription rights ("stock options") by 31 December 2022. To the extent that stock options are issued to members of the Executive Board, this authorisation applies solely to the Supervisory Board. The Executive Board and the Supervisory Board have made use of this authorisation and issued a total of 555,749 stock options to the groups of individuals entitled to subscribe in financial year 2019. Further information on the 2019 stock option plan can be found under Note 45 to the Consolidated Financial Statements.

### Remuneration System for the Executive Board and Supervisory Board

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

The members of the Supervisory Board received the following net remuneration (in EUR thousands) for their activities in financial year 2019:

| Member of supervisory board | Fixed remuneration | Other remuneration | Total |
|---|---|---|---|
| Wolf-D. Gramatke | 56 | 16 | 72 |
| Michael Busch | 42 | 12 | 54 |
| Prof. Dr. Katja Nettesheim | 28 | 11 | 39 |
| **Total** | **126** | **39** | **165** |

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 on 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, April 2020

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


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# LEGAL NOTICE

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## MORE INFORMATION

This Financial Report and the latest information on DEAG and the DEAG share are available on the company's website under: www.deag.de/ir

## EDITING AND COORDINATION

DEAG Deutsche Entertainment Aktiengesellschaft
edicto GmbH - Agentur für Finanzkommunikation
und Investor Relations

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