

DEAG Deutsche Entertainment Aktiengesellschaft

**QUARTERLY FINANCIAL STATEMENT**  
**AS OF 30/09/2018**

# // DEAG OVERVIEW

## COMPANY PROFILE

DEAG Deutsche Entertainment Aktiengesellschaft (DEAG) is a leading entertainment service company and a provider of Live Entertainment in Europe with subsidiaries in its core markets. DEAG produces and profitably organises a broad range of live entertainment 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 platform 'MyTicket' for its own and third-party content. The highly scalable business model of MyTicket strengthens DEAG on its way to increasing profitability. DEAG promotes around 4,000 concerts and events a year and currently sells more than 5 million tickets, of which a steadily increasing share is sold via its 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 | ERMK) are listed in the Prime Standard of the Frankfurt Stock Exchange, the quality segment of Deutsche Börse.

## CORE MARKETS OF DEAG

**7** LOCATIONS  
IN EUROPE



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# // DEAG ON THE CAPITAL MARKET

## DEAG – THE SHARE

The DEAG share performed well in the first nine months of 2018. On 1 January 2018, the share started the new financial year at EUR 3.00. On 7 August 2018, the share price closed at EUR 3.91, its highest price since then. The DEAG share price fell in the second half of the third quarter, partly due to the difficult market environment. Overall, DEAG can look back on a positive performance in the current financial year.



## DEAG – THE BOND 2018/2023

In late October of this year, DEAG successfully placed a corporate bond (WKN/ISIN A2NBF2/DE000A2NBF25) on the capital market to finance the internal and external growth of the company in its core markets while optimising its financing structure. The issue had a volume of EUR 20 million. The bearer bonds with a nominal value of EUR 1,000 each have a term of five years. The annual fixed interest rate is 6.00%. By issuing the bond, the Group has secured long-term financing and focused its corporate strategy on profitable growth. The bond has been traded on the Open Market (Segment Quotation Board) of the Frankfurt Stock Exchange since 31 October 2018 and has since been listed continuously at prices over 100%.

## CAPITAL MEASURES AND INVESTOR RELATIONS

Research experts at Hauck & Aufhäuser are currently following the DEAG share. The target price is currently EUR 4.90. Analyst studies are available on the DEAG website under Investor Relations/Research Comments.

We attach the greatest importance to the need for information on the capital market and meet the highest transparency requirements with our listing in the Prime Standard of the Frankfurt Stock Exchange. On top of our legal obligations, we also undertook numerous other IR activities prior to publishing this report:

- Participation in 4 capital market conferences
- Several one-on-one meetings with investors in Germany and abroad
- Publication of 5 ad hoc announcements and 13 corporate news releases

Detailed information on Investor Relations can be found at [www.deag.de/ir](http://www.deag.de/ir). DEAG Deutsche Entertainment AG continuously offers information on all current business developments here.

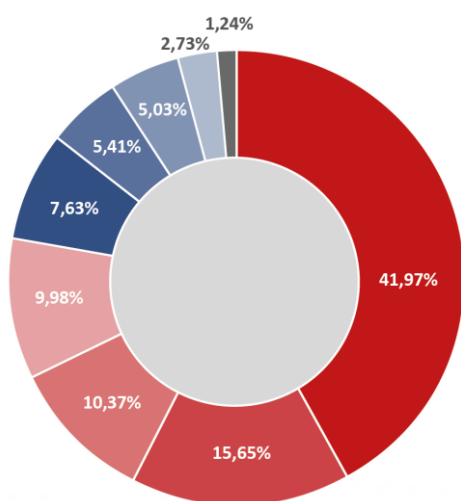
### FINANCIAL CALENDAR

12 December 2018	MKK   Münchner Kapitalmarkt-Konferenz (Munich)
29 March 2019	Annual Financial Report 2018
29 May 2019	Quarterly Financial Statement (3M)
27 June 2019	Annual General Meeting Meistersaal/Berlin
30 August 2019	Half-year Financial Report (H1/6M)
29 November 2019	Quarterly Financial Statement (9M)

### KEY SHARE DATA

ISIN	DE000A0Z23G6
WKN	A0Z23G
Number of outstanding shares (30 September 2018)	18,397,423
Closing price for the quarter (28 September 2018)	EUR 3.41
High (1 June – 30 September 2018)	EUR 3.92
Low (1 June – 30 September 2018)	EUR 3.41
Market capitalisation on 28 September 2018	EUR 62.0 million
Designated sponsor	Hauck & Aufhäuser

### SHAREHOLDER STRUCTURE\*



41.97% free float	5.41% Quaero Capital S.A.
15.65% Apeiron Investment Group Ltd	5.03% Axxion S.A.
10.37% Plusus Holdings 2 Limited	2.72% Moritz Schwenkow
9.98% Allianz Global Investors Europe GmbH	1.24% Prof. Peter L.H. Schwenkow (CEO)
7.63% SRE Holding GmbH	

\* According to the latest Notification of Voting Rights pursuant to sec. 21/33 WpHG (The German Securities Trading Act) as of 2018-11-16

# // INTERIM GROUP MANAGEMENT REPORT

## SIGNIFICANT OPERATIONAL DEVELOPMENTS

DEAG Deutsche Entertainment AG (DEAG) continued on its growth course in the third quarter of 2018. Compared to the previous year, sales rose significantly by 65% from EUR 21.2 million to EUR 34.9 million; earnings before interest and taxes (EBIT) improved significantly from EUR -1.2 million in the previous year to EUR 0.1 million. Since 2012, DEAG has thus achieved positive EBIT again in the traditionally weaker third quarter of a financial year. In the first nine months of 2018, DEAG recorded a 41% increase in sales to EUR 152.9 million, up from EUR 108.1 million in the previous year. EBIT amounted to EUR 8.2 million on 30 September 2018 after EUR 1.1 million last year.

A number of event highlights in rock pop division contributed to this positive development in financial year 2018. Among other things, the very successful open-air season with artists such as Ed Sheeran, Iron Maiden, Die Toten Hosen, The Foo Fighters and Andreas Gabalier. The Matapaloz Festival can also be considered one of the highlights in 2018. In the third quarter, DEAG acquired the Belladrum Festival in Scotland via its subsidiary Kilimanjaro Live Limited. Belladrum is an established festival in Scotland that has been successfully associated with Kilimanjaro for some time now. Artists such as the British indie rock bands “Bastille” and “Catfish and the Bottlemen” as well as the British singer Ed Sheeran have already used the stage there as a springboard and have been touring with Kilimanjaro ever since.

In the division of Classics & Jazz, the highlight during this period include the concerts of the Russian soprano Anna Netrebko and the star tenor Yusif Evyasov in Cologne.

Thanks to attractive content and newly established formats, the Arts+Exhibitions division offers DEAG enormous growth potential. The first Potsdam Schössernacht event this summer was a complete success, attracting almost 35,000 visitors. The TimeRide format, which enables visitors to take a virtual journey through Cologne in the early 20th century, is also one of the highlights.

DEAG has also continued along its strategic path and is continuing to take steps to successively reduce minority interests. Among other things, the shareholding in The Classical Company AG (Switzerland) was increased to 100%. The repurchase of 49% of DEAG Classics AG from Sony Music Entertainment Germany GmbH in June of this year also enables DEAG to further expand its position in the core market of Great Britain. On the other hand, with the complete takeover of 100 % of the shares in DEAG Classics AG, DEAG is pursuing an increase in earnings per share attributable to DEAG shareholders over the next few years. The acquisition of 24.9% of the shares in mytic myticket AG from Starwatch Entertainment GmbH in July of this year is also part of the strategy.

In addition, DEAG’s calendar of events for the remainder of 2018 is well filled and the Group has a solid basis for further development in the financial year. In the Family Entertainment division and Art+Exhibitions division in particular, DEAG will benefit from the estimated 350,000 visitors who will attend the successful Christmas Garden formats and the more than 150,000 tickets to Disney on Ice in 2017 that will be sold in the fourth quarter, which will once again contribute significantly to sales and earnings in 2018.

Due to the very good development in the first nine months of 2018 with sales revenues of EUR 152.9 million and EBIT of EUR 8.2 million as well as the well-filled events calendar for the traditionally strong fourth quarter, the Executive Board expects EBIT of at least EUR 10 million for the full year 2018 with sales revenues of over EUR 200 million.

## EARNINGS POSITION

In the first nine months of 2018, DEAG posted sales revenues of EUR 152.9 million compared with EUR 108.1 million the previous year. This is an increase of EUR 44.8 million or 41.4% and includes EUR 4.4 million in income from the operation of the Jahrhunderthalle in Frankfurt/Main, whose activities are now fully consolidated. The sale of the shares in Raymond Gubbay Limited had no significant effect on sales in the reporting period. Gross profit amounted to EUR 25.8 million (previous year: EUR 20.2 million), which corresponds to a gross margin of 17% (previous year: 19%).

Earnings before interest and taxes (EBIT) amounted to EUR 8.2 million in the reporting period and increased rather significantly by EUR 7.1 million year-on-year (previous year: EUR 1.1 million). Adjusted for the effect from the sale of Raymond Gubbay Limited with a deconsolidation gain of EUR 5.3 million, operating EBIT amounted to EUR 2.9 million, compared with EUR -1.5 million in the previous year, taking into account the operating EBIT of the business unit Austria. This corresponds to an increase of EUR 4.3 million. It should be emphasised that EBIT of EUR 0.1 million in the third quarter of 2018 also improved significantly compared to the previous year (EUR -1.2 million) and that DEAG thus achieved positive EBIT for the first time since 2012 in the traditionally weaker third quarter of a financial year.

All segments contributed to the positive sales and earnings development, even though the greatest growth was achieved in the Rock/Pop division as a result of the very successful open-air season to date. The activities of the Belladrum Festival in Scotland, which was acquired in the third quarter, also had a positive impact. Belladrum is an established festival in Scotland, which from now on will continue to be a fixture on DEAG's calendar of events in the coming years and is intended to boost the traditionally weaker third quarter by generating profitable sales.

After EUR -0.8 million the previous year, the financial result now amounts to EUR -1.9 million. It mainly includes net interest income. The increase is primarily due to the recognition of a finance lease in connection with the operation of the Jahrhunderthalle in Frankfurt/Main, according to which the lease payment to the owner was divided into an interest and a repayment portion.

After taking tax expenses into account, income from continuing operations amounted to EUR 5.3 million (previous year: EUR 0.4 million).

The result from discontinued operations essentially includes the result from the business unit Austria (including Blue Moon Entertainment GmbH) that was closed down last year.

Consolidated net income attributable to DEAG shareholders increased by EUR 6.4 million to EUR 3.9 million. This corresponds to EPS of 21 cents per share compared with 0 cents per share in the previous year.

## FINANCIAL AND ASSET POSITIONS

The balance sheet total increased by EUR 31.1 million or 23.5% to EUR 100.9 million (31/12/2017: EUR 132.0 million) compared with the previous balance sheet date.

The main changes resulted on the one hand from the changes in the scope of consolidation in connection with the addition of the assets and liabilities of Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main, in particular from the contract classified as a finance lease for the operation of the event hall, and the disposal of assets, liabilities and the minority interest in the deconsolidated company Raymond Gubbay Ltd. On the other hand, deferred revenues and the associated cash and cash equivalents decreased significantly. As of 31 December 2017, these items included advance sales for tours and shows, which have since been realised. Among these were the tours with Ed Sheeran and the many open-air events.

On the assets side, current assets decreased by EUR 40.3 million to EUR 43.2 million. This decline mainly relates to cash and cash equivalents (EUR -27.5 million) and trade receivables (EUR -14.9 million). The decline in cash and cash equivalents correlates with the decrease in deferred revenue of EUR 44.1 million. This is a regularly reliable indicator of the volume of firmly sold tickets to future events already realised on the reporting date. However, as is the case this year, there may be a degree of uncertainty as a result of the balance sheet date, namely when pre-sales for major projects do not start until after the balance sheet date. The advance sales starts for tours and shows with Ed Sheeran and KISS, among others, which were all very successful, are particularly worth mentioning.

The changes in non-current assets are primarily related to additions and disposals in connection with the change in the scope of consolidation and scheduled amortisation of other intangible assets.

On the liabilities side, current liabilities decreased significantly by EUR 40.2 million. The decline relates in particular to deferred revenues. On the other hand, liabilities to banks and the carrying amount of the convertible bond.

Besides the reclassification of the convertible bond and an increase in liabilities to banks (EUR 1.8 million), the change in non-current liabilities mainly relates to the recognition of leasing liabilities (EUR 10.0 million).

Equity after minority interests amounted to EUR 14.4 million at the end of the last quarter (EUR 12.6 million on 31 December 2017). Fortunately, the equity ratio increased from 9.6% to 14.3%.

## FINANCIAL POSITION

Cash and cash equivalents decreased by EUR 27.5 million to EUR 14.3 million in the reporting period. While the cash flow before changes in net current assets improved significantly by EUR 11.0 million to EUR 4.0 million, in particular due to the pleasing earnings situation, the change in working capital - essentially caused by the reduced deferred sales item - resulted in cash flow from operating activities (total) of EUR 31.5 million (previous year: cash inflow: EUR 2.7 million). On the other hand, the cash inflow from investing activities of EUR 3.4 million was significantly higher than in the same period last year (previous year: cash outflow of EUR -5.3 million). This mainly includes the balance of cash inflows and outflows in connection with the change in the scope of consolidation (Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main, Raymond Gubbay Ltd.) and payments for the acquisition of the Belladrum Festival as well as for the increase in the shareholding (My Ticket) during the reporting period. The cash inflow from financing activities relates in particular to the raising of short-term financial liabilities to banks and the pro rata repayment of the convertible bond.

## DEVELOPMENT OF THE SEGMENTS

DEAG reports in an unchanged segment structure. This presents the activities of the Group accurately and clearly:

The **Live Touring segment** reports on the touring business. It includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Wizard Promotions Konzertagentur (Frankfurt/Main), Grünland Family Entertainment (Berlin), Global Concerts Touring GmbH (Munich), 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 and the entire service business. It includes the activities of the AIO Group (Glattpark, Switzerland), Global Concerts (Munich), Concert Concept (Berlin), Grandezza Entertainment (Berlin), River Concerts (Berlin) und Elbklassik (Hamburg), handwerker promotion e. gmbh (Unna), LiveGeist Entertainment GmbH (Frankfurt/Main), Kultur- und Kongresszentrum Jahrhunderthalle GmbH (Frankfurt/Main) as well as mytic myticket (Berlin) and Kultur im Park GmbH (Berlin).

Segment performance at a glance:

### Live Touring

The segment achieved sales revenues of EUR 102.7 million and EBIT of EUR 11.4 million. Sales and EBIT were thus EUR 28.9 million and EUR 7.4 million, respectively, significantly higher than in the same period of the previous year. This positive development was due in particular to growth in the Rock/Pop segment as a result of the very successful open-air season to date. With events such as Ed Sheeran, the Matapaloz Festival, The Foo Fighters, Iron Maiden and Die Toten Hosen the first half of the year featured a number of highlights in this area. This development continued in the third quarter with the Belladrum-Festival in Scotland, which once again sold out. As in previous years, the focus in the Family Entertainment and Arts+Exhibitions divisions will be on Christmas business in the fourth quarter. The segment performance also benefited from the deconsolidation success in connection with the sale of the shares in Raymond Gubbay Ltd.

### Entertainment Services

The segment's revenues amounted to EUR 56.4 million (previous year: EUR 47.0 million) and were thus significantly higher than in the same period of the previous year. EBIT is almost balanced and amounted to EUR 0.3 million (previous year: EUR 0.2 million). Revenues include EUR 4.4 million from the operation of the Jahrhunderthalle in Frankfurt/Main, whose activities are now fully consolidated. The company made a positive contribution to EBIT, including interest expenses for the finance lease.

In the reporting period, the local tour operators mainly benefited from the Group's own tour business.





# // CONSOLIDATED BALANCE SHEET

## TOTAL ASSETS

	Interim Report	Annual Report	Interim Report
	2018	2017	2017
	30.09.2018	31.12.2017	30.09.2017
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Liquid funds	14.275	41.816	29.909
Trade receivables	11.063	25.926	7.430
Down Payments	11.216	10.949	12.310
Income tax receivables	813	1.178	367
Inventories	103	120	67
Other current financial assets	3.297	1.824	2.658
Other current non-financial assets	2.421	1.636	2.240
<b>Current assets</b>	<b>43.188</b>	<b>83.449</b>	<b>54.981</b>
Goodwill	23.872	26.321	25.826
Other intangible assets	9.306	8.719	9.196
Tangible fixed assets	4.653	2.459	2.527
Finance Lease Assets	10.086	-	-
Investment properties	5.340	5.340	5.340
Investments	916	706	748
According to the equity method accounted financial assets	1.325	1.366	2.348
Loans to associated companies	58	95	-
Down Payments	-	1.221	1.218
Other long-term financial assets	1.449	1.542	1.510
Deferred tax assets	734	762	538
<b>Long-term assets</b>	<b>57.739</b>	<b>48.531</b>	<b>49.251</b>
<b>Total assets</b>	<b>100.927</b>	<b>131.980</b>	<b>104.232</b>

**TOTAL LIABILITIES AND EQUITY**

	Interim Report	Annual Report	Interim Report
	2018	2017	2017
	30.09.2018	31.12.2017	30.09.2017
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Bank loans payable	18.960	16.884	18.564
Trade accounts payable	9.859	10.457	9.994
Accruals	6.633	6.810	4.117
Convertible bond	4.300	1.350	-
Sales accruals and deferrals	23.550	67.642	42.973
Income tax liabilities	1.084	638	899
Other current financial liabilities	5.749	4.242	4.619
Other current non-financial liabilities	2.384	4.703	1.984
<b>Current liabilities</b>	<b>72.519</b>	<b>112.726</b>	<b>83.150</b>
Accruals	160	-	52
Convertible bond	-	4.145	5.468
Bank loans payable	1.833	31	48
Finance lease liability	10.029	-	-
Other long-term liabilities	310	309	451
Deferred taxes	1.641	2.151	1.990
<b>Long-term liabilities</b>	<b>13.973</b>	<b>6.636</b>	<b>8.009</b>
Share capital	18.396	18.396	18.396
Capital reserve	42.508	42.508	42.508
Accumulated deficit	-51.304	-54.078	-54.305
Accumulated other income	1.581	638	1.432
<b>Equity attributable to DEAG shareholders</b>	<b>11.181</b>	<b>7.464</b>	<b>8.031</b>
Equity attributable to non-controlling interest	3.254	5.154	5.042
<b>Equity</b>	<b>14.435</b>	<b>12.618</b>	<b>13.073</b>
<b>Total liabilities and equity</b>	<b>100.927</b>	<b>131.980</b>	<b>104.232</b>

# // CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## CONSOLIDATED INCOME STATEMENT

	Interim Report III/2018	Interim Report III/2017	6 Month Report	6 Month Report
	01.07.2018 30.09.2018	01.07.2017 30.09.2017	01.01.2018 30.09.2018	01.01.2017 30.09.2017
	in EUR '000	in EUR '000	in EUR '000	in EUR '000
Sales	34.880	21.174	152.867	108.108
Cost of sales	-27.691	-16.038	-127.064	-87.905
<b>Gross profit</b>	<b>7.189</b>	<b>5.136</b>	<b>25.803</b>	<b>20.203</b>
Distribution costs	-2.864	-3.610	-11.841	-11.266
Administration costs	-3.799	-3.083	-11.890	-9.093
Other operating income / expenses	-407	347	6.135	1.249
<b>Operating result (EBIT)</b>	<b>119</b>	<b>-1.210</b>	<b>8.207</b>	<b>1.093</b>
Interest income and expenses	-550	-332	-1.838	-835
Result from investments and participations	-4	57	1	58
Earnings from affiliated companies	-39	-244	-110	-29
<b>Financial result</b>	<b>-593</b>	<b>-519</b>	<b>-1.947</b>	<b>-806</b>
<b>Result before taxes</b>	<b>-474</b>	<b>-1.729</b>	<b>6.260</b>	<b>287</b>
Income taxes	-119	351	-923	121
<b>Result after taxes from continued operations</b>	<b>-593</b>	<b>-1.378</b>	<b>5.337</b>	<b>408</b>
<b>Result after taxes from discontinued operations</b>	<b>15</b>	<b>-632</b>	<b>-79</b>	<b>-2.536</b>
<b>Result after taxes</b>	<b>-578</b>	<b>-2.010</b>	<b>5.258</b>	<b>-2.128</b>
Minority interests	239	-300	1.393	386
<b>Group result</b>	<b>-817</b>	<b>-1.710</b>	<b>3.865</b>	<b>-2.514</b>
Earnings per share in EUR (undiluted)				
from continued operations	-0,05	-0,06	0,21	0,00
from continued and discontinued operations	-0,04	-0,09	0,21	-0,15
Average no. of shares outstanding (undiluted)	18.396.808	18.396.808	18.396.808	17.325.480

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	III/2018	III/2017	01.01.-30.09.18	01.01.-30.09.17
from 01.01.2018 to 30.09.2018	in EUR '000	in EUR '000	in EUR '000	in EUR '000
Group result after taxes	-578	-2.010	5.258	-2.128
Other result				
(+/-) Differences from exchange rates (independent foreign units)	163	98	948	-75
(+/-) Deferred taxes on the other result	-	-	-	-
<b>Total recognized directly in other comprehensive income</b>	<b>163</b>	<b>98</b>	<b>948</b>	<b>-75</b>
<b>Total result</b>	<b>-415</b>	<b>-1.912</b>	<b>6.206</b>	<b>-2.203</b>
<b>Thereof attributable to</b>				
Non-controlling interest	247	-154	1.422	415
DEAG Shareholders	-662	-1.758	4.806	-2.618

## // CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Interim Report 01.01.2018 -30.09.2018 <u>in EUR '000</u>	Interim Report 01.01.2017 -30.09.2017 <u>in EUR '000</u>
<b>Result from continued operations</b>	<b>5.337</b>	<b>408</b>
Depreciation and amortisation	2.200	983
Change in accruals	-236	-7.711
Changes not affecting payments	2.029	-486
Result of scope of consolidation	-5.295	-
Deferred taxes (net)	-179	-302
Result from valuation of affiliated companies	110	29
<b>Cash flow</b>	<b>3.966</b>	<b>-7.079</b>
Net interest income	925	835
Change in working capital	-36.334	11.474
<b>Net cash from operating activities from continued operations</b>	<b>-31.443</b>	<b>5.230</b>
Net cash from operating activities from discontinued operations	-79	-2.536
<b>Net cash from operating activities (total)</b>	<b>-31.522</b>	<b>2.694</b>
<b>Net cash from investment activities from continued operations</b>	<b>3.379</b>	<b>-5.270</b>
<b>Net cash from financial activities (total)</b>	<b>309</b>	<b>4.064</b>
<b>equivalents</b>	<b>-27.834</b>	<b>1.488</b>
Effects of exchange rates	293	43
<b>Cash and cash equivalents at beginning of Period</b>	<b>41.816</b>	<b>28.378</b>
<b>Cash and cash equivalents at end of period</b>	<b>14.275</b>	<b>29.909</b>

## // CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Balance as at 31.12.2016 in EUR '000	Changes 01.01.2017- 30.09.2017 in EUR '000	Balance as at 30.09.2017 in EUR '000
Share capital	16.352	2.044	18.396
Capital reserve	40.081	2.427	42.508
Accumulated deficit	- 51.845	- 2.460	- 54.305
Accumulated other income	1.403	29	1.432
<b>Equity attributable to DEAG shareholders</b>	<b>5.991</b>	<b>2.040</b>	<b>8.031</b>
Equity attributable to non- controlling interest	4.726	316	5.042
<b>Equity</b>	<b>10.717</b>	<b>2.356</b>	<b>13.073</b>
	<b>31.12.2017</b> <b>in EUR '000</b>	<b>01.01.2018- 30.09.2018</b> <b>in EUR '000</b>	<b>30.09.2018</b> <b>in EUR '000</b>
Share capital	18.396	-	18.396
Capital reserve	42.508	-	42.508
Accumulated deficit	- 54.078	2.774	- 51.304
Accumulated other income	638	943	1.581
<b>Equity attributable to DEAG shareholders</b>	<b>7.464</b>	<b>3.717</b>	<b>11.181</b>
Equity attributable to non- controlling interest	5.154	- 1.900	3.254
<b>Equity</b>	<b>12.618</b>	<b>1.817</b>	<b>14.435</b>

# // SELECT EXPLANATORY NOTES

## **NOTES PURSUANT TO IAS 34**

These Quarterly Financial Statements, consisting of the Consolidated Balance Sheet, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Changes in Consolidated Equity, and selected explanatory notes, have been prepared in accordance with the IFRSs of the IASB, as adopted by the European Union, as well as the interpretations of the IFRS Interpretations Committee (IFRS IC) approved by the IASB, and the applicable provisions of the German Securities Trading Act (WpHG).

The company makes the following disclosures in its Quarterly Financial Statements as of September 30, 2018. These do not correspond to the scope as presented in the complete Annual Financial Statements. The Interim Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements for the period ending 31 December 2017.

The accounting, consolidation, currency translation and valuation principles applied in the Consolidated Financial Statements as of 31 December 2017 were essentially retained. Please refer to the Notes to the 2017 Consolidated Financial Statements (pages 40 ff.) published in the Annual Report.

Changes in significant accounting policies resulted from the first-time application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers.”

IFRS 15 contains new accounting standards for revenue recognition in connection with revenue from contracts with customers. The Group’s business models in the segments were examined as part of contract analysis. Subject to a review of the previous analysis as of December 31, 2018, the new standard for revenue recognition has no effect on revenue recognition, as the vast majority of revenue in the Consolidated Financial Statements is recognised as a result of routine transactions (revenue recognition at the time the power of disposal is transferred). There are no agreements in the Group that regulate several services within one contract or within several contracts (multi-element arrangements). Sales revenues were broken down according to segment-specific categories in accordance with IFRS 15 and are presented in the Interim Group Management Report.

IFRS 9 replaces the provisions of IAS 39, which relates to the recognition and measurement of financial assets and liabilities. IFRS 9 provides for a uniform approach to the classification and measurement of financial assets and liabilities, which is generally based on the company’s business model and the cash flows of the financial instrument. In addition, IFRS 9 includes a new impairment model according to which not only losses already incurred but also expected losses must be recognised, as well as new regulations for hedge accounting. The first-time application of IFRS 9 as of 1 January 2018 resulted in only minor changes in the classification and measurement of financial assets and liabilities, subject to a review of the previous accounting as of December 31, 2018. In accordance with the transitional provisions of IFRS 9, the comparative figures are not adjusted retrospectively.

The examination of the effects of the application of IFRS 16 on the Consolidated Financial Statements is almost complete. Due to the accounting treatment of assets and liabilities in the lessee's balance sheet as required by IFRS 16, an increase in total assets is expected at the time of initial application. As a result of the amendments to IFRS 16, depreciation and interest expenses will subsequently be recorded in the income statement instead of leasing expenses – with a correspondingly positive effect on EBITDA and EBIT. No final assessments of the date of application, effects and their quantification have yet been made. With regard to the above amendment, no decision has been made yet on the applicable transitional method.

Please refer to the “Development of the Segments” section of the Interim Group Management Report for selected information on the segments (IAS 34.16A).

These Quarterly Financial Statements have not been audited, nor have they been subjected to an audit review.

## CHANGES IN THE SCOPE OF CONSOLIDATION

In the Quarterly Financial Statement, DEAG as the parent company includes those companies for which the control concept is fulfilled. Companies founded, acquired or sold during the first half of the year are included from the date of formation, the date of acquisition or up to the date of disposal.

The scope of consolidation changed as follows in the period under review:

Since 1 January 2018, DEAG has had the final right to approve the annual budget of Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main. The control concept in accordance with IFRS 10.7 is thus fulfilled. Kultur- und Kongresszentrum Jahrhunderthalle GmbH, previously reported as an associated company, is now fully consolidated in the DEAG Group and 51.0% of the equity shares are attributed to non-controlling shareholders. In this context, the assets and liabilities to be acquired and significant contractual relationships were analysed with regard to the accounting, consolidation and valuation principles to be applied. Accordingly, a non-cash population without corporate quality was acquired, so that the difference (EUR - 49 thousand) was allocated to the acquired assets in accordance with the relative fair values. Furthermore, a contract for the operation of the Jahrhunderthalle was classified as a finance lease and the asset and lease liability were recognised with an addition value of EUR 10,687 thousand.

On 26 June 2018, DEAG acquired 49% of the shares in DEAG Classics AG from Sony Music Entertainment Germany GmbH and thus holds 100% of DEAG Classics AG including its holding in The Classical Company AG (Switzerland). As part of the transaction, DEAG Classics AG sold its shares in the British company Raymond Gubbay Limited to Sony Music Entertainment International Limited. As a result, the assets (EUR 11,845 thousand), liabilities (EUR 3,698 thousand) and third-party share (EUR 3,232 thousand) of the company sold were deconsolidated. The assets disposed of include goodwill of EUR 2,790 thousand.

For further information on the effects of changes in the scope of consolidation, please refer to the “Earnings Position” section of the Interim Group Management Report.

## DISCONTINUED OPERATIONS

The result after taxes from discontinued operations in the year under review of EUR -79 thousand (previous year: EUR -2,536 thousand) mainly includes the Austrian business unit including Blue Moon Entertainment GmbH. DEAG Music accounted for TEUR 6 (previous year: TEUR 2). Both divisions are allocated to the Entertainment Services segment.

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

## OTHER DISCLOSURES

On 2 July 2018, DEAG repurchased 24.9% of the shares in mytic myticket AG (“MyTicket AG”) from Starwatch Entertainment GmbH and increased its stake in the company to 75.1%. The remaining 24.9% of the shares are still held by Axel Springer SE.

DEAG acquired 100% of the renowned Belladrum Festival in Scotland via its 51% subsidiary Kilimanjaro Live Limited, based in London, effective 23 July 2018, and concluded a long-term lease agreement that secures exclusive access to the festival grounds and infrastructure.

Belladrum is an established festival in Scotland. It has always been sold out since 2009. Last year, 17,000 visitors flocked to the festival in the Highlands of Inverness. The geographical location and regional roots make it so special for music fans. Kilimanjaro has been successfully associated with the festival for a long time. Over the past eight years, the British organiser has exclusively booked artists for the festival, which each year presents a programme of local up-and-coming talents and national stars. Artists such as the British indie rock bands Bastille and Catfish and the Bottlemen as well as the British singer Ed Sheeran have already used the stage as a springboard and have been touring with Kilimanjaro ever since.

On 8 October 2018, DEAG acquired 50% of the shares in The Classical Company AG (Switzerland) from the Swiss company Ringier AG via its wholly owned subsidiary DEAG Classics AG and has held 100% of the shares since then.



**SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 23 October 2018, DEAG successfully placed a bond 2018/2023. The issue volume of the bond with an annual coupon of 6.00% amounted to EUR 20.0 million. The proceeds from the issue will be used to finance the company's internal and external growth in its core markets and at the same time to optimise its financing structure. Since 31 October 2018, the bond can be traded on the Open Market (Quotation Board segment) of the Frankfurt Stock Exchange.

Furthermore, in the opinion of the Executive Board, no significant events occurred after the end of the reporting period on 30 September 2018 that could have a significant impact on DEAG's net assets, financial position and results of operations.

Further explanatory notes required by IAS 34.15ff are not relevant, are of secondary importance and have not changed significantly since 31 December 2017.

Berlin, 30 November 2018

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board



Prof. Peter L. H. Schwenkow



Detlef Kornett



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