

## // DEAG OVERVIEW

#### **Corporate Profile**

DEAG Deutsche Entertainment AG (DEAG) is an integrated entertainment content company and a leading provider of live entertainment in Europe. DEAG produces and profitably organizes a broad range of events and concerts. Its own distribution business, mytic myticket AG, which is also share-held by two large print and TV media companies, increases the company's profitability and scales its business model. DEAG realizes around 2,000 concerts and events a year, selling about five million tickets, of which a steadily increasing part is sold via its high-turnover online distribution channel myticket.

Events cover rock/pop festivals (national and international), Classical&Jazz, Arts + Exhibitions, German Hit songs and Middle-of-the-Road music and the strongly growing family entertainment division. Particularly the festivals and family entertainment divisions are fundamental for the further development of DEAG's own content. Its network of strong partners allows DEAG to put itself in an excellent market position as an internationally active live entertainment group. DEAG shares (ISIN:DE000A0Z23G6 | WKN:A0Z23G | ERMK) are quoted in the Prime Standard segment of the Frankfurt Stock Exchange, which is the quality segment of the Deutsche Börse, the German stock market.

#### **DEAG'S CORE MARKETS**



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### // Letter to the Shareholders

#### DEAR SHAREHOLDERS,

In fiscal year 2016, we impressively demonstrated the performance of our business model with a very successful finishing kick. In a very strong fourth quarter, we were able to generate more than half of our total sales. At EUR 86.8 million, this quarter was thus the highest-performing quarter in five years. Our Christmas events were very successful towards the end of the year, with the Christmas Garden programs Christmas at Kew, Christmas at Blenheim and Christmas Garden Berlin especially outstanding. Other highlights in the fourth quarter were Disney on Ice and Marvel Universe, among many other great tours including The Red Hot Chili Peppers, Böhse Onkelz and David Garrett. Our strategy has thus proven successful with clear focuses on the segments of Family Entertainment, Rock/Pop, Classic & Jazz, Arts+Exhibitions as well as selected festivals. In total, we generated sales of EUR 204.9 million in 2016 before consolidation and were thus able to match the high level of the previous year. Sales after consolidation amounted to EUR 184.8 million (previous year: EUR 200.4 million).

Besides our strong presence in the German-speaking region, our UK business has also shown particularly strong organic growth of late. Highlights of the 2016 season were Space spectacular, Swan Lake, Anton & Erin, but also Katherine Jenkins, Zimmer vs. Williams and Spectacular Classics. We have made a name for ourselves in the UK with top events at the Royal Albert Hall among others. The events in London and other British cities now account for around 35% of DEAG's total turnover. We intend to carry this momentum forward and expand our UK business to an extent of up to 40% in the medium term, also through opportunities for acquisitions.

MyTicket, the company's own sales force in the ticketing sector, developed in 2016 within the realm of our expectations. In order to drive growth and establishment, we are continuing to pursue an aggressive organic expansion strategy. MyTicket is already present in three important European markets with Germany, the UK and Austria, and is also active for third-party organizers beyond DEAG's own content. Excluding the expenses for the market entry in Austria, which was completed in September 2016, the company is already profitable in its second fiscal year. As a result of our business development in 2016, we are committed to selling around 40% of all DEAG tickets through MyTicket in the medium term and to be able to make a significant contribution to the Group's results with the ticketing business.

The goal of the Executive Board with respect to sales development of achieving the business figures for the year 2014 in total and in terms of the segments was in fact achieved. In terms of EBIT, too, DEAG again showed a marked improvement after an extraordinarily bad year for business in 2015, but was not yet able to fully build on the results of previous years so that Group EBIT was still below the targets set. This was due to the performance of the Entertainment Services segment. The Live Touring segment, on the other hand, achieved EBIT of EUR 5.2 million, almost equal to the budgeted value for 2016, and was able to build on the performance of the 2014 fiscal year, particularly as a result of the positive developments in the UK business.

We see the business development as confirming that the strategic path we set in 2015 and 2016 was the right choice for continuing profitable company growth. We are sticking to our strategy of further developing our content at a high level, not only to strengthen the event business, but also to steadily increase the ticket volume in our own sales. In particular, we will continue to expand the segments of Family Entertainment, Rock/Pop, Classic & Jazz and Arts+Exhibitions with existing and new programs. Due to the well-filled pipeline, we are optimistic about the next fiscal year. We will continue to invest in our core business in order to improve our earnings potential and strengthen our international market presence. Our subsidiaries in the UK will also be developing dynamically in 2017. Given this expected overall positive business performance, we are forecasting 2017 to have an EBIT in the medium to upper single-digit million-euro range, with sustained high sales slightly higher than in 2016.

I would like to thank you for	vour confidence and am	glad to have you with	us as shareholders	on this path forward.

Kind regards,

Prof. Peter L.H. Schwenkow

## // Report of the Supervisory Board

#### DEAR SHAREHOLDERS,

During fiscal year 2016, 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, we continuously monitored the Executive Board with regard to its management of the company and advised it regularly on matters related to managing the company. We were always able to convince ourselves of the legality, purpose and regularity of its management. The Supervisory Board was involved in all decisions of fundamental importance to the company in a timely and direct manner. Furthermore, the operative and strategic development of the Group was also discussed with the Executive Board.

The Executive Board informed the Supervisory Board on a regular, timely and comprehensive basis in writing and orally about the business development, planning and situation of the company, including its risk situation and risk management. Documents relevant to making decisions were made available by the Executive Board in due time in advance of Supervisory Board meetings. Deviations in the development of business from the plans and objectives were explained in detail and the underlying causes were analyzed. The members of the Supervisory Board always had ample opportunity to comment critically on the reports submitted and resolutions proposed by the Executive Board, and to submit their own suggestions. In particular, we thoroughly discussed all business transactions of relevance to the company on the basis of written and oral reports by the Executive Board and verified them for plausibility. On many occasions, the Supervisory Board dealt in detail with the company's risk situation, liquidity planning and equity. The Supervisory Board gave the Executive Board its consent to individual business transactions to the extent that this was necessary in accordance with the law, the Articles of Incorporation and the Rules of Procedure.

The Supervisory Board met eight times in fiscal year 2016. Four of these sessions were physical meetings and four were conference calls. All members of the Supervisory Board were in attendance at more than half of the meetings. The members of the Executive Board participated in the Supervisory Board meetings unless the Chairman of the Supervisory Board had decided otherwise. Urgent matters were decided on the basis of written resolutions. All resolutions were passed on the basis of detailed resolution proposals and discussions with the Executive Board. Between the Supervisory Board meetings, the Chairman of the Supervisory Board was also in close personal contact with the Executive Board members. He subsequently informed the other members of the Supervisory Board about the current development of the business and key transactions.

#### Focus of the discussions of the Supervisory Board

The Annual Financial Statements and the Consolidated Financial Statements for fiscal year 2015 were discussed with the auditors at the Supervisory Board meetings held on April 7, 2016, and April 15, 2016. In this context, the Supervisory Board had dealt intensively with the situation of the company and its subsidiaries. Following detailed analysis of the company's plans and the positions of the auditor, the Supervisory Board decided to approve the Annual Financial Statements and the Consolidated Financial Statements for 2015 as well as the Combined Management Report and Group Management Report because the Supervisory Board believes the planning by the Executive Board is sufficiently conclusive and comprehensible; therefore, there was no reason to raise any objections.

The Executive Board reported on the Quarterly Financial Statements 2016/1 and the current business development at the Supervisory Board meeting on May 30, 2016. The Supervisory Board meeting on June 23, 2016, which took place after the company's Annual General Meeting, was devoted to discussing the Annual General Meeting and the Executive Board's report on the current development of business. By means of a written circular resolution on June 27, 2016, the Supervisory Board approved the decision of the Executive Board to issue a convertible bond in the total amount of up to EUR 5.7 million, excluding subscription rights, by taking advantage of the authorization resolution of the Annual General Meeting on June 26, 2014. At the Supervisory Board meeting on August 29, 2016, the Executive Board reported on the Half-year Financial Statements as of June 30, 2016, and on the forecast for 2/2016. The Supervisory Board meeting held on October 28, 2016, focused mainly on the Executive Board's report on the current business trend. By way of circular resolution on November 21, 2016, the Supervisory Board approved the transfer of 4.9% of its shares in mytic myticket AG to both Axel Springer SE and Starwatch Entertainment GmbH as part of a media-for-equity agreement.

At the Supervisory Board meeting on November 28, 2016, the Executive Board reported on the Quarterly Financial Statements as of September 30, 2016, as well as on the forecast for 3/2016. Besides the Executive Board's report

on the current development of business and the approval of the 2017 budget, the main focuses of the Supervisory Board's meeting on December 13, 2016, were the efficiency of the Supervisory Board's activities and the Declaration of Conformity with the German Corporate Governance Code by the Executive Board and the Supervisory Board. In the aforementioned meeting the Supervisory Board especially also addressed and discussed with the Executive Board the two proceedings of the Financial Reporting Enforcement Panel (FREP) regarding the Financial Statements as of December 31, 2014 and June 30, 2015.

#### Composition of the Executive Board and the Supervisory Board

With the Supervisory Board's decision on March 8, 2016, Ralph Quellmalz was appointed to the company's Executive Board effective April 1, 2016. Mr. Quellmalz is the new Chief Financial Officer responsible for the company's financial interests. The Executive Board's business allocation plan was accordingly redefined and the Executive Board's service contracts were adjusted. Detlef Kornett's Executive Board services contract was extended by three years.

By resolution of the Annual General Meeting on June 23, 2016, the composition of the Supervisory Board was extended from three to four members, and Mr. Michael Busch was elected as an additional member of the Supervisory Board. The corresponding amendment to the Articles of Incorporation was entered in the commercial register on July 13, 2016. Mr. Busch has been a member of the Supervisory Board since that date. In addition, the composition of the Executive Board and the Supervisory Board during the reporting period and also for the period thereafter have not changed. The Supervisory Board consists of Mr. Wolf D. Gramatke as Chairman of the Supervisory Board, Mrs. Martina Bruder as Deputy Chairman of the Supervisory Board and Mr. Christian Angermayer and Mr. Michael Busch as members. All Supervisory Board terms end with the forthcoming Annual General Meeting which determines the discharge for fiscal year 2016. No Supervisory Board committees were formed since the Supervisory Board consists of only four persons. All decisions were made by the Board. There were no conflicts of interest on the Supervisory Board during the reporting period.

#### **Corporate Governance and Declaration of Conformity**

The implementation of the recommendations of the new version of the German Corporate Governance Code dated May 5, 2015, was the subject of the Supervisory Board meeting on December 13, 2016. On this date, the Executive Board and the Supervisory Board issued the Declaration pursuant to section 161 AktG on the recommendations of the Code. The joint Declaration of Conformity between the Executive Board and the Supervisory Board is permanently accessible on DEAG's website at www.deag.de/ir. Further information on the implementation of the recommendations of the German Corporate Governance Code can be found in the Corporate Governance Report and in the Notes to the Consolidated Financial Statements.

#### **Audit of the Annual and Consolidated Financial Statements**

On June 23, 2016, the Annual General Meeting of DEAG selected Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, as auditor and Group financial statement auditor for fiscal year 2016. The auditor audited and confirmed the 2016 Financial Statements of DEAG Deutsche Entertainment Aktiengesellschaft, the 2016 Consolidated Financial Statements of the DEAG Group and the Combined Management Report and Group Management Report and issued an unqualified audit certificate in each case.

The Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report and the Group Management Report of the DEAG Group for fiscal 2016 were discussed in detail with the auditor's representatives at the meeting of the Supervisory Board held on April 7, 2017. The auditor reported on the main findings of its audit. It also assessed the effectiveness of the internal controlling system in terms of accounting, which did not lead to any objections. At the Supervisory Board meeting on April 24, 2017, the Annual Financial Statements and Consolidated Financial Statements were further discussed with the auditor. The Consolidated Financial Statements, the Group's Consolidated Financial Statements and Group Management Report as well as the auditor's reports were made available to all members of the Supervisory Board for review and resolution. After the Supervisory Board examined and discussed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report, no objections were raised to the results of the audit of the Annual Financial Statements and Consolidated Financial Statements by the auditor.

After final examination, the Supervisory Board approved the Annual Financial Statements of DEAG Deutsche Entertainment Aktiengesellschaft for fiscal year 2016, which are thus established pursuant to section172 AktG.

In addition, the Supervisory Board approved the Consolidated Financial Statements and the Group Management Report of the DEAG Group for fiscal year 2016 as prepared by the Executive Board and raised no objections.

The Supervisory Board would like to thank the management as well as all DEAG Group employees for their work in 2016.

Berlin, April 2017

For the Supervisory Board

Wolf-D. Gramatke

Chairman of the Supervisory Board

### // DEAG SHARE

#### 1. DEAG ON THE CAPITAL MARKET

The DEAG share was characterized by volatility in the 2016 reporting period. On January 4, 2016, the share started the year at a closing price of EUR 4.00 per share. After experiencing losses in the first two months of 2016 and an intermediate low of EUR 2.45 on February 11, 2016, the DEAG share recovered steadily in March and reached the level of the beginning of the year of EUR 4.00 per share on May 4, 2016. The development of the share price in the first quarter was strongly influenced by the ad-hoc announcement on February 4, 2016, concerning expected one-time effects from the festival business of the previous year.

The DEAG share was unable to escape the general downtrend caused by the Brexit decision in June 2016 and closed at EUR 2.44 on July 22, 2016. After trading sideways, the share reached its lowest point of EUR 2.19 since the beginning of the year on October 12, 2016, but subsequently



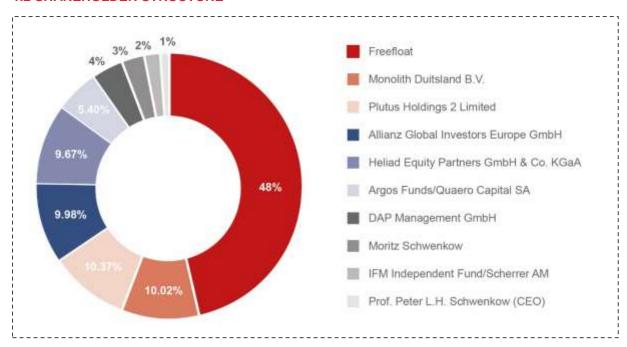
recovered and peaked in the fourth quarter at EUR 3.01 on November 29, 2016. The share ended 2016 on December 30, 2016 at a closing price of EUR 2.84, which corresponds to market capitalization of EUR 46.4 million.

In the first months of 2017, the DEAG share confirmed the positive trend of the previous quarter. It closed on February 13, 2017, at EUR 3.40 per share at its high for the current fiscal year. The DEAG share was priced at EUR 3.28 on March 31, 2017. This equates to market capitalization of EUR 53.6 million.

#### 1.1 STOCK KEY DATA

ISIN	DE000A0Z23G6
WKN	A0Z23G
Number of outstanding shares	16,353,334
Year-end price (Dec. 31, 2016)	EUR 2.84
High (Jan. 1 – Dec. 31, 2016)	EUR 4.00
Low (Jan. 1 – Dec. 31, 2016)	EUR 2.19
Market capitalization on Dec. 31, 2016	EUR 46.4 million
Designated sponsor	Dero Bank AG / Hauck und Aufhäuser (since July 19, 2016)

#### 1.2 SHAREHOLDER STRUCTURE



#### 1.3 CAPITAL MEASURES AND INVESTOR RELATIONS

DEAG announced the successful placement of a convertible bond issue on June 27, 2016. The placement allowed the company to raise EUR 5.7 million in additional capital. The funds are for the expansion of operating activities and open up scope to finance further growth.

Research experts at DZ Bank and Hauck & Aufhäuser currently follow the DEAG share. The target price is EUR 5.00 (as of Oct. 10, 2016). Analyst studies are available on DEAG Deutsche Entertainment AG's website under Investor Relations/Research Comments.

We attach the greatest importance to the need for information on the capital market and meet the highest transparency requirements with our listing on the Prime Standard of the Frankfurt Stock Exchange. In addition to our legal obligations, we also undertook numerous other IR activities in the reporting period 2016:

- Participation in five capital market conferences
- Numerous one-on-one meetings with investors in Germany and abroad
- Publication of 11 corporate news items and press releases

In order to meet our objectives and satisfy our shareholders and stakeholders, the Executive Board of DEAG plans to further intensify its Investor Relations activities on an ongoing basis. Among other aspects, we plan to become more visible on the capital market in the UK – in line with the positive operational development in that country. The UK is the second major core market for DEAG behind Germany. Therefore, we plan a secondary listing on the Alternative Investment Market (AIM) of the London Stock Exchange. With this planned second listing we are responding to the desire expressed by many British investors, for whom the DEAG share cannot be traded at all or only at very high cost in Germany. At the same time, we expect even greater visibility of DEAG in the UK market with corresponding positive effects for our operating business through the AIM listing. Against this background, we are convinced that the second listing is a good and important step for DEAG and all of its investors.

In order to maintain close contact with investors and analysts, Deutsche Entertainment AG took part in the Zurich Capital Market Conference on September 7, 2016, the German Equity Forum in Frankfurt/Main on November 22, 2016, and the Munich Capital Market Conference on December 7, 2016. With the objective of presenting its business model and the company, DEAG presented itself at the conferences and held numerous individual discussions with investors, analysts and financial journalists. In order to further increase the liquidity of the DEAG share, the private bank Hauck & Aufhäuser was also commissioned to act as another designated sponsor.

DEAG will also intensify its dialogue with the capital market in the future and therefore plans to participate in several capital market conferences and roadshows in 2017. In addition, DEAG will also intensify its dialogue with international investors this year.

Detailed information on investor relations can be found at <a href="www.deag.de/ir">www.deag.de/ir</a>. DEAG Deutsche Entertainment AG constantly offers information on all current business developments here.

We also see this step in the context of the ongoing optimization of our investor relations and active capital market communications.

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting of DEAG was held on June 23, 2016, in the "Meistersaal" in Berlin. All resolutions were adopted nearly unanimously with majorities of at least 96.6%. Both the Executive Board and the Supervisory Board were discharged by a large majority for the last fiscal year 2015. In addition, DEAG's shareholders elected Michael Busch a member of the Supervisory Board, appointed Roever Broenner Susat Mazars GmbH & Co. KG to be the auditor for the current fiscal year and revised the remuneration of the Supervisory Board. In addition, shareholders approved the decision to increase the size of the Supervisory Board. Detailed information on the Annual General Meeting is available on the company's website in the Investor Relations section.

#### **FINANCIAL CALENDAR 2017**

May 9, 2017	DVFA-Frühjahrskonferenz (Frankfurt / Main)
May 31, 2017	Group quarterly report (3M)
June 27, 2017	Annual General Meeting
August 31, 2017	Semi-annual financial report (6M)
September 5, 2017	SCC Small Cap Conference (Frankfurt / Main)
September 6, 2017	ZKK – Zürcher Kapitalmarktkonferenz (Zurich / CH)
November 27 – 29, 2017	EKF – German Equity Forum (Frankfurt/ Main)
November 30, 2017	Group quarterly report (9M)
December 12, 2017	MKK – Münchner Kapitalmarktkonferenz (Munich)

# // COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2016

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# // COMBINED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2016

#### 1. PRINCIPLES OF THE COMPANY AND GROUP

#### 1.1 BUSINESS MODEL INCLUDING OBJECTIVES AND STRATEGY

DEAG Deutsche Entertainment AG is a leading player in the live entertainment industry with a national focus on the German-speaking countries and the United Kingdom. As an integrated entertainment Group, DEAG has extensive expertise in the organization, marketing and holding of events, as well as the sale of the corresponding tickets via its own ticketing platform. In 2016, around 65% of sales were generated with the production and organization of tours and concerts in the DACH region and around 35% in the United Kingdom.

With its experienced management, DEAG has very good access to national and international artists and, as an expert on live entertainment events, is also an important cooperation partner for major media companies. The network includes, among others, strong partners such as Sony Music Entertainment, ProSiebenSat.1 Media SE/Starwatch Entertainment, Ringier AG and Axel Springer SE. With these targeted partnerships and cooperation agreements, DEAG is opening up further growth potential in the areas of Rock/Pop, festivals, Classical&Jazz, family entertainment and Arts + Exhibitions. Not least with subsidiaries such as Raymond Gubbay Limited and Kilimanjaro Live Ltd., DEAG has established itself in target markets in the United Kingdom over the past few years. With the completion of additional agreements on cooperation, international activities are to be expanded even further in the future, in particular in the attractive market in the United Kingdom. Besides the expansion of the operative business and additional partnerships, its growth is also to be advanced inorganically through the selective acquisition of competitors.

In the live business, DEAG is active as a tour promoter and a regional organizer. The company currently sells around 5 million tickets per year. The company has strong international content for further growth in the years to come. DEAG has secured its content in the long term partly by concluding numerous agreements on prestigious international events. This long-term secured, high-class content of DEAG also forms the basis for the further growth of the profitable Group-owned ticket distribution platforms MyTicket.de, MyTicket.co.uk and MyTicket.at. With its ticketing business, DEAG is already present in the three European growth markets of Germany, Austria and the United Kingdom. In the medium term, approximately 40% of the company's own content will be marketed via its own ticketing platforms and the platforms will increasingly serve as attractive alternatives for third-party content producers.

#### 1.2 GROUP STRUCTURE, INVESTMENTS, LOCATIONS AND EMPLOYEES

In the segments "Live Touring" and "Entertainment Services," DEAG reports on the business development of the DEAG Holding as the Group parent with its 34 affiliated companies at nine locations in Germany, Austria, Switzerland and the United Kingdom.

The business in the Live Touring segment ("touring business") is organized by DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Manfred Hertlein Veranstaltungs GmbH (Würzburg), Wizard Promotions Konzertagentur (Frankfurt/Main), Grünland Family Entertainment (Berlin), Raymond Gubbay (London, United Kingdom), the sub-group Kilimanjaro (London, United Kingdom) and The Classical Company (Zurich, Switzerland).

The Entertainment Services segment ("stationary business") includes the regional business as well as the entire service business. This in turn includes the activities of the AlO Group (Glattpark, Switzerland), Global Concerts (Munich), Concert Concept (Berlin), Grandezza Entertainment (Berlin), River Concerts (Berlin), Elbklassik (Hamburg), handwerker promotion e. gmbh (Unna), Blue Moon Entertainment GmbH (Vienna, Austria), LiveGeist Enterteinment GmbH (Frankfurt / Main) and mytic myticket (Berlin).

As of December 31, 2016, the employee structure was as follows: A total of 200 employees (previous year: 200) worked for the DEAG Group in Germany and abroad. An average of 33 employees were employed by the DEAG Holding over the course of the year (previous year: 31).

#### 1.3 CONTROL SYSTEM AND PERFORMANCE INDICATORS

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

#### 2. ECONOMIC REPORT

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

In the reporting period, the German economy was characterized by solid and steady economic growth. According to the first calculations of the Federal Statistical Office, the gross domestic product (GDP) rose by about 1.9% in 2016 compared to the previous year. The Federal Statistical Office sees the main reason for the positive economic development in domestic consumption. For 2017 and 2018, the German Institute for Economic Research (DIW) in Berlin forecasts economic growth of 1.0% and 1.6% for Germany. According to estimates by the DIW, the economy in the United Kingdom suffered significant capital outflows last year directly following the Brexit decision on June 23, 2016. The economists at the DIW therefore forecast economic growth of 0.9% for the United Kingdom in 2017 and a slight increase in GDP growth to 1.9% in 2018. For the euro zone, the German Institute for Economic Research cites above all private consumption as an economic growth driver. The DIW sees the development of consumer confidence as an indicator of this. With respect to economic growth in the euro zone, the economists from Berlin expect a rise in the gross domestic product of 1.4% in 2017 and 1.6% in 2018.

According to a study conducted by the auditing company PricewaterhouseCoopers (PwC) in autum 2015, the firm expects average annual growth of 2.1% for the German media and entertainment industry by 2019. This robust growth will be supported by both increasing advertising revenues and rising consumer spending. According to the auditing company's forecast, the latter is expected to grow by an average of 2.0% annually. PwC sees the increasing influence of digital media as an essential growth driver for the media and entertainment industry. Whereas the percentage of the profits of digital media was still 35% in 2014, it is estimated that the share of profits from digital media will increase to 43%.

According to PwC's forecast for the entertainment and media market in the United Kingdom from early June 2016, PwC anticipates annual growth of 3% for this market from 2016 to 2020 and predicts that the United Kingdom will overtake Germany in this market in 2017 and could even become the largest market in the EMEA region (Europe, Arabia and Africa).

The number of users who buy their tickets online has also been positive in recent years. Thus, the number of online buyers in the German-speaking population from 14 years of age has increased by about a quarter since 2013. While there were around 20.68 million people who bought their tickets over the Internet in 2013, this figure rose to around 25.73 million in 2016. In view of the further digitization and popularity of online sales channels, this trend can be expected to continue.

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

DEAG operates in an attractive, but also very competitive market environment. With its broad product portfolio and clear regional focus on the DACH region as well as the United Kingdom, DEAG therefore offers events and concerts in all genres that are aimed at an audience in almost every age group. Overall, the entertainment market is experiencing a positive development and therefore opens up further growth potential for DEAG. The event area is becoming more and more important for artists, as sales from the sale of recorded music have fallen significantly in recent years. This strengthens DEAG's position in the entertainment market as a leading organizer of events and concerts.

#### **2.2 BUSINESS DEVELOPMENT**

The expected seasonality was also reflected in DEAG's business development in the first nine months of 2016. In the previous year, concerts and tours that included Peter Maffay, Ed Sheeran and the Böhse Onkelz led to a significant volume focal point in the first three quarters by contributing high sales and earnings. In the case of the Böhse Onkelz indoor tour, the sales and earnings contribution was made in the fourth quarter of 2016. Furthermore, due to the European Soccer Championship and the Olympics, the planning of many artists and their management was focused on the fourth quarter of 2016. In view of this concentration at the end of the year, the fourth quarter was very strong with sales of EUR 86.8 million. The Christmas-related family events Christmas at Kew, Christmas at Blenheim, the Christmas Garden Berlin and the Christmas Circuses in Regensburg, Aachen and Hanover as well as the Christmas market in Kiel contributed significantly to the strong business development in the final quarter of 2016.

In addition to the five festivals in Germany, Austria and Switzerland, many other events were held in 2016. In the area of Rock/Pop, these included Limp Bizkit, Megadeth, Chris de Burgh, Jamie Cullum, Andreas Gabalier, Böhse Onkelz, Red Hot Chili Peppers, Aerosmith, Nena, Jean-Michel Jarre and Katie Melua, in particular.

But DEAG again offered top events in the area of Classical&Jazz as well, for instance David Garrett, Anna Netrebko, Yusif Eyvazov and Rolando Villazón.

DEAG's attractive content was also reflected in the family entertainment segment. Besides Disney on Ice, Riverdance, Anton & Erin, Swan Lake, and the Nitro Circus, DEAG also presented Bibi Blocksberg and Conni the musical. In addition, there were the very successful Christmas Garden events as well as the Christmas Market in Kiel.

The business volume of the DEAG subsidiaries Kilimanjaro and Raymond Gubbay in the United Kingdom also developed very positively. Highlights from the event season thus far include Space spectactular, Swan Lake, Anton & Erin and other top events, such as Katherine Jenkins, Zimmer vs. Williams, Spectacular Classics, Christmas at Royal Albert Hall, Christmas at Royal Festival Hall, Christmas at Kew and Christmas at Blenheim. The UK market offers very attractive growth prospects, which DEAG would like to continue to leverage in the future by sustainably strengthening its business in the United Kingdom.

The activities of the AIO Group in Switzerland benefited in particular from the festival event "Allmend Rockt" with a significantly positive contribution to earnings. Together with the savings achieved as a result of the introduction of structural measures, which have not yet been finally implemented, the basis has been laid for significantly improved profitability, even if the profit zone has not yet been reached in 2016, also due to the reduction in earnings in the case of capacity limitations for "Allmend Rockt" and since the final exploitation of the optimization potentials will still take some time.

The online sales platforms myticket.co.uk in the UK and myticket.de in Germany were supplemented by myticket.at in Austria in the third quarter of 2016. DEAG is already one of the leading entertainment providers in Austria. With myticket.at, the company is further expanding its presence in this attractive growth market and creating an additional sales channel for the marketing of its exclusive content. In addition, the ticketing platform strengthens its position as an alternative for third-party content producers. The company plans to gradually increase the share of tickets placed to its own events on myticket. Profitability at the Group level is to be further strengthened through the sustained integration of high margin ticket sales into its business model. It is the goal to sell around 40% of the DEAG content via myticket in a mid-term.

The business development 2016 is supported by very strong ticket sales for the top events in 2017, including Aerosmith, KISS, Böhse Onkelz, TINI (Violetta), Disney on Ice, Volbeat, Tokio Hotel, Bryan Ferry, David Garrett, Anna Netrebko & Yusif Eyvazov, Berliner Philharmoniker, Rolando Villazón, Andrea Bocelli, Till Brönner, Joja Wendt, Diana Krall, Bastille, Catfish and the Bottlemen, The 1975, Foreigner and Simply Red.

The company sees above-average growth opportunities for the future in the area of family entertainment, in particular, thanks to its attractive content and newly established programs. Here, DEAG can benefit from a broad and reliable target audience, internationalization through licensing models, and rising ticket sales, especially in exclusive distribution via the ticketing platform. From the 2017 fiscal year on, the company plans to expand its business activities in the area of Arts + Exhibitions in addition to expanding its current programs.

#### 2.3 INCOME, ASSETS AND FINANCIAL POSITION

#### 2.3.1 INCOME POSITION OF THE GROUP

Preliminary remark: The Financial Reporting Enforcement Panel (FREP) has audited the Consolidated Financial Statements and Group Management Report as of December 31, 2014, and determined that the accounting was incorrect in its letter dated December 20, 2016. In addition, the Interim Consolidated Financial Statements and Management Report as of June 30, 2015, were also examined. Incorrect accounting was discovered here as well.

The Executive Board of DEAG was up to now, particularly at the time of the respective financial statements, convinced within the scope of existing discretionary powers and on the basis of the relevant IFRS standards and accounting regulations of the HGB that accounting was carried out properly. After intensive consultation and consideration, the Executive Board decided to recognize the error detection by the FREP and end the audit. The qualitative and quantitative findings of the FREP relate to the past fiscal years 2014 and 2015. Three items in the balance sheet are concerned: risk provisioning in the 2014 Consolidated Financial Statements in connection with three Rock festivals in 2015, the realization of income in connection with Jahrhunderthalle Kultur GmbH (Frankfurt/Main), as well as the valuation of the real estate (properties) around the Jahrhunderthalle in Frankfurt/Main. Since the facts have also been reflected in the Consolidated Financial Statements and Group Management Report as of December 31, 2015, we have made further adjustments to our accounting in order to ensure correct accounting of the facts and an improved presentation of the assets and earnings situation. We refer to our comments in Note 57 of the Consolidated Financial Statements.

The results of the audits, including the adjustments to the prior-year figures, are fully and conclusively taken into account in the subsequent statements on the earnings, assets and financial position. Due to the corrections, the consolidated result for the previous year was reduced by EUR 8.4 million to EUR -29.8 million. There were no changes in sales and gross profit.

The DEAG Group generated sales of EUR 184.8 million in the past fiscal year compared with EUR 200.4 million in the previous year. DEAG was thus able to achieve its original goal regarding the sales 2016 being over the revenue level of 2014 (EUR 172.2 million), even under consideration that the sales of the Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt am Main, amounting to EUR 4.5 million, are no longer included in the reporting year. The main reason for this development was DEAG's very successful end to the fourth quarter, which impressively demonstrated the performance of the business model. In the last three months of 2016, DEAG generated almost half of total revenue, which represents the strongest quarter in five years, with sales of EUR 86.8 million (Q4 2015: EUR 53.9 million).

The gross profit from sales improved significantly compared with the previous year to EUR 28.6 million (previous year: EUR 14.1 million), which corresponds to a gross margin of 15% (previous year: 7%). In the previous year, the gross result was significantly impacted by lower results in connection with Rock festivals held for the first time and the Sonisphere Festival.

At EUR 21.1 million, sales expenses fell by 14% compared to the previous year (previous year: EUR 24.5 million). This includes the up-front costs for sales and marketing that were not recognizable. Administrative costs also fell to EUR 14.1 million (previous year: EUR 15.7 million) compared to the previous year. The decline is attributable to the administrative costs incurred in connection with the deconsolidation of the Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt/Main.

Other operating income amounted to EUR 8.1 million compared to EUR 9.5 million in the previous year. In essence, this includes income of EUR 5.8 million in 2016 and EUR 6.4 million in the previous year in connection with the Jahrhunderthalle transaction, with the income from the year under review resulting from the sale of the 49% share in Jahrhunderthalle in Frankfurt/Main in March 2016. The balance sheet of the transaction was re-examined in the context of the FREP audits and reassessed, supported by expert opinions. We refer to our comments in Note 57 of the Consolidated Financial Statements.

Other operating expenses decreased from EUR 9.6 million to EUR 0.8 million in the year under review. The amount in the previous year includes EUR 5.4 million and EUR 2.6 million in valuation adjustments and reductions in connection with a Rock festival that was originally planned at Nürburgring in 2015, and with the revaluation of the land area around the Jahrhunderthalle in the previous year. The latter is reported in the balance sheet under the item "Investment property" at EUR 5.3 million, unchanged compared to the adjusted prior year. For further information, please refer to the Notes to the Consolidated Financial Statements in Note 17 and Note 57.

In 2016, depreciation on property, plant and equipment and intangible assets of EUR 1.6 million (previous year: EUR 1.7 million) comprise depreciation exclusively as planned.

While the previous year's EBIT of EUR -26.2 million was still impacted by low results from first-time Rock festivals and risk provisions in 2015 totaling EUR 27.2 million, EBIT for the reporting year clearly improved to EUR 0.5 million, despite negative exchange rate effects in the amount of EUR 0.5 million as a result of the Brexit decision. In addition, EBIT in 2016 includes significant, non-recurring charges resulting either from costs for the expansion of the business in Austria, including the festival area (EUR 2.9 million) or discontinued projects (EUR 1.3 million). EBIT in 2016 and 2015 each contains income from the sale of Jahrhunderthalle.

The financial result in the past fiscal year amounted to EUR -1.5 million (previous year: EUR -0.9 million). While interest income hardly changed at all compared to the previous year, the profit shares of the financial assets accounted for using the equity method declined as a result of non-cash amortization.

Taxes on income and earnings amounted to EUR -0.5 million (previous year: EUR -0.2 million).

Earnings after taxes from discontinued operations in the reporting year amounted to EUR -0.7 million (previous year: EUR -1.6 million) in connection with the business unit Music Publisher / Label, which was discontinued in the previous year.

Consolidated profit after minority interests amounted to EUR -3.6 million (previous year: EUR -29.8 million). This corresponds to earnings of EUR -0.17 per share from continuing operations (previous year: EUR -1.73 per share).

The 2016 fiscal year had a clear focus on Family Entertainment, Rock/Pop, Classical&Jazz, Arts + Exhibitions and Ticketing. The development of sales and performance indicators compared to previous years shows that the strategy has been reoriented. The particular reason for this was, in addition to the very strong fourth quarter, the UK business, which was able to boast disproportionate organic growth at around 35% of the total turnover of DEAG.

Possible positive earnings effects in connection with alleged recourse and insurance claims in the context of the Rock festival at Nürburgring planned in 2015 are not included in the business figures. The respective costs – mainly for legal advice – have burden the fiscal year in addition.

#### 2.3.2 BUSINESS DEVELOPMENT BY SEGMENT

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

The business in the **Live Touring** segment ("touring business") is organized by DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Manfred Hertlein Veranstaltungs GmbH (Würzburg), Wizard Promotions Konzertagentur (Frankfurt/Main), Grünland Family Entertainment (Berlin), Raymond Gubbay (London, United Kingdom), the sub-group Kilimanjaro (London, United Kingdom) and The Classical Company (Zurich, Switzerland).

The **Entertainment Services** segment ("stationary business") includes the regional business as well as the entire service business. This in turn includes the activities of the AlO Group (Glattpark, Switzerland), Global Concerts (Munich), Concert Concept (Berlin), Grandezza Entertainment (Berlin), River Concerts (Berlin), Elbklassik (Hamburg), handwerker promotion e. gmbh (Unna), Blue Moon Entertainment GmbH (Vienna, Austria), Livegeist Entertainment GmbH (Frankfurt / Main) and mytic myticket (Berlin).

The segment development at a glance:

#### Business development of the segments:

Sales in EUR millions	2016	2015	Change from the previous year
Live Touring	122.9	131.0	-8.1
Entertainment Services	78.5	97.1	-18.6
Segment performance:			
Operating result (EBIT) in EUR millions	2016	2015	Change from the previous year
Live Touring	5.2	-6.3	+11.5
Entertainment Services	0.7	-8.4	+9.1

#### **Live Touring**

Sales in the **Live Touring segment** in 2016 of EUR 122.9 million were below the previous year's level of EUR 131.0 million, but higher than that of 2014 (EUR 117.7 million). The decline in sales is mainly due to fewer tour and open air events in 2016. Segment EBIT amounted to EUR 5.2 million, within expectations and significantly higher than the previous year (EUR -6.3 million).

Among the highlights of fiscal year 2016 were such tours and shows as Hansi Hinterseer, Musikantenstadl, Anton & Erin, Madam Butterfly, Andreas Gabalier, Böhse Onkelz, Red Hot Chili Peppers and the Family Entertainment programs Disney on Ice, Nitro Circus and Night of the Jumps. The UK business in particular was very successful and well above planning.

#### **Entertainment Services**

Sales in the **Entertainment Services segment** amounted to EUR 78.5 million in the past fiscal year, compared with EUR 97.1 million in the previous year and EUR 74.9 million in 2014. Segment EBIT in 2016 stood at EUR 0.7 million after EUR -8.4 million in the previous year despite the fact that operation of the Jahrhunderthalle in Frankfurt/Main no longer made any contributions. The results already take a new risk provision of EUR 2.3 million for the Rock festival in Vienna in 2017 (2015: EUR 4.0 million for risks associated with festival projects) into account. Segment EBIT is influenced both in the reporting year and in the previous year by the result of the Jahrhunderthalle transaction.

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

myticket, DEAG's own sales company in the area of ticketing, grew in 2016 along the lines of the Executive Board's expectations. In order to drive further growth in the ticketing business, DEAG is continuing to pursue an aggressive organic expansion strategy. myticket is already present in three major European markets with Germany, the UK and Austria, and is also active for third-party organizers beyond DEAG's own content. Excluding the expenses for entering the market in Austria, which was completed in September 2016, the company was already profitable in its second fiscal year. As a result of how the business developed in 2016, the Executive Board is committed to selling about 40% of all DEAG tickets through myticket in the medium term and to enabling the ticketing business to make a significant contribution to the Group's earnings.

#### 2.3.3 ASSETS POSITION OF THE GROUP

As of December 31, 2016, the balance sheet total increased slightly by EUR 3.0 million, or 2.9%, to EUR 107.3 million (December 31, 2015: EUR 104.3 million).

Current assets rose by EUR 1.8 million to EUR 62.9 million (December 31, 2015: EUR 61.1 million). While cash and cash equivalents and trade receivables increased by EUR 2.6 million and EUR 2.3 million respectively as a result of the strong business activity in the fourth quarter, the advance payments and income tax receivables were down by EUR 1.5 million and EUR 1.4 million respectively. The item "Assets held for sale" contained the 49% share in the Jahrhunderthalle in Frankfurt/Main that was sold in March 2016.

As of the balance sheet date, non-current assets rose by EUR 1.2 million to EUR 44.3 million (December 31, 2015: EUR 43.2 million). This development is attributable to higher loans to associated companies (EUR 1.2 million) as well as other non-current financial receivables (EUR 1.7 million), while other intangible assets are amortized at EUR 1.7 million as a result of scheduled depreciation.

For the items "Assets held for sale," "Goodwill" and "Assets held as financial investments" and the related prior-year figures, please refer to our comments in Note 57 of the Consolidated Financial Statements.

Current liabilities as of the balance sheet date amounted to EUR 88.8 million, an increase of EUR 6.6 million compared to the previous year (EUR 82.3 million). Liabilities to credit institutions increased by EUR 6.5 million to EUR 16.4 million. At the same time, trade payables also increased by EUR 2.4 million to EUR 13.6 million, while deferred revenue as of December 31, 2016, decreased by EUR 4.4 million to EUR 37.0 million.

Non-current liabilities amounted to EUR 7.8 million (December 31, 2015: EUR 6.0 million). With respect to the non-current liabilities to credit institutions (by EUR 2.3 million) which were lower compared to the previous year, the convertible bond issued in mid-2016 is the main reason for the increase in non-current liabilities.

Equity amounted to EUR 10.7 million (December 31, 2015: EUR 16.0 million), which corresponds to an equity ratio of 10% (December 31, 2015: 15%). The changes in equity relate to the Group's current income and dividend payments to other shareholders.

#### 2.3.4 FINANCIAL POSITION OF THE GROUP

in EUR millions	2016	2015
Cash outflow from operating activities (total)	-5.1	-37.9
Cash inflow from investing activities (total)	3.2	5.8
Cash inflow from financing activities (total)	4.9	4.1
Change in cash and cash equivalents	3.0	-28.0
Exchange rate effects	-0.4	-0.3
Financial assets on Jan. 1	25.8	54.1
Financial assets on Dec. 31	28.4	25.8

Cash outflow from operating activities (total) amounted to EUR 5.1 million, compared with EUR 37.9 million in the previous year. The change in the financial position is mainly due to the significantly improved annual result on the one hand and on the other hand (inversely) to the prepayment balance of EUR 24.4 million (previous year: EUR 27.3 million), which decreased compared to the previous year. Cash inflow from investing activities (total) essentially resulted from the purchase price paid for the Jahrhunderthalle transaction, both in the reporting year and in the previous year. Cash inflow from financing activities relates to the balance of the borrowing and repayment of financial debts, the convertible bond that was issued, and dividend payments to other shareholders. Overall, including the exchange rate effects, financial assets increased by EUR 2.6 million in the reporting period.

#### 2.3.5 INCOME, ASSETS AND FINANCIAL POSITION OF DEAG (HOLDING)

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

#### Income position

In the financial year 2016 DEAG showed an annual net loss of EUR 5.8 million (previous year: EUR 8.5 million). This includes non-cash effect adjustments of receivables and value of an investment amounting to EUR 3.3 million (previous year: EUR 9.3 million). DEAG's income mainly came from services, commissions and royalties and amounted to EUR 3.7 million (previous year: EUR 4.7 million) in 2016. Expenses mainly related to material expenses, including personnel expenses in the amount of EUR 3.7 million (previous year: EUR 3.2 million). The interest result decreased to EUR 0.6 million. Income from investments amounted to EUR 1.4 million compared with EUR 4.2 million in the previous year.

#### **Assets position**

The balance sheet total decreased slightly from EUR 51.5 million in the previous year to EUR 50.8 million as of December 31, 2016. DEAG's equity amounted to EUR 21.4 million (December 31, 2015: EUR 27.1 million), which equates to an equity ratio of 42.3% (December 31, 2015: 52.6%). The change in equity relates exclusively to the net profit for the year.

Financial assets as of December 31, 2016, decreased slightly to EUR 14.4 million (December 31, 2015: EUR 14.9 million). This decline is attributable to the valuation adjustment of a participating company that terminated its business operations. Receivables from affiliated companies amounted to EUR 32.5 million and were thus lower than in the previous year (EUR 34.5 million).

As of the balance sheet date in 2016, cash and cash equivalents remained unchanged at EUR 0.1 million. In total, DEAG has credit lines of EUR 21.2 million, EUR 4.8 million of which were not utilized as of December 31, 2016.

Liabilities increased compared to the previous year. This was attributable to the issuance of the convertible bond in the middle of 2016 (EUR 5.7 million) as well as increased liabilities to credit institutions in the amount of EUR 15.3 million (December 31, 2015: EUR 10.1 million); these concern equipment lines and financing of acquisitions. Liabilities to affiliated companies decreased to EUR 3.6 million, compared to EUR 7.4 million in the previous year, and relate to current deferrals and liabilities from profit transfers. Other liabilities fell by EUR 3.1 million compared to the previous year (December 31, 2015: EUR 5.5 million) and mainly include prepayments from cooperation agreements.

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

In fiscal year 2016, DEAG impressively demonstrated the efficiency of its business model with a very strong performance in the fourth quarter. In the last three months of 2016, for example, DEAG generated almost half of its total sales, which represents the strongest quarter in five years, with sales of EUR 86.8 million (Q4 2015: EUR 53.9 million).

Overall, DEAG generated sales before consolidation of EUR 204.9 million in fiscal year 2016, which were slightly below the previous year. Sales in 2016 after consolidation amounted to EUR 184.8 million (previous year: EUR 200.4 million). Earnings before interest and taxes (EBIT) in 2016 amounted to EUR 0.5 million (previous year: EUR -26.2 million).

The goal of the Executive Board in terms of sales development of achieving the business figures for 2014 in total and in relation to the segments was achieved. With regard to EBIT, DEAG again showed a marked improvement after a very bad year in 2015 and was not yet able to fully build on the results of previous years, so that the Group EBIT fell short of the targets set, despite the income from the sale of Jahrhunderthalle. This was due to the performance of the Entertainment Services segment, in particular the contributions to the expansion of the business in Austria, including the festival area and discontinued projects, as well as negative exchange rate effects and legal consulting costs in connection with active processes. The Live Touring segment, on the other hand, achieved EBIT of EUR 5.2 million, almost equal to the budgeted figure for 2016, and was able to build on the performance in fiscal year 2014, particularly as a result of the positive development of the UK business.

The Executive Board nevertheless considers the business performance in 2016 as a whole to be confirmation that the business model is intact and profitable and that the measures taken are correct. In view of the positive developments in the Live Touring segment, which includes the UK business, the ticketing segment and the well-filled event pipeline for 2017, the Executive Board assumes that the strategy being pursued will be increasingly reflected in revenue growth and higher profitability.

#### 3. CORPORATE GOVERNANCE

## 3.1 DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289 a Para 2 HGB (GERMAN COMMERCIAL CODE)

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

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

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

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

On May 1, 2015, the "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act" entered into force. By September 30, 2015, all listed companies must set targets for the share of women on the Supervisory Board, Executive Board and the two management levels below the Executive Board. The Supervisory Board has decided that the target size for women's participation in the Supervisory Board should be 30%. The current share of women on the Supervisory Board amounts to 25 %. In the Executive Board, the women's rate is 0%. As no increase in the quota can be foreseen by June 30, 2017, the target for women's participation in the Executive Board is 0%. There are no further management levels below the Executive Board at DEAG. A target for the percentage could therefore not be determined due to the lack of management levels.

#### 3.1.2 Supervisory Board Report

The Supervisory Board Report is published together with this Management Report on the company's website at <a href="https://www.deag.de">www.deag.de</a> in the Investor Relations section.

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

On December 13, 2016, 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 May 5, 2015, 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 SECTION 289 PARA 4 HGB AND SECTION 315 PARA. 4 HGB (GERMAN COMMERCIAL CODE)

The subscribed capital as of December 31, 2016, remains unchanged at EUR 16,353,334. It consists exclusively of bearer common shares in the form of no par value shares with a calculated share in the share capital of EUR 1.00 per share. 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 favor of the Executive Board members in the event of a change of ownership. With regard to compensation agreements between the company and members of the Executive Board or employees, please refer to the disclosures in the Notes to the Consolidated Financial Statements.

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

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

#### **Conditional capital**

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

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

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

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

#### **Authorized capital**

The General Meeting on June 26, 2014, has created new authorized capital with the abolition of the unused authorized capital (Authorized Capital 2011/I). The Executive Board was authorized, subject to the approval of the Supervisory Board, to increase the share capital by a total of EUR 8,176,667 by June 25, 2019 (authorized capital 2014/I).

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

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

DEAG is authorized by resolution of the General Meeting on June 25, 2015, pursuant to section 71 (1) No. 8 of the German Stock Corporation Act (AktG) to acquire treasury shares up to 10% of the capital stock at the time the resolution is passed by June 24, 2020, with the approval of the Supervisory Board. The decision is made by the Executive Board. Such a purchase may only be effected via the stock market or through a public purchase offer addressed to all shareholders. This authorization has not yet been exercised. On December 31, 2016, the company held 615 treasury shares.

#### 3.3 COMPENSATION 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 covered by contract for each member of the Executive Board. Furthermore, benefits are provided, for example, in the form of granting a company car or as grants for health and long-term care insurance.

The total compensation granted to the Executive Board in 2016 amounted to a total of EUR 1.8 million (previous year: EUR 1.6 million); EUR 1.8 million in benefits (previous year: EUR 1.4 million) were received in the year under review. This figure includes compensation for activities in subsidiaries included in the Consolidated Financial Statements (EUR 98 thousand, previous year: EUR 158 thousand) and an associated company (EUR 0 thousand, previous year: EUR 20 thousand).

The remuneration of the Supervisory Board is regulated in the Articles of Incorporation. The corresponding provisions were revised by the General Meeting on June 23, 2016, by amendments to the Articles of Incorporation. Until December 31, 2016, the remuneration of the Supervisory Board consists of a fixed (EUR 9,500.00) and a variable amount. The variable amount is calculated based on the Group's EBIT; it amounts to EUR 1,000.00 per full EUR 1 million of the Group's EBIT exceeding 15% of the share capital, with a maximum of EUR 9,500 per year. The Chairman of the Supervisory Board receives a three-fold payment, his/her deputy receives double the amount. As of January 1, 2017, the fixed annual remuneration is EUR 28,000. The variable remuneration is no longer applicable. The Chairman of the Supervisory Board receives double the remuneration, his/her deputy 1.5 times. Members of the Supervisory Board are also entitled to a meeting payment of EUR 1,000 for each meeting, as well as reimbursement of all expenses and the value-added tax on their remuneration.

#### 4. REPORT ON OPPORTUNITIES AND RISKS

#### 4.1 INTERNAL MONITORING AND RISK MANAGEMENT SYSTEM

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

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

A monitoring system has been set up at DEAG and the DEAG Group with which the company's and the Group's continued existence can be secured by recognizing threatening developments at an early stage. The monitoring of business activity for the early detection of threatening risks is currently being carried out to a large extent by the Executive Board and the Corporate Controlling Division at headquarters. The focus of the risk management system is on liquidity planning, project calculations and monitoring of the advance sales figures of all operating subsidiaries

as well as the ongoing forecast of the earnings situation of the individual companies and the Group. Group management is based on financial (sales and EBIT) and non-financial (ticket sales) performance indicators. The risks identified are regularly checked with the business unit responsible over the course of the year with the aim of eliminating or minimizing existing risks. As part of this process, the opportunities and risks are identified, quantified jointly by the Executive Board and the Managing Directors of the subsidiaries, and control measures are defined which are regularly reviewed and adapted as necessary.

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

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

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

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

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

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

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

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

#### **4.2 RISK REPORT**

#### 4.2.1. Market/competition

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

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

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

The DEAG Group's business is also determined by the condition that appropriate venues are available. The DEAG Group has access to the Jahrhunderthalle in Frankfurt/Main with its 49% shareholding in the Kultur und Kongresszentrum Jahrhunderthalle GmbH, which is based on a leasing contract as an operating company.

The remaining venues are rented for the respective event. If the artists are unable to perform at the respective locations, this can adversely affect the Group's business.

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

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

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

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

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

#### 4.2.2. Valuation of goodwill and other intangible assets

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

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

#### 4.2.3. Investment property

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

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

With the granting of a building permit, the transfer of ownership is to be carried out and the entire real estate or parts thereof are to be fully developed and marketed by the joint venture under the responsibility of the real estate investor. In the case of a positive and successful development of the properties, an additional profit would be generated which would exceed the book value.

The building permit for all partial lots is still pending. On the basis of the ongoing development (discussion on new land plots to be identified, combined with the necessary creation of infrastructure facilities, the survey commissioned by the city planning authority regarding the assessment of the Seveso problem) and the improved initial situation (the move of chlorine production to the Southern perimeter of the industrial park at the end of 2012 / beginning of 2013), the chances of realization are still good for all land intended for development. Nonetheless, there is still legal uncertainty since the valuation grounds cannot be clearly classified as building land as the construction law currently established does not exist. For all properties, a development plan has not yet been elaborated or the present development plan is not being further carried out. It is still unclear whether or when the activities for the preparation will be resumed. For this reason, a revaluation as agricultural land was generally carried out for all properties to be valued on the balance sheet date. The complex framework conditions were taken into account via discounts.

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

#### 4.2.4. Financial responsibilities

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 open up external financing sources (debt or equity).

For this reason, DEAG has agreed with four house banks on a comprehensive framework without further maturity limits, which is to be used for the purposes of acquisition financing (EUR 2.5 million), the pre-financing of touring and concert events (EUR 6.0 million) as well as the operating business (EUR 9.5 million). Of the latter, EUR 0.5 million is accounted for by a subsidiary.

In addition, in the fiscal year DEAG successfully placed a convertible bond of EUR 5.7 million. The term of the convertible bond started on 30.06.2016 for two years until 30.06.2018 with an extension option at the same conditions for an additional year until 30.06.2019. The inflow of the convertible bond is also intended to strengthen the financial structure of DEAG and to finance the further development of the company.

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

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

The respective financing conditions reflect the favorable market level and the rating of DEAG. 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 against the date of the respective grant, and compensatory measures such as the appointment or reinforcement of bank collateral to hedge the respective claims will not succeed.

In the previous year, DEAG took out a short-term loan of EUR 2.0 million, which included other current liabilities in the balance sheet item. The loan was fully repaid in the current fiscal year.

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.

In addition to the cash and cash equivalents available on the balance sheet date, a total of EUR 4.8 million in unused credit lines are still available. On the basis of current forecasts on earnings (EBIT) and the liquidity derived from it, the Executive Board estimates the financial position of the company and the Group to be in order. With regard to the forecast, please refer to 6. Forecast Report.

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

#### 4.2.5. Financial instruments

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

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

Payments for artists, orchestras, show productions, etc. are partly USD-based and are therefore subject to the currency risk against the euro, the CHF or the GBP. The same applies to dividends paid by foreign subsidiaries in CHF and GBP. The company regularly performs analyses to anticipate the effects of currency fluctuations and to assess whether hedging transactions are beneficial. Currency hedging transactions were carried out during the period under review so that the negative effects of the current price developments could be significantly reduced.

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

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

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

#### 4.2.6. Tax risks

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

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

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 processes

The Group currently carries out both active and passive processes. Where risks are discernible, these risks are generally recognized in the annual financial statements on the one hand by making valuation adjustments on the assets and on the other by way of provisions. Only procedural costs were recorded in the reporting year. There are no individual contingent liabilities arising from passive processes.

(Potential) assets in connection with court claims for damages and contract fulfillment have not been recognized as of the balance sheet date. The claims amounted to EUR 8.9 million.

#### 4.2.8. Holding structure

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

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

#### **4.3 OPPORTUNITIES REPORT**

The DEAG Group expects the business to develop successfully in 2017 and in the following years. With its broad portfolio, the Group is able to react flexibly to changes in trends.

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

- Through the connection with Sony Music Entertainment Germany GmbH, there are other possibilities for the acquisition of artists in the Classical&Jazz as well as Rock/Pop areas.
- As part of the sales strategy and the intention to further scale the business model, DEAG has, among other
  things, the continuous goal of increasing the controlled ticket volume and content. Against this backdrop, Rock
  festivals will be selectively continued and further established in 2017. They are attractive platforms because the
  catalog of rights held on these formats and thus the depth of useful action is extensive.
- Especially in the area of family entertainment, the company sees above-average growth opportunities for the future thanks to its attractive content and newly established formats and can look forward to a promising offering for 2017 and beyond. The advance sales for various shows in Germany, such as TINI, Disney on Ice and Riverdance, indicate this with their promising starts. Various important long-term contracts have also been concluded that underline the growing importance of this area. DEAG can benefit from a broad and reliable target audience, internationalization through licensing models and rising ticket sales, especially in exclusive distribution via the ticketing platform. From the 2017 fiscal year onwards, the company plans not only to expand its existing formats, but also to expand its business activities in the Arts + Exhibitions segment, which will include the Christmas Garden programs such as Christmas at Kew, Christmas at Blenheim and Christmas Garden Berlin.
- In the live business, DEAG is active as a tour promoter as well as a local organizer. In such activities, the company sells around 5 million tickets per year. These tickets have a high and steadily increasing additional potential for DEAG, especially if they are marketed via the Group-wide ticketing platforms www.myticket.de, myticket.at and www.myticket.co.uk. These ticketing platforms are not under pressure, like other ticket providers, to make content companies use this system for ticket sales. myticket receives highly attractive content from Rock and Pop to classical and from family entertainment to Heavy Metal - all from our own company. In order to maximize the potential of the sales business, DEAG concluded an agreement with Axel Springer SE and Starwatch Entertainment GmbH, which belongs to the ProSiebenSat.1 Group, for its participation in mytic myticket AG. At the beginning of 2017, Axel Springer SE and Starwatch Entertainment GmbH increased their shares in mytic myticket AG by 4.9% from 20% to 24.9% respectively. With the provision of media volumes, the two partners are clearly contributing to a visible positive increase in tickets sold through the www.myticket.de platform in Germany. In the spring of 2016, www.myticket.de - much earlier than expected - took over its own payment in cooperation with Heidelpay, a strong and experienced service provider in the area. By implementing the milestones outlined above, the platform increases the attractiveness of third-party content providers who can further promote development. With the introduction of myticket.at, market entry in Austria was successfully completed in September 2016.

#### 5. FORECAST REPORT

The course of performance in 2016 impressively showed the capability of the business model with an exceptionally strong fourth quarter. DEAG generated almost half of its total sales in the last three months of 2016, which represents the strongest quarter in five years with sales of EUR 86.8 million (Q4 2015: EUR 53.9 million). Christmas events were very successful towards the end of the year as well as the Christmas Garden programs Christmas at Kew, Christmas at Blenheim and Christmas Garden Berlin. Other highlights in the fourth quarter were Disney on Ice and Marvel Universe, among many other great tours including The Red Hot Chili Peppers, Böhse Onkelz and David Garrett. The Executive Board evaluates the business performance in 2016 as a whole as confirmation that the measures taken in 2015 and 2016 were correct, although the result achieved in 2016 is still unsatisfactory.

In view of the positive developments in the UK business, ticketing and the well-filled event pipeline, the Executive Board expects that the measures taken will be increasingly reflected in revenue growth and increasing profitability. DEAG is therefore planning to further develop its content at a high level in 2017, thereby strengthening not only the event business, but also steadily increasing the volume of ticket sales. The goal is also to further improve the earnings potential and strengthen its international market presence. The subsidiaries in the UK should also develop dynamically in 2017. In light of this overall positive business development, which is expected to be shared by both segments of the Group, the Executive Board expects sustained high sales for the fiscal year 2017 slightly higher than the previous year. Besides the expected organic growth, particularly through the use of synergies and the expansion of existing programs, external growth opportunities are also being examined selectively. The Executive Board is aiming for EBIT in the medium to upper single-digit million euro range for 2017.

Not included in the Group's forecast is a positive earnings effect that could result from possible inflows of funds from proceedings and settlements for DEAG in the current fiscal year. In connection with the planned rock festival at the Nürburgring, DEAG expects to claim a total of EUR 8.9 million. Payment receipts would be almost fully effective because the associated expenses were already recognized in the first three quarters of 2015.

#### Forward-looking statements

In addition to past results within the framework of the financial statements, the Report also includes forward-looking statements. These statements may deviate from the actual developments.

Berlin, 24.04.2017

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L. H. Schwenkow

Detlef Kornett

Und Mulman Christian Diekmann

Ralph Quellmalz



## // CONSOLIDATED FINANCIAL STATEMENT

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## **// CONSOLIDATED BALANCE SHEET**

#### **TOTAL ASSETS**

in EUR '000	Notes	31.12.2016	31.12.2015
Liquid Funds	7	28,378	25,805
Trade receivables	8	15,312	13,035
Down Payments	9	12,905	14,364
Income tax receivables		1,031	2,411
Inventories	10	64	125
Other current financial assets	11	2,796	2,299
Other current non-financial assets	11	2,455	2,289
Assets held for sale	40	-	813*
Current assets		62,941	61,141
Goodwill	13, 14	24,117	24,021*
Other intangible assets	13, 15	7,909	9,559
Tangible fixed assets	16	1,046	863
Investment properties	17, 28	5,340	5,340*
Investments	18	279	71
Financial assets accounted for using the equity		<u> </u>	
method	18	2,367	2,930
Down Payments	19	1,209	-
Other long-term financial assets	19	1,863	188
Deferred tax assets	20, 39	308	189
Long-term assets		44,438	43,161
Total Assets		107,379	104,302

<sup>\*</sup> Adjustment previous year pursuant to IAS 8.42 (Note 57)

#### **TOTAL LIABILITIES AND EQUITY**

in EUR '000	Notes	31.12.2016	31.12.2015
Bank loans payable	21, 28	16,353	9,847
Trade receivables	22	13,554	11,136
Accruals	23, 43	10,171	8,561
Sales accruals and deferrals	24	37,310	41,669
Income tax liabilities		944	917
Other current financial liabilities	26	3,673	6,144
Other current non-financial liabilities	26, 28	6,837	3,987
Current liabilities		88,842	82,261
Accruals	23, 43		416
Convertible bond	25	5,388	-
Bank loans payable	21, 28	100	2,424
Other long-term financial liabilities	27	464	1,015
Deferred taxes	20, 39	1,641	2,163*
Long-term liabilities		7,820	6,018
Share capital		16,352	16,352
Capital reserve	25	40,081	39,944
Accumulated deficit		-51,845	-48,269*
Accumulated other income		1,403	2,075
Equity attributable to DEAG shareholders		5,991	10,102
Equity attributable to non-controlling interest		4,726	5,921
Equity	29	10,717	16,023
Total liabilities and equity		107,379	104,302

<sup>\*</sup> Adjustment previous year pursuant to IAS 8.42 (Note 57)

## // CONSOLIDATED INCOME STATEMENT

		01.01.2016-	01.01.2015-
in EUR '000	Notes	31.12.2016	31.12.2015
Sales	31	184,758	200,360
Cost of sales	32	-156,196	-186,254
Gross profit		28,562	14,106
Distribution costs	33	-21,146	-24,546
Administrative expenses	34	-14,102	-15,698
Other operating income	35	8,062	9,505*
Other operating expenses	36	-848	-9,605*
Operating income (EBIT)		528	-26,238
Interest income and expenses	37	-997	-942
Income from investments	38	134	-67
Income shares in companies accounted for using the equity method	18	-663	82
Financial result		-1,526	-927
Result before taxes (EBT)		-998	-27,165
Income taxes	39	-485	-191*
Group result from continued operations after taxes		-1,483	-27,356
Group result from discontined operations after taxes	40	-716	-1,619
Group result after taxes		-2,199	-28,975
thereof attributable to non-controlling interest		1,377	869
thereof attributable to DEAG shareholders (Group result)		-3,576	-29,844
Earnings per share in EUR (undiluted)			
from continued operations	29	-0.17	-1.73
from continued and discontinued operations	29	-0.22	-1.83
Average number of shares in circulation (undiluted)	29	16,352,719	16,352,719

<sup>\*</sup> Adjustuments previous year pursuant to IAS 8.42 (Note 57)

## // CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR '000 / from 01.01.2016 to 31.12.2016	2016	2015
Group result after taxes	-2,199	-28,975
Other result		
(+/-) Differences from exchange rates (independent foreign units)	-1,510	1,377
Amounts as may be reclassified in future periods in the profit		
and loss account	-1,510	1,377
(+/-) Actuarial profit/loss recorded in equity	85	177
(+/-) Deferred taxes on the other total result	-17	-35
Amounts, not reclassified in income statement	68	142
Total recognized directly in other comprehensive income	-1,442	1,519
Total result	-3.641	-27.456
Thereof attributable to		
Non-controlling interest	607	904
DEAG Shareholders	-4,248	-28,360

## // CONSOLIDATED STATEMENT OF CASH FLOW (Note 43)

in EUR '000	2016	2015
Group result from continued operations after taxes	-1,483	-27,356*
Depreciation and amortisation	1,456	1,722
Expenditure from retirement of fixed assets	-12	3
Changes not affecting payments	-349	3,415*
Change in other accruals	1,289	4,165
Result of change in scope of consolidation	-5,808	-6,411*
Deferred taxes (net)	-641	-160
Result from valuation of associated companies	663	-82
Net interest income	997	942
Changes to receivables, inventories and other assets	-933	8,878
Changes to other loan capital without financial debts	284	-21,377
Net cash outflow from continued operations	-4,537	-36,261
Net cash outflow from discontinued operations	-613	-1,591
Net cash outflow from operating activities (total)	-5,150	-37,852
Outflows for investments in		
Intangible assets	-370	-87
Tangible assets and financial investments	-3,448	-664
Inflow/Spending on the sale of consolidated companies	6,877	6,424
Assets disposals	24	59
Interest Income	121	74
Net cash inflow from investing acitvities (total)	3,204	5,806
Proceeds from new borrowing	7,058	8,536
Repayment of financial debts	-4,936	-2,657
Cash proceeds from the convertible bond	5,700	-
Cost of the convertible bond	-208	-
Interest expenditure	-866	-1,017
Dividend portions of other shareholders	-1,802	-828
Payments to/from other shareholders	-	31
Net cash inflow from financing activities (total)	4,946	4,065
Changes in cash and cash equivalents	3,000	-27,981
Effect of exchange rate changes	-427	-278
Cash and cash equivalents as at 01.01.	25,805	54,064
Cash and cash equivalents as at 31.12.	28,378	25,805
+ A I'		

<sup>\*</sup> Adjustments previous year pursuant to IAS 8.42 (Note 57)

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

in EUR '000	Number of shares issued	Authoprized DEAG shares	DEAG capital reserve	Revaluation surplus	Accumulated deficit	Accumulated other income	Attributable to DEAG shareholders	Attributable to non-controlling interest	Equity
As of 31.12.2014	16,352,719	16,352	39,646	298	-18,443	591	38,444	5,838	44,282
Total result					-21,437	1,484	-19,953	904	-19,049
Capital increase	-	-	-	-	-	-	-	-	_
Dividend	-	_	-	-	-	-	-	-828	-828
Acquisition/ Sale of shares of other shareholders	-	-	-	-	18 <sup>1</sup>	-	18	7	25
Other changes	-	-	298 <sup>2</sup>	-298 <sup>2</sup>	-	-	-	-	
As of 31.12.2015	16,352,719	16,352	39,944	-	-39,862	2,075	18,509	5,921	24,430
Correction (Tz. 57)					-8,407		-8,407		-8,407
As at 31.12.2015 (adjusted)	16,352,719	16,352	39,944	-	-48,269	2,075	10,102	5,921	16,023
Total result					-3,576	-672	-4,248	607	-3,641
Capital increase	-	-	-	-	-	-	-	-	-
Dividend	-	_	-		-	-	_	-1,802	-1,802
Acquisition/ Sale of shares of other shareholders		-	77.	-		-	-	-	-
Other changes		9222.j	137 <sup>3</sup>			<del>5</del>	137	-	137
As of 31.12.2016	16,352,719	16,352	40,081	-	-51,845	1,403	5,991	4,726	10,717

 $<sup>^1</sup>$  Purchase (-74 EUR'000), Sale (+ 92 EUR'000)  $^2$  Reclassification pursuant to IAS 16.41 after the departure of the properties valued acc. to IAS 16

<sup>&</sup>lt;sup>3</sup> Equity component convertible bonds









# **// NOTES**

## 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.

DEAG is one of the leading providers of live entertainment in Europe. Apart from the organization of tours in the German-speaking D/A/CH region and the UK, the focus of its core business is on the local/regional staging of concert events in these regions. DEAG's event portfolio is comprised of national and international Rock/Pop, German Hit songs and Middle-of-the-Road music, classical music events as well as family entertainment. The DEAG Group currently sells around 5 million tickets per year. These tickets hold high and constantly growing incremental earnings potential for DEAG, particularly if they are sold through the Group's own ticketing platforms myticket.de, myticket.at and myticket.co.uk. For this purpose, DEAG launched its own ticket distribution in 2014 with myticket.de.

These Consolidated Financial Statements of DEAG 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 315a (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) — formerly the Standing Interpretations Committee (SIC).

The Consolidated Financial Statements are based on the financial statements of the companies included in the consolidation. These were prepared by application of the German Commercial Code (HGB), including the accounting standards adopted by the German Standardization Council (DRSC) as of the reporting date in accordance with section 342 of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The financial statements of foreign companies were prepared in accordance with their national regulations, in conformity with continuously and uniformly applied accounting and valuation principles. For companies included in the full consolidation with a different fiscal year than from July 1 to June 30, Interim Financial Statements were prepared.

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

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

For the preparation of the Consolidated Financial Statements, discretion, estimates and assumptions have to be made to a limited extent that affect the level and reporting of assets and liabilities, income and expenses as well as contingent receivables and liabilities. For the Group, this particularly includes the estimates of the determination of the utility values of non-financial assets (goodwill and other intangible assets), the determination of the fair values of real property held as a financial investment, the determination of the useful life of the depreciable fixed assets, the assigned value and the valuation adjustment of accounts receivable and advance payments made as well as the measurement and assessment of the probability of occurrence in respect of accruals and contingent liabilities, estimates of the amount of deferred tax assets on loss carryforwards as well as the determination of fair values for exchange transactions. At the application of the accounting methods of the Group, the management made the following discretionary decisions which can have a material impact on the amounts in the Consolidated Financial Statements.

Actual results may differ from estimates. There were no significant changes in estimates or assumptions during the reporting period.

The Financial Reporting Enforcement Panel (FREP) has examined the Consolidated Financial Statements and Group Management Report as of December 31, 2014, and reported incorrect accounting in its letter dated December 20, 2016. In addition, the Interim Consolidated Financial Statements and Management Report as of June 30, 2015, were also examined. Incorrect accounting was found here as well. Since the facts have also been reflected in the Consolidated Financial Statements and the Group Management Report as of December 31, 2015, further adjustments were necessary.

The Executive Board of DEAG has up to now, particularly at the time of the respective financial statements, been convinced of acting properly within the scope of existing discretionary powers and on the basis of the relevant IFRS standards and accounting regulations of the HGB. After intensive consultation and consideration, the Executive Board decided to recognize the error detection by the FREP and terminate the audit. In doing so, the company has comprehensively cooperated with the then and current statutory auditors.

The qualitative and quantitative findings of the FREP relate to the past fiscal years 2014 and 2015. Three items in the balance sheet were considered: the risk provision in the 2014 Consolidated Financial Statements in connection with three Rock festivals in 2015, the realization of revenues in connection with Jahrhunderthalle Kultur GmbH (Frankfurt/Main) as well as the valuation of the real estate (properties) around the Jahrhunderthalle in Frankfurt/Main. We report on the findings and the corrections in Note 57 of the Notes to the Consolidated Financial Statements.

#### 2. AMENDMENTS TO ACCOUNTING STANDARDS

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

For fiscal years beginning with that which began on January 1, 2016, the following changes now apply on an obligatory basis.

Standard  Content	Title	Mandatory date of application for fiscal years that begin on or after	
IAS 19	Employee Benefits	<b>February 1, 2015*</b> ) (IASB: July 1, 2014)	

The amendment includes the clarification that contributions by employees or third parties in the period in which they are due may also be recorded as a reduction in the cost of the service, provided that these are fully linked to the employee's performance during that period. This is possible in the case of contributions that represent a fixed percentage of the salary which is not dependent on the employee's years of service for the company.

In the case of the linkage of contribution premiums to paid years of service, the contributions are attributable to the service periods as a reduction in expenditure (linearly or on the basis of the company-specific plan formula).

AIP 2010-	Amendments due to the Annual Improvements	February 1, 2015*)
2012	Project 2010-2012 Cycle	(IASB: July 1, 2014)
- IFRS 2	Share-based Payment	

The definition of "exercise conditions" is clarified. These are subdivided into service conditions and performance conditions and explicitly defined. Performance conditions are again divided into market-related and non-market-related performance conditions.

# **Business Combinations**

Conditional purchase prices, which are classified as an asset or liability and which meet the definition of a financial instrument, are valued at fair value on each key date. All changes in valuation of recognized contingent purchase prices are recognized in the income statement. Cross references to other standards have been deleted.

#### - IFRS 8 Operating segments

This amendment concerns the disclosure of discretionary decisions taken to merge segments. A reconciliation of the sum of the assets to be reported in the company's assets is only to be made if the assets of the segment are reported regularly.

#### - IFRS 13 Fair Value Measurement

This amendment makes it clear that there is still the option of not discounting receivables and liabilities as long as the effects are not material (as already regulated in accordance with IAS 39 / IFRS 9).

#### - IAS 16 Property, Plant and Equipment - IAS 38 Intangible Assets

In addition to the proportional adjustment of gross book value, net book value and accumulated depreciation using the revaluation method, other methods can now also be used to achieve a consistent adjustment of gross book value and accumulated depreciation.

#### - IAS 24 Related Party Disclosures

A company providing business management services for the reporting entity or parent of the reporting entity is a related entity of the reporting entity. The amounts paid to the entity are to be reported, but not the salaries of the company's management personnel.

#### **Presentation of Financial Statements** January 1, 2016

Improving financial reporting in relation to the Disclosure Initiative Project:

- Stronger focus on the principle of materiality.
- Further subdivision of the minimum classification items in the balance sheet and the disclosure of intermediate sums.
- Greater flexibility in the compilation of the notes with regard to the order of the data.
- Abolishment of the provisions of IAS 1 with regard to the identification of significant accounting and valuation methods as an integral part of the notes.

Standard	Title	Mandatory date of application for fiscal years
		that begin on or after

# Content

• Presentation of investments accounted for using the *equity* method in *other comprehensive income* (OCI).

IAS 16 /	Property, Plant and Equipment / Intangible Assets	January 1, 2016
IAS 38		

In accordance with IAS 16, the sales-based method is not a permitted depreciation method. According to IAS 38, this method is only permissible under certain conditions (for example, in the film sector for acquired film rights).

IAS 16 /	Property, Plant and Equipment / Agriculture	January 1, 2016
IAS 41		

Fruit-bearing crops must be accounted for as property, plant and equipment if they are no longer subject to biological changes.

Standard	Title	Mandatory application date for GJ starting on or after
Content		
IAS 27	Separate Financial Statements	Jan. 1, 2016

The equity method is permitted as optional accounting for shares in subsidiaries, joint ventures and associated companies in separate financial statements.

IFRS 11 Joint Arrangements Jan. 1, 2016

It has been clarified that an acquisition of shares in a joint activity that is a business operation within the meaning of IFRS 3 must be accounted for according to the acquisition method.

AIP 2012-2014	Amendments as a result of the Annual Improvements Project 2012-2014 Cycle	Jan. 1, 2016
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	

There is no change in accounting for the transition from "held for sale" to "held for distribution" or vice versa. Separate guidelines for the termination of accounting were included in the standard as "held for distribution."

# IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that administrative contracts are a continuing involvement and must be included in the data on transfers. In addition, it clarifies what information is to be provided for offsetting financial assets and liabilities in interim financial statements.

## IFRS 19 Employee Benefits

When determining the discount rate, corporate bonds of the same currency (not just country) must be taken into account.

## IAS 34 Interim Financial Reporting

IAS 34 has been supplemented with the clarification that disclosures must be made either in the interim financial statements or elsewhere in the interim report. The interim report should contain a corresponding cross-reference in this case.

IF	FRS 10, FRS 12, AS 28	Consolidated Financial Statements / Disclosure of Interests in Other Entities / Investments in Associated and Joint Ventures	
			Jan. 1, 2016

The amendments to these standards clarify that the exception to the preparation of consolidated financial statements applies to subsidiaries of an investment company which are themselves parent companies.

The amendments to standards and improvements to be applied for the first time in 2016 in a binding manner did not have any material impact on these Consolidated Financial Statements.

For fiscal years from January 1, 2016, onward, an option exists for the following amendments to apply them prematurely on a voluntary basis.

Standard	Title	Mandatory application date for GJ starting on or after
Content		
IFRS 9 incl. amendments	Financial Instruments	Jan. 1, 2018

New concept for the accounting of financial instruments and abolition of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains new regulations on the three categories

of valuation (including the new category for fair value measurement), the impairment of financial instruments according to the expected loss model and hedge accounting.

	Revenue from Contracts with	
IFRS 15 Customers Jan. 1, 20		Jan. 1, 2018

A new standard for revenue recognition that replaces the previous standards IAS 18 Revenue, IAS 11

Construction Contracts and their corresponding interpretations. It regulates how revenues from contracts with customers are to be realized – in particular, to what extent and at what point in time or over what period of time. This is done with a so-called 5-step model. IFRS 15 also contains provisions for the activation of expenses in connection with the acquisition or fulfillment of the respective customer contract.

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

The analysis of the impact of applying IFRS 15 to the Consolidated Financial Statements has not yet been completed. However, the new standard for the realization of sales will have little effect on the realization of sales, since the vast majority of revenues in the Consolidated Financial Statements are realized on the basis of routine transactions (revenue realization at the time of the transfer of opportunities and risks). There are no agreements within the Group that regulate several services within a contract or within several contracts (multi-element arrangements).

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

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

Standard	Title	Mandatory date of application for fiscal years that begin on or after	
Content			
IAS 7	Statement of Cash Flows	January 1, 2017	
Mandatantin	Mandatany indication of a reconciliation of horrowed conital items whose each flows are reported or		

Mandatory indication of a reconciliation of borrowed capital items whose cash flows are reported or could be reported within the financing activity.

# IAS 12 Income Taxes January 1, 2017

This amendment contains a clarification that devaluations to debt instruments measured at fair value (due to increased market interest rates) lead to the recognition of deferred tax assets for unrealized losses if the tax value corresponds to its acquisition cost.

# IAS 40 Investment Property January 1, 2018

This amendment relates to the classification of properties that have not yet been completed and clarifies the cases in which the classification of a property as a "financial investment" begins or ends when the property is still under construction or in development. A reclassification is carried out in the event of an obvious change in use.

# IFRS 2 Share-based Payment January 1, 2018

The following aspects are clarified in IFRS 2:

- Consideration of exercise conditions for the recognition of cash-settled share-based payments
- Classification of share-based remuneration, which is compliant with the net income, without tax deduction
- Accounting for a change in cash-settled share-based payments to share-based compensation paid in equity

# IFRS 4 Insurance Contracts January 1, 2018

IFRS 4 has been adjusted with respect to the various dates of the entry into force of IFRS 9 and the future IFRS 17 on insurance contracts.

Two optional approaches have been included in IFRS 4:

- Overlay approach
- Displacement

# IFRS 15 Clarification on IFRS 15

January 1, 2018

Clarification of the following aspects:

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

IFRIC 22		January 1, 2018	
	IFRIC 22 clarifies the accounting for transactions involving the receipt of payment from		
counterpartie	s in foreign currencies.		
AIP 2014-	Amendments due to the Annual Improvements January 1, 2017 or		
2016	Project 2014-2016 Cycle	January 1, 2018	
- IAS 28	This amendment makes it clear that the option to exercise the effective valuation on the fair value of an investment in an associate or joint venture can be exercised in various ways for the first time for each investment (from January 1, 2018).		

Standard	Title	Mandatory application date for GJ starting on or after
Content		

## IFRS 1

The temporary relief provision for new users in IFRS 1.Appendix E (IFRS 1.E3-E7) will be deleted (as of January 1, 2018).

#### IFRS 12

The amendment clarifies that the disclosures also apply to shares that fall within the scope of IFRS 5

(with the exception of IFRS 12.B10-B16) (as of January 1, 2017).

IFRS 16 Leases Jan. 1, 2019

New concept of leasing. IFRS 16 replaces the previous provisions on leasing accounting in IAS 17 and

their respective interpretations. The core element of IFRS 16 is to record all leases and their related

contractual rights and obligations in the balance sheet for the lessee with minor exceptions. The previous distinction between finance lease and operating lease no longer applies. The provisions for

the lessor are similar to those of IAS 17.

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

The analysis of the impact of applying IFRS 16 on the Consolidated Financial Statements has not yet been completed. On the basis of accounting for assets and liabilities required by IFRS 16 in the balance sheet of the lessee, an increase in the balance sheet total is expected as of the first application date. Instead of leasing expenses, depreciation and interest expenses are subsequently recognized in the income statement by the amendments to IFRS 16 – with a correspondingly positive effect on EBITDA.

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

The following standards and/or their amendments are not intended to be adopted by the EU:

Standard	Title	Mandatory application date for GJ starting on or after
Content		
IFRS 10/ IAS 28	Consolidated Financial Statements / Investments in Associates and Joint Ventures	Postponed indefinitely

In transactions with an associate or joint venture, the extent of the recognition of the results depends on whether the assets sold or invested are a business operation. In the meantime, the IASB has begun a research project on accounting using the equity method. Until this project's completion, the IASB has postponed the initial application date of these amendments indefinitely. The EU is therefore not adopting these changes.

IFRS 14	Regulatory Deferral Accounts	Jan. 1, 2016	

Maintaining the national accounting rules for first-time users when accounting for regulatory deferral accounts (interim standard). This interim standard is not being adopted by the EU.

# 3. CONSOLIDATION PRINCIPLES

#### Scope of consolidation

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

On the balance sheet date, the scope of consolidation was comprised of 34 (previous year: 34) fully consolidated German and foreign companies, in addition to DEAG. Nine (previous year: nine) investments are consolidated as joint ventures and/or associated companies at equity. Four (previous year: four) associated companies and nine (previous year: seven) investments are reported at cost of acquisition in view of their marginal significance.

# **Consolidation methods**

Capital consolidation involves offsetting the acquisition costs of participating interests against equity at the time of starting up or acquiring the respective subsidiary. Depreciation of shares in subsidiaries in the Individual Financial Statements of the parent company was eliminated for the purpose of consolidation. Interim profits and losses arising from the intra-group sale of equity holdings were reversed. The differential amounts included in the values reported for holdings in joint ventures are established by the same principles.

The asset-related variations arising from capital consolidation were recorded as goodwill in the consolidated balance sheet, after exposure of hidden reserves or charges for the acquired company (revaluation).

Any changes in respect of the participating interests of the Group in subsidiaries which do not result in a loss of control over these subsidiaries are reported as equity transactions. The book values 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 shall be directly recorded in equity and allocated to the shareholders of the parent company.

Receivables, liabilities and accruals as well as expenses and income between companies included in the Consolidated Financial Statements and any intermediate results of intra-group deliveries and services are eliminated. Any depreciation or value adjustments of intra-group receivables in the Individual Financial Statements were reversed in favor of the Group result.

Tax accruals have been made on consolidation-based results as far as they have a future tax impact.

Shareholdings in joint ventures and associated companies valued by the equity method were reported as pro-rata equity.

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

Segments	Company	Shareholdings
Live Touring	DEAG Concerts GmbH, Berlin	100 %
	coco tours Veranstaltungs GmbH, Berlin	100 %
	ULAB Verwaltungs GmbH & Co. KG, Berlin	100 %
	Grünland Family Entertainment GmbH, Berlin	100 %
	Wizard Promotions Konzertagentur GmbH, Frankfurt a.M.	75,1 %
	DEAG Classics AG, Berlin	51 %
	Raymond Gubbay Ltd., London (Großbritannien)	51 %
	KBK Konzert- und Künstleragentur GmbH, Berlin	51 %
	Kilimanjaro Holdings Limited, London (Großbritannien)	51 %
	Kilimanjaro Live Limited, London (Großbritannien)	51 %
	Wakestock Limited, London (Großbritannien)	51 %
	Matterhorn Events Limited, London (Großbritannien)	51 %
	GOLD Entertainment GmbH, Berlin	50 %
	Manfred Hertlein Veranstaltungs GmbH, Würzburg	33,3 %
	The Classical Company AG, Zürich (Schweiz)	25,5 %
Entertainment Services	Concert Concept Veranstaltungs-GmbH, Berlin	100%
	Global Concerts GmbH, München	100 %
	Elbklassik Konzerte GmbH, Hamburg	100 %
	Friedrichsbau Varieté Stuttgart Betriebs- und Verwaltungs GmbH, Stuttgart	100 %
	Broadway Varieté Management GmbH, Berlin	100 %
	River Concerts GmbH, Berlin	100 %
	AIO Group AG, Glattpark (Schweiz)	100 %
	Good News Productions AG, Glattpark (Schweiz)	100 %
	The Smart Agency AG, Glattpark (Schweiz)	100 %
	Fortissimo AG, Glattpark (Schweiz)	100 %
	Venue Consulting AG, Glattpark (Schweiz)	100 %
	Blue Moon Entertainment GmbH, Wien (Österreich)	100 %
	LiveGeist Entertainment GmbH, Frankfurt a.M.	75,1 %
	mytic myticket AG, Berlin	60 %
	handwerker promotion e. gmbh, Unna	51 %

	Pro Media GmbH, Unna	51 %
	Grandezza Entertainment GmbH, Berlin	51 %
	Viel Vergnügen GmbH, Essen	51 %
Discontinued operations	DEAG Music GmbH, Berlin	100 %

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

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

DEAG has a right of ultimate decision to appoint and remove the Managing Directors and to approve the annual budget of GOLD Entertainment GmbH, Berlin. Consequently, the control concept in accordance with IFRS 10.7 is met. GOLD Entertainment GmbH in turn holds 66.6% of the capital and voting rights in Manfred Hertlein Veranstaltungs GmbH, Würzburg. With a share of 33.3%, an allocation is still made as a controlling interest, 66.7% of the equity interests are attributed to the non-controlling shareholders.

DEAG Music is allocated to the discontinued operations. We refer to our comments in Note 40.

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

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

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

Segments	Company	Shareholdings		
9888855	EIB Entertainment Insurance Brokers GmbH, Hamburg	49 %		
Entertainment	Kultur- und Kongresszentrum Jahrhunderthalle GmbH,	777777		
Services	Frankfurt a.M.	49 %		
	Verescon AG, Berlin	44 %		
	Rock the Ring AG, Hinwil (Schweiz)	35 %		
Live Touring	Twin Peaks Festival Limited, London (Großbritannien)	25,5 %		
	Seefestspiele Berlin GmbH, Berlin	20,4 %		

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

By way of the contract dated September 30, 2016, DEAG acquired 35% of Rock the Ring GmbH through its subsidiary AIO Group AG. It was subsequently converted into an AG.

Kilimanjaro Holdings Limited, London (Great Britain) has a 50% stake in the Twin Peaks Festival Limited, London (Great Britain).

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

The following were not consolidated for lack of materiality separately and jointly for the consolidated financial statements of DEAG: EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH, Berlin, Palast Management und Veranstaltungs-GmbH i.L., Berlin, as well as Manchester Chamber Orchestra Limited, Manchester (Great Britain) and Raymond Gubbay Productions Limited, London (Great Britain). All of the above companies are inactive and there are no current results available for the Manchester Chamber Orchestra Limited, Manchester (Great Britain), and Raymond Gubbay Productions Limited, London (Great Britain).

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

Name of company	Seat of company	Share in the capital	Equity (in EUR thousands)	Earning in fiscal year (in EUR thousands)
EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH	Berlin	100 %	-1	0
Manchester Chamber Orchestra Limited	Manchester, Great Britain	51 % <sup>1)</sup>	2 <sup>2)</sup>	_2)
Palast Management und Veranstaltungs- GmbH i.L.	Berlin	100 %	-108	2
Raymond Gubbay Productions Limited	London, Great Britain	51 % <sup>1)</sup>	2 <sup>2)</sup>	_2)

<sup>1)</sup> The shares in the companies Manchester Chamber Orchestra Limited as well as Raymond Gubbay Productions Limited are held directly by Raymond Gubbay Limited at 100% each.

The group of consolidated companies of DEAG Group changed as follows in fiscal year 2016:

Segment	Company	Disposal
Live Touring	MMEB 15. Limited, London (Great Britain)	24.05.2016

The company ceased doing business on May 24, 2016, and was then liquidated.

<sup>2)</sup> Figures relate to fiscal year 2015/2016. Amounts are stated in pound sterling.

## 4. FOREIGN CURRENCY TRANSLATION PRINCIPLES

The consolidated financial statements are drawn up in euro, 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 Great Britain the pound sterling (GBP). The functional currency of the domestic subsidiaries of the Group as well as of the foreign subsidiary in Austria is the euro (EUR).

The positions included in the financial statements of the respective companies are being valued applying the functional currency. Foreign currency transactions are being exchanged initially into the functional currency at the cash price valid on the day of the business transaction. Monetary assets and liabilities in a foreign currency are being exchanged into the functional currency on each call date using the call date rate. All currency conversion differences are recognized income statement-related. Non-monetary items that were assessed at historic purchase or manufacturing prices in a foreign currency were exchanged using the rate of the day of the business transaction. Non-monetary items that were assessed at their present value in a foreign currency were exchanged using the rate valid on the date of the determination of the present value.

The assets and liabilities of the foreign units were exchanged into euros at the call date rate. The translation of income and expenditure is made at the average rate of the fiscal year. The resulting currency differences are being recognized as a separate component of the equity capital. The cumulative amount recognized in the equity capital 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		exchange n EUR
	2016	2015	2016	2015
1 pound sterling	1.1680	1.3625	1.2212	1.3774
1 Swiss franc	0.9312	0.9229	0.9173	0.9367

## 5. BALANCE SHEET ACCOUNTING AND VALUATION PRINCIPLES

## **Notes on the Balance Sheet**

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

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

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

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

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

Such goodwill is subject to annual impairment tests on the basis of cash generating units and, if necessary, unscheduled depreciation. In accordance with IAS 36.124 an impairment loss recognized for goodwill may not be reserved in subsequent periods.

Fixed assets are assessed at cost of acquisition or production plus incidental acquisition costs minus acquisition cost reductions and, in the case of items subject to wear and tear, less use-related depreciation. Depreciation is in a straight line over the expected useful life.

Scheduled depreciation of fixed assets is essentially based on the following periods of useful life:

Buildings, fixtures and fittings
Plant and machinery
Tools and equipment:
4 to 50 years
3 to 10 years
3 to 10 years

If reductions in the value of intangible assets or tangible fixed assets are ascertained, unscheduled depreciation is applied. The value attributable to the intangible assets or tangible fixed assets is ascertained on the basis of future surplus revenue or net sales proceeds (impairment test). Reviews are undertaken annually unless there is reason earlier to assume that values have decreased.

Scheduled depreciations are being accounted for pro-rata in cost of sales and administrative expenses respectively, write-ups in other operating income and unscheduled depreciations in other operating expenses.

Land held as a financial investment is being assessed at fair value according to IAS 40.30/40.33.

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

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

Inventories are valued at acquisition cost. If net sales proceeds on the balance sheet date are less than the cost of acquisition, appropriate value adjustments are made.

Deferred expenses and deferred income are formed in accordance with the accrual accounting concept outlined in IAS 18. Prepaid amounts are their basis. Deferred expenses are essentially prepaid costs and other accruals. Deferred income that relates to income from sales of prepaid tickets for events after the balance sheet date is reported as sales accruals and deferrals.

Accruals are valued at the amount sound business judgment deems necessary on the balance sheet date to cover future payment obligations, discernible risks and uncertain commitments. Long-term reserves are being discounted in accordance with IAS 37. If the discounting effect is material, reserves are being recorded to the cash value of the expected future cash flow.

In accordance with IAS 12, deferred taxation is calculated on the basis of the different assigned values for assets and liabilities in the commercial balance sheet and the tax balance sheet in respect of circumstances within the scope of the commercial balance sheet II, consolidation processes and realizable losses carried forward. Deferred tax assets in respect of losses carried forward are only recognized to the extent that they are consumed within a period of 5 years. Further deferred tax assets in respect of losses carried forward are only recognized to the extent that offsettable deferred tax

liabilities exist. Deferred tax assets and liabilities are recognized in the balance sheet in the amount as long as there is a possibility of offsetting with the same tax authorities.

The defined benefit obligations are calculated in accordance with IAS 19 based on the Projected Unit Credit method. This is based on the number of service years on the respective calculation date and takes into account future developments by including discounting, wage development and probability of resignation until the commencement of the payment of the benefits as well as pension indexing for the years after the first-time payment of recurring benefits. Actuarial profits and losses are immediately recognized in the other income with no effect on the result.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities include, more particularly, trade payables, convertible bonds, liabilities to banks and other liabilities. Financial liabilities that are measured at amoritized cost are recognized as a matter of principle subject to the application of the effective interest method at amortized cost. This includes essentially trade payables as well as liabilities to banks.

Amortized costs are calculated taking into account a premium or discount at the acquisition as well as fees or costs, which represent an integral part of the effective interest rate. The amortization through the effective interest method is included in the income statement as part of the interest result.

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

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

If the terms and conditions of an existing financing are substantially amended or if there are substantially different terms and conditions within the framework of a refinancing with the same lender, such a replacement and/or change is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the respective carrying values is stated with an effect on income.

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

The components of the convertible bond issued are recognized 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 recognized as a financial liability on the basis of the amortized cost using the effective interest method until the conversion or maturity of the instrument is met.

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

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

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

# Notes on the Statement of Income

Sales revenues and other revenues include all income for services already provided. Services for a concert, a show or a tour are basically considered as provided at the end of the concert or show. Expenses are reported when they are incurred with recognition in the statement of income, Interest and other expenses in respect of borrowings are carried as current expenditure.

# **6. SEGMENT REPORTING**

In accordance with the provisions of IFRS 8, individual financial statement data is segmented by areas of work and regions, with presentation being oriented to our internal reporting. Accounting by segment is intended to render transparent the profitability and prospects of success of the Group's individual business activities.

## **Notes on the Segments**

The DEAG Group sub-divides its continued operations into two segments, which are described in the Combined Management Report and Group Management Report.

# Segment data

	Entertainment						
	Live Touring		Services			Total Segments	
In EUR'000	2016	2015	2016	2015		2016	2015
					_		
Sales	122,947	131,017	78,524	97,102		201,471	228,119
Other income	807	3,854	5,963	7,267	**	6,770	11,121
<ul> <li>thereof internal income</li> </ul>	5,388	16,182	16,925	14,228		22,313	30,410
Total earnings	123,754	134,871	84,487	104,369		208,241	239,240
Cost of sales*	104,626	123,023	67,694	90,746		172,320	213,769
Operative expenses	13,489	12,425	15,994	21,165		29,483	33,590
Depreciations and							
amortisation							
(for information only)	4.005	4.045	207	450		4 400	4.074
-scheduled	1,095	1,215	307	456		1,402	1,671
Commont result (FDIT)	T 400	0.040	705	0.440	**	F 000	44755
Segment result (EBIT)	5,183	-6,312	725	-8,443		5,908	-14,755
Book value of segment							
assets	60,663	61,653	49,013	47,657	**	109,676	109,310
Investments	437	138	1,848	685		2,285	823
External funding of	457	130	1,040	000		2,200	023
segments	49,372	49,593	71,368	68,345		120,740	117,938
Full-time employees as at	,	, ,,,,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	55,515		,	,
31.12.	84	69	80	91		164	160
Return on sales	4.2%	-4.8%	0.9%	-8.7%		2.9%	-6.5%

<sup>\*</sup> Data include proportional, scheduled depreciation

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

The exchange of output between segments and between the segments and the holding company is adjusted in the consolidation column within following reconciliation overview. The consolidation column also includes the services of the DEAG Holding company. 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 which amount to at least 10% of the total sales revenues.

<sup>\*\*</sup> prior-year figures were adjusted

# **Reconcilation from Segment to Group Data**

	Total of	segments		lidation lolding)	Group	
In EUR'000	2016	2015	2016	2015	2016	2015
Sales Other Income	201,471	228,119 11,121	16,713 1,292	27,759 -1,616	184,758 8,062	200,360
- thereof internal income	22,313	30,410	22,313	30,410	_	-
Total earnings	208,241	239,240	15,421	29,375	192,820	209,865
Cost of sales	172,320	213,769	16,124	- 27,515	156,196	186,254
Operative expenses	29,483	33,590	5,766	6,474	35,249	40,064
Segment result (EBIT)					5,908	-14,755
Unallocated expenditure and						
income (incl. DEAG and consolidation eff	ects)				-5,380	-11,483
Operating result (EBIT)					528	-26,238
Income shares in companies acc	ounted for t	using the equ	ity method	t	-663	82
Other financial result					-863	-1,009
Result before taxes (EBT)					-998	-27,165
Taxes on income and earnings					-485	-191
result from continuing operation	ons after ta	xes			-1,483	-27,356
result from discontinuing operations after taxes					-716	-1,619
Group result after taxes				-2,199	-28,975	
thereof attributable to other shareholders				1,377	869	
thereof attributable to DEAG	sharehold	ers (Group F	Result)		-3,576	-29,844

<sup>\*</sup> prior-year figures were adjusted

The result of associated companies relates to DEAG in an amount of EUR 7 thousand (2015: EUR 6 thousand).

# Other information

	Gr	oup
In EUR'000	2016	2015
Book value of segment assets	109,676	109,310 *
Real estate held as financial		
investment property	5,340	5,340_ *
Shares in affiliated companies	2,367	3,743 *
Unallocated assets incl. consolidation transactions (1)	-10,004	-14,091 *
Consolidated assets	107,379	104,302
External funding of assets	120,740	117,938
Unallocated external funding of segments incl. consolidation transactions (2)	-24,078	-29,659 *
Consolidated external funds	96,662	88,279
Net assets (incl. shares of other shareholders)	10,717	16,023
Full-time employees at 31.12.	197	191
Return on Sales	0.3%	-13.1%

<sup>(1)</sup> concerns DEAG at kEUR 50,575 (previous year: kEUR 51,531 ) and consolidation transactions (mainly debt consolidation at kEUR -52,230 (previous year: kEUR -54,988) between segments and between segments and DEAG respectively

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

The breakdown of segment data by regional subdivision is shown below. The Group companies concerned are the AIO Group and The Classical Company AG in Switzerland and Raymond Gubbay Ltd. and the Kilimanjaro Group in Great Britain.

<sup>(2)</sup> concerns DEAG at kEUR 29,186 (previous year: kEUR 24,169) and consolidation transactions (mainly debt consolidation) between segments and segments and DEAG as well as accrual of deferred taxes kEUR 1,641 (previous year: kEUR 2,163)

<sup>\*</sup>changes previous year

		Gr	oup
In EUR'000		2016	2015
Live Touring Segment Sales		122,947	131,017
thereof:		,	
	Raymond Gubbay Ltd. (UK)	24,032	24,990
thereof:			
-	Kilimanjaro-Gruppe (UK)	41,825	36,362
thereof:	TI - Olassia I Osassa A O (O. italia I)	4 000	550
	The Classical Company AG (Switzerland)	1,028	553
Entertainment Services Segmen	nt Sales	78,524	97,102
thereof:	410.0	4= 400	0.4.00=
th a react.	AIO-Gruppe (Switzerland)	15,198	24,095
thereof:	Blue Moon Entertainment GmbH		
	(Austria)	6,125	5,333
Book value of Live Touring Segr		60,663	61,653
thereof:	Helit Assets	00,003	01,000
increor.	Raymond Gubbay Ltd. (UK)	13,173	14,061
thereof:			
	Kilimanjaro-Gruppe (UK)	15,500	18,699
thereof:			
<del></del>	The Classical Company AG (Switzerland)	627	356
Investments of Live Touring		427	120
Segment thereof:		437	138
mereor.	Raymond Gubbay Ltd. (UK)	27	56
thereof:	Raymona Gubbay Lia. (Ort)	21	
increor.	Kilimanjaro-Gruppe (UK)	253	7
thereof:	· · · · · · · · · · · · · · · · · · ·		
	The Classical Company AG (Switzerland)	-	_
Book value of Entertainment			
Services Segment Assets		49,013	47,657
thereof:			
the second	AIO-Gruppe (Switzerland)	2,702	10,231
thereof:	Blue Moon Entertainment GmbH		
	(Austria)	789	1,252
Investments of Entertainment Se		1,848	685
thereof:	ervices Seginent	1,040	
4101001.	AIO-Gruppe (Switzerland)	482	185
thereof:		.52	
	Blue Moon Entertainment GmbH		
	(Austria)	89	9

# 7. LIQUID FUNDS

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

## 8. TRADE RECEIVABLES

Trade receivables are comprised of the following:

In EUR'000	31.12.2016	31.12.2015
Accounts receivable	15,648	13,359
Value adjustment on accounts receivable	-336	-324
Trade receivables	15,312	13,035

The itemized valuation allowances have changed as a result of consumption by EUR 1 thousand (previous year: EUR - thousand), resolution by EUR 27 thousand (previous year: EUR - thousand) and addition by EUR 40 thousand (previous year: EUR 280 thousand).

The following non-value debased trade receivables were overdue on the balance sheet date:

#### Receivables

Amount in EUR'000	less than 3 months	3 to 6 months	> 6 months
31.12.2016	892	150	50
31.12.2015	33	63	72

The gross trade receivables portfolio (receivables after deduction of valuation allowances) breaks down as follows:

In EUR'000	Non-overdue and non- value- adjusted receivables	Overdue and non-value-adjusted receivables	Value- adjusted receivables	Gross value of receivables
Trade receivables				
2016	14,220	1,092	336	15,648
2015	12,867	168	324	13,359

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

#### 9. DOWN PAYMENTS

Down payments concern essentially down payments of fees and individually attributable event costs concerning events after the balance sheet date. The payments made have been subjected to unscheduled valuation allowances in the amount of EUR 963 thousand (previous year: EUR 1,055 thousand). The impairment loss concerns in the reporting year the Rock festivals in Vienna, in the previous year the impairment loss concerned the Rock festivals in Vienna and Munich.

## **10. INVENTORIES**

The inventories concern finished products and goods.

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

The other current financial assets consist essentially of the following:

In EUR'000	31.12.2016	31.12.2015
Receivables from assosciated companies	708	1,248
Loans	566	261
Receivables from cooperation contracts	533	189
Creditors with debit balances	175	211
Reimbursement/compensation payments	168	
Deposits	165	259
Claim on purchase price from disposals of investment	-	128
Value adjustments	-	-128
Others	481	131
Other current financial assets	2,796	2,299

The other current non-financial assets consist essentially of the following:

In EUR'000	31.12.2016	31.12.2015
Down payments	908	1,310
Tax authorities claims	728	640
Input tax deductible in the following year	644	116
Others	175	223
Other current non-financial assets	2,455	2,289

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

> 6 months	3 - 6 months	till 3 months	In EUR'000
436	0	138	31.12.2016
56	12	20	31.12.2015

The itemized valuation allowances of the other current financial assets have changed by EUR 128 thousand as a result of consumption (previous year: as a result of addition by EUR 28 thousand).

The gross portfolio of receivables (receivables prior to the deduction of valuation allowances) of the other current financial assets breaks down as follows:

In EUR'000	Non-overdue and non-value- adjusted receivables	Overdue and non- value-adjusted receivables	Value- adjusted receivables	Gross value of receivables
Other				
2016	2,222	574	-	2,796
2015	2,211	88	128	2,427

# 12. INFORMATION ABOUT SUBSIDIARIES

## 12.1 SUMMARIZED FINANCIAL INFORMATION ON SUBSIDIARIES

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

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

Material non-controlling shares in the segment Live Touring:

# **Sub-group Classics**

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

Sub-group Classics	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Current assets	12,447	12,027
Long-term assets	7,577	8,296
Current liabilities	9,126	9,635
Long-term liabilities	409	585
Equity attributable to DEAG shareholders	8,004	7,804
Equity attributable to non-controlling interest	2,485	2,299
	2016	2015
	In EUR'000	In EUR'000
Sales	33,785	31,496
Expenses and other income	31,698	29,914
Net income	2,087	1,582
	2016	2015
Sub-group Classics	In EUR'000	In EUR'000
Net income of attributable to DEAG Shareholders	1,003	828
Net income of attributable to non-controlling interest	1,084	754
Total net income	2,087	1,582
Other result of attributable to DEAG Shareholders	-336	-99
Other result of attributable to non-controlling interest	-322	-103
Total other result	-658	-202
Total result of attributable to DEAG Shareholders	667	729
Total result of attributable to non-controlling interest	762	651
Total result	1,429	1,380
Sub-group Classics	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Dividends paid to non-controlling interest	-535	-490
Net cash flows from operating activities		1,258
Net cash flows from investing activities	-82	-272
Net cash flows from investing activities  Net cash flows from financing activities	-82 -1,562	-272 -544

# Sub-group Kilimanjaro

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

Sub-group Kilimanjaro	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Current assets	10,220	12,509
Long-term assets	7,299	9,036
Current liabilities	10,218	11,793
Long-term liabilities	718	1,313
Equity attributable to DEAG shareholders	4,598	5,751
Equity attributable to non-controlling interest	1,985	2,688
	2016	2015
	In EUR'000	In EUR'000
Sales	41,825	36,362
Expenses and other income	40,277	35,467
Net income	1,548	895
	2016	2015
Sub-group Kilimanjaro	In EUR'000	In EUR'000
Net income of attributable to DEAG Shareholders	789_	456
Net income of attributable to non-controlling interest	759_	439
Total net income	1,548	895
Other result of other table to DEAC Chareholders	107	424
Other result of attributable to DEAG Shareholders Other result of attributable to non-controlling interest	<u>-467</u> -448	131 125
Total other result		256
i otal other result	<u>-915</u>	230
Total result of attributable to DEAG Shareholders	322	587
Total result of attributable to non-controlling interest	311_	564
Total result	<u>633</u>	1,151
	31.12.2016	31.12.2015
	In EUR'000	In EUR'000
Dividends paid to non-controlling interest	1,013	-
	_	
Net cash flows from operating activities	2,576	-9,562
Net cash flows from investing activities	-241	192
Net cash flows from financing activities	-2,067	
Total net cash flows	<u> 268</u>	-9,370

# **Sub-group GOLD Entertainment**

The sub-group GOLD Entertainment reports the business activities of GOLD Entertainment GmbH, Berlin, and Manfred Hertlein Veranstaltungs GmbH, Würzburg.

Sub-group GOLD Entertainment	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Current assets	8,125	8,668
Long-term assets	2,345	2,528
Current liabilities	7,796	8,399
Long-term liabilities	466	503
Equity attributable to DEAG shareholders	1,562	1,626
Equity attributable to non-controlling interest	646	668
Sub-group GOLD Entertainment	2016 In EUR'000	2015 In EUR'000
Sales	21,317	36,746
Expenses and other income	21,193	36,857
Net income/ loss	124	-111
Sub-group GOLD Entertainment	2016 In EUR'000	2015 In EUR'000
Net income of attributable to DEAG Shareholders	41_	-38
Net income of attributable to non-controlling interest		<u>-73</u>
Total net income/ loss	124	-111
Other result of attributable to DEAG Shareholders	<u> </u>	
Other result of attributable to non-controlling interest		-
Total other result	-	-
Total result of attributable to DEAG Shareholders	41	-38
Total result of attributable to non-controlling interest	83	-73
Total result	124	-111
	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Dividends paid to non-controlling interest	-105	-350
Net cash flows from operating activities	-332	-6,855
Net cash flows from investing activities		-2
Net cash flows from financing activities	-212	-529
Total net cash flows	-555	-7,386
		7,000

# Wizard Promotions Konzertagentur GmbH (IFRS data)

Wizard Promotions Konzertagentur GmbH, Frankfurt am Main	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Current assets	6,451	2,680
Long-term assets	3,131	3,291
Current liabilities	8,225	4,487
Long-term liabilities	436	474
Equity attributable to DEAG shareholders	553	620
Equity attributable to non-controlling interest	368	390
Wizard Promotions Konzertagentur GmbH, Frankfurt am Main	2016 In EUR'000	2015 In EUR'000
Sales	5,947	9,858
Expenses and other income	6,037	15,866
Net income/ loss	-90	-6,008
Net income of attributable to DEAG Shareholders	-68	-6,062
Net income of attributable to non-controlling interest	-22	54
Total net income/ loss	-90	-6,008
Other result of attributable to DEAG Shareholders		_
Other result of attributable to non-controlling interest		
total other result		
Total result of attributable to DEAG Shareholders	-68	-6,062
Total result of attributable to non-controlling interest	-22	54
Total result	-90	-6,008
	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Dividends paid to non-controlling interest	<del>-</del>	<u>-</u>
Net cash flows from operating activities	1,207	-5,558
Net cash flows from investing activities	-3	-20
Net cash flows from financing activities		4,150
Total net cash flows	1,203	-1,428

Significant non-controlling interests in the Entertainment Services segment:

# **Sub-group Handwerker Promotion**

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

Subgroup Handwerker Promotion	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Current assets	8,704	5,577
Long-term assets	1,436	1,444
Current liabilities	8,513	5,549
Long-term liabilities		-
Equity attributable to DEAG shareholders	1,519	1,440
Equity attributable to non-controlling interest	108	32
Subgroup Handwerker Promotion	2016 In EUR'000	2015 In EUR'000
Sales	11,666	12,854
Expenses and other income	11,511_	12,811
Net income	<u> 155</u>	43
Subgroup Handwerker Promotion	2016 In EUR'000	2015 In EUR'000
Net income of attributable to DEAG Shareholders	79	22
Net income of attributable to non-controlling interest	76	21
Total net income	155	43
Other income of attributable to DEAG Shareholders	<u> </u>	
Other income of attributable to non-controlling interest	-	-
Total other income	-	-
Total comprehensive income of attributable to DEAG Shareholders	79	22
Total comprehensive income to non-controlling interest	76	21
Total comprehensive income	155	43
	31.12.2016 In EUR'000	31.12.2015 In EUR'000
Dividends paid to non-controlling interest	<u> </u>	-314
Net cash flows from operating activities	1,055	-78
Net cash flows from investing activities	12	-11
Net cash flows from financing activities	-	-641
Total net cash flows	1,067	-730

# 13. GOODWILL AND OTHER INTANGIBLE ASSETS

The values developed as follows in fiscal years 2015 and 2016:

Acquisition or production costs In EUR'000	Goodwill	Artist and agency relationships	other rights	Soft- ware	other intangible assets
January 1, 2015	22,955	17,727	1,422	1,199	20,348
Reclassification		-6	6		
Additions from initial consolidation	2,639	4,694	<u>-</u>	310	5,004
Additions		<u> </u>	200	74	274
Change in scope of consolidation		<u>-</u>	<u>-</u>	-14	-14
Disposals		<u> </u>	-	-5	-5
Currency adjustments	1,066	666	-	47	713
December 31, 2015	24,021	18,387	1,628	1,306	21,321
Depreciation in EUR'000					
January 1, 2015	-	8,632	928	550	10,110
Reclassification		1	1		
Additions		984	132	231	1,347
Change in scope of consolidation	-	_	_	-10	-10
Currency adjustments		305	_	10	315
December 31, 2015		9,920	1,061	781	11,762
Balance sheet values 31.12.15	24,021	8,467	567	525	9,559

With regard to the adjustment of the previous year's figure, please refer to our comments in Note 57.

Acquisition or		Artist and			other intangibl	
production costs		agency relationship	other	Soft-	е	Intangible
In EUR'000	Goodwill	S	rights	ware	assets	Assets
January 1, 2016	24,021	18,387	1,628	1,306	21,321	44,946
Additions	-		291	78	369	369
Disposals			-27	-19	-46	-46
Currency adjustments	96	-1,647	2	-50	-1,695	-1,695
December 31, 2016	24,117	16,740	1,894	1,315	19,949	43,574
Depreciation in EUR'000						
January 1, 2016		9,920	1,061	781	11,762	11,762
Reclassification	-		-2	2		_
Additions		848	111	235	1,194	1,194
Disposals	-	-	-	-19	-19	-19
Currency adjustments		-879	1	-19	-897	- 897
31.12.2016		9,889	1,171	980	12,040	12,040
Balance sheet values 31.12.2016	24,117	6,851	723	335	7,909	31,534

# 14. GOODWILL

The reported goodwill is attributable as of December 31, 2016, in the amount of EUR 11,107 thousand to the Live Touring segment and in the amount of EUR 13,010 thousand to the Entertainment Services segment. With regard to the adjustment of the previous year's figure, please refer to our comments in Note 57.

The goodwill in the Live Touring segment concerns in an amount of EUR 5,263 thousand DEAG Classics AG together with Raymond Gubbay Ltd., which due to a joint shareholder structure, close co-operation and the existing synergy effects constitute a CGU within the segment, in an amount of EUR 1,592 thousand, Wizard Promotions Konzertagentur GmbH, in an amount of EUR 853 thousand KBK Konzert-und Künstleragentur GmbH, in an amount of EUR 615 thousand the sub-group GOLD Entertainment and in an amount of EUR 2,783 thousand the sub-group Kilimanjaro.

In the Entertainment Services segment, EUR 741 thousand are accounted for by the domestic companies of this segment, EUR 1,405 thousand by the domestic sub-group Handwerker Promotion as well as EUR 10,864 thousand to the AIO Group.

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

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

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

In each case, the basis for the impairment test was the utility value of the CGUs, whose calculation was derived from forecast earnings – depending on the CGUs – in a one to three year plan. When determining the utility value, a discounted cash flow procedure was applied. The discounted cash flow procedure was based on corporate planning of the relevant CGUs approved by the management as well as assumed growth rates and EBIT margins which were oriented towards the events and experience taken into account in planning. For the standard year (perpetual annuity) the planning numbers of the last planning year were used.

Pre-tax interest rates for the CGUs AIO Group, the sub-group Kilimanjaro and the sub-group DEAG Classics of 6.9% (previous year: 6.1%), 8.4% (previous year: 9.1%) and 8.4% (2015 previous

year: 8.8%), respectively, were used as discount rates; for the other CGUs, it amounted to 8.7% (previous year: 8.0%). During the standard year, a growth deduction of 0% was applied. Even after a reduction of the discount interest rate by one percentage point, the goodwill would not show any sign of impairment.

## 15. OTHER INTANGIBLE ASSETS

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

The capitalization of the orders at hand as well as the artist and agent relationships is based on business combinations. The artist and agent relationships are amortized on a straight-line basis over a period of 15 years. The orders at hand are amortized after the conclusion of the corresponding concert event.

The remaining term of amortization for artist and agent relationships amounts to between 4 and 13 years.

## **16. TANGIBLE ASSETS**

The development of tangible fixed assets during fiscal years 2015 and 2016 was as follows:

Acquisition or production costs	Land and Buildings (historical cost)	Land (revalued)	Technical plant and machinery (historical cost)	Other fixtures and fittings, equipment (historical cost)	Total tangible assets
01.01.2015	638	425	1,640	2,943	5,646
Reclassification	23	-	-	-23	-
Additions	74		47	500	621
Disposals	-189	-425	-	-63	-677
Change in scope of consolidation	-434	_	-1,420	-1,205	-3,059
Currency adjustments			13	53	66
31.12.2015	112	-	280	2,205	2,597
Depreciation in EUR'000					
01.01.2015	201	-	629	2,141	2,971
Reclassification	-	-	-		-
Additions	28	-	73	308	409
Disposals	-60	-		-61	-121
Change in scope of consolidation	-141	7,7,7,5	-509	-920	-1,570
Currency adjustments	177777	<del></del>	10	35	45
31.12.2015	28	77777	203	1,503	1,734
Balance sheet values 31.12.15	84		77	702	863

As a result of the Jahrhunderthalle transaction, a disposal in the amount of EUR 425 thousand was recognized.

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

## 17. REAL ESTATE HELD AS A FINANCIAL INVESTMENT

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

Already in fiscal year 2015, DEAG set up a 50:50 joint venture together with a real property 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 co-ordination of the real estate investor.

Within the scope of the deferred sale, a minimum price was agreed between the parties for the partial real estate, which should be taken into account primarily because of the occurrence of the transaction in a transaction prior to the fair value determined to date by an appraisal of the valuation (paragraph 57). For fiscal year 2016, the price agreed upon in 2015 was continued to be used as the best indicator of the fair value.

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

## Valuation of the fair value

## **kEUR**

Assets valued at fair value	2016 Total	Level 1	Market value Level 2	Level 3
Commercial real estates in Germany	5,340	-	-	5,340
kEUR	2045		Maylest value	
Assets valued at fair value	2015 Total	Level 1	Market value Level 2	Level 3
Commercial real estates in Germany	5,340			5,340

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

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

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

The investments include essentially minority shareholdings in Great Britain and Switzerland in the amount of EUR 234 thousand (2015: EUR - thousand) and EUR 34 thousand (2015: EUR 60 thousand) as well as further minority shareholdings with a carrying value of EUR 11 thousand.

The financial assets recognized at equity break down as follows:

	Current book value		
	2016	2015	
Joint Ventures			
JHH Entwicklungsflächen Verwaltungs GmbH i.Gr., Frankfurt a.M.	11	12	
JHH Entwicklungsflächen GmbH & Co. KG i.Gr., Frankfurt a.M.	2	4	
A.C.T. Artist Agency GmbH, Berlin	-	-	
Associated Companies			
Associated Companies		_	
Twin Peaks Festival Limited, London (Great Britain)	2,028	2,855	
Rock the Ring AG, Hinwil (Schweiz)	299	-	
EIB Entertainment Insurance Brokers GmbH, Hamburg	27	34	
JHH Verwaltungs GmbH, Frankfurt a.M.	-	12	
Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt a.M.	-	13	
Verescon AG, Berlin	-	<u>-</u>	
Seefestspiele Berlin GmbH, Berlin	-	-	
Total	2,367	2,930	

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

Twin Peaks Festival Limited organizes and produces major music festivals such as "Sonisphere," a Europe-wide festival series with a focus on Rock and Hard Rock.

Twin Peaks Festival Limited,			
London (Great Britain)	Associated Companies		
In EUR'000	2016	2015	
Current Assets	145	203	
Long-term Assets	-	-	
Total Assets	145	203	
Current Liabilities	129	208	
Long-Term Liabilities	-	-	
Total Liabilities	129	208	
Profit and Loss Statement			
Sales	268	481	
Expenses	246	462	
Annual Result	22	19	
Other comprehensive income	-	-	
Total comprehensive income	22	19	
Dividends received from associated companies		-	

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

In EUR'000	2016	2015
Cash and cash equivalents	104	203
Current financial liabilities	-	
Long-Term financial liabilities	-	

Reconciliation from the summarized financial information to the carrying value of the investment in Twin Peaks Festival Limited in the consolidated financial statements:

In EUR'000	2016	2015	
Net assets of the associated company	16	5	
Participation rate of the Group	50.0%	50.0%	
Goodwill	-	17117777	
Other adjustments (trademark/order backlog, net of			
tax)	2,020	2,857	
Carrying amount of the Group's share of Twin Peaks Limited	2,028	2,855	

The change in the book value for the trademark right (EUR - 837 thousand) (previous year: EUR +173 thousand) in the year under review is mainly the result of unscheduled depreciation.

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

	Associated Companies		Joint V	Joint Ventures		otal
In EUR'000	2016	2015	2016	2015	2016	2015
Current Assets	591	827	153	203	744	1,030
Long-term Assets	1,290	1,010	18	61	1,308	1,071
Total Assets	1,881	1,837	171	264	2,052	2,101
Current Liabilities	1,820	1,771	250	244	2,070	2,015
Long-Term Liabilities	684	643	-	31_	684	674
Total Liabilities	2,504	2,414	250	275	2,754	2,689
Profit and Loss Statement						
Sales	2,798	886	298	363	3,096	1,249
Expenses	2,950	980	369	299	3,319	1,279
Annual Result	- 152	- 94	71	64	223	- 30
Other comprehensive income	-		-		-	-
Total comprehensive income	- 152	- 94	- 71	64	223	- 30
Dividends received from associated companies	-		-	<u>-</u> _	-	
Aggregate carrying amount	326	59_	13	16	339	75
In EUR'000					2016	2015
Unrecognised losses of as period	sociated com	npanies in the	reporting		-	-

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

In the previous year, the Group had a cooperation agreement for the joint organization of the Organic Dance Music Festival. The cooperation agreement provides for a joint right of decision for all material contents and a parity distribution of the result. This cooperation agreement was, therefore, classified as a joint venture and allocated to the result of associated companies. The joint venture does not have any assets and liabilities of its own.

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

lunger on the financial statements	2016	2015
Impact on the financial statements	In EUR'000	In EUR'000
Reduction of revenue	-	-161
Reduction in the cost of sales	-	182
Reduction in selling expenses	-	27
Decrease in income from associated companies	-	-48
Change in net profit	-	0

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

The item loans to associated companies includes a loan claim of EUR 1,209 thousand (2015: EUR - thousand). This was reclassified from other current financial assets in the reporting year, after the contractual bases were changed and in particular the term was extended until December 31, 2020.

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

The receivables include essentially EUR 1,800 thousand in loan claims (2014: EUR 247 thousand).

#### **20. DEFERRED TAX ASSETS**

The deferred tax assets concern in the amount of EUR 1.5 million (2015: EUR 1.4 million) mainly deferred taxes on losses carried forward offset against deferred tax liabilities of EUR 1.2 million (2015: EUR 1.2 million) (same tax authority). With regard to the previous year's figures, please refer to our comments in Notes 39 and 57.

# 21. BANK LOANS PAYABLE

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

## 22. TRADE ACCOUNTS PAYABLE

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

#### 23. ACCRUALS

This item developed as shown below:

In EUR'000	As at 01.01.16	Use	Disposal	Addition		rency rence	As at 31.12.16
Outstanding invoices	4,343	3,748	32	7,527	_	387	7,703
Personnel obligations	860	574	1	505	_	23	767
Consulting and audit							
costs	315	308	3	338		1	343
Other accruals	3,459	3,305	7	1,434		4	1,585
Total	8,977	7,935	43	9,804	-	405	10,398

	As at	Changes in scope of				Currency	As at
In EUR'000	01.01.15	consolidation (1)	Use	Disposal	Addition	difference	31.12.15
Outstanding							
invoices	3,504	-35	2,760	156	3,563	227	4,343
Personnel							
obligations	1,011	-300	621	19	765	24	860
Consulting and							
audit costs	317	-7	320	4	323	6	315
Other accruals	391	-	166	24	3,237	21	3,459
Total	5,223	-342	3,867	203	7,888	278	8,977

The accruals for outstanding invoices and the other accruals include an amount of EUR – thousand (2015: EUR 123 thousand) and EUR 1,337 thousand (2015: EUR 2,822 thousand), respectively, risk provisioning for the Rock festival in Vienna (2015: in Munich and Dortmund).

The provisions – except for EUR 227 thousand (2015: EUR 416 thousand) for personnel liabilities – are, as a matter of principle, due within one year. In addition to the obligations relating to the AIO Group (Note 44), the provisions for personnel obligations relate to the sub-group Gold of EUR 172 thousand.

# 24. SALES ACCRUED AND DEFERRED REVENUES

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

#### 25. CONVERTIBLE BOND

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

The term of the convertible bond began on June 30, 2016, and runs for two years until June 30, 2018, with an extension option on the same terms by the bondholders for a further year until June 30, 2019.

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

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

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

As of December 31, 2016, incoming payments on the convertible bond amounting to EUR 5.7 million were recognized in the balance sheet. The borrowed capital component (non-current financial liabilities) is shown in the separate item "convertible bond" in the amount of EUR 5.4 million; the equity component is reported under equity in the item "capital reserve" at EUR 0.1 million. The effective interest rate of the liability, taking into account the option component recognized in equity and the deferred borrowed capital procurement costs, amounts to 10.11% per year.

#### 26. OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

This balance sheet items break down as follows:

in TEUR	31.12.201 6	31.12.201 5
Prepayment of cooperation agreements	2,332	2,870
Finance liabilities	488	2,160
Escrow monies from ticket sales	266	594
Liabilities to other shareholders	-	
Other	587	520
Other current financial liabilities	3,673	6,144
In EUR'000	31.12.201 6	31.12.201 5
In EUR'000 Tax liabilities	_	
	6	5
Tax liabilities	6 6,523	<b>5</b> 3,443
Tax liabilities Social security liabilities	6 6,523	5 3,443 409

#### 27. OTHER NON-CURRENT FINANCIAL LIABILITIES

The other non-current financial liabilities break down as follows:

in EUR'000	31.12.2016	31.12.2015
Other financial liabilities	-	303
liabilities according to IAS 32	464	712
Other non-current financial liabilities	464	1.015

This item concerns a liability from a contingent consideration (IAS 32) in an amount of EUR 464 thousand. The liability corresponds to a share in an investee attributable to a third party if the shares in the latter are sold. The determination of the fair value is based on the application of the relief-from-royalty method. The measurement was based on planning approved by the local management. By way of discount rate, an interest rate of 10.4% (prior year: 10.5%) was used. A variation of the underlying measurement by 5.0% upwards or downwards would result in a value adjustment of EUR 23 thousand and EUR -23 thousand, respectively – without taking into account exchange rate effects. The change occurred in the year under review partly from the depreciation of the brand (Note 18) and also from a tax rate change in the UK (reduction from 21% to 20%).

The change in income amounted to EUR 153 thousand and is stated in other operating income, and the currency-related variation during the reporting year amounted to EUR 95 thousand and is stated in other income. Both are to be allocated to the shareholders of DEAG in an amount of 51%.

#### 28. COLLATERALIZATION

For collateralization of liabilities to banks (2016: EUR 738 thousand, 2015: EUR 1,375 thousand) in connection with acquisition financing, the corresponding shares were pledged to the financing banks as well as receivables under an allocation contract (EUR 654 thousand).

During the reporting year, the receivables from ticket funds as well as insurance claims were assigned to the financing bank for the collateralization of liabilities to banks (2016: EUR 5,889 thousand, 2015: EUR 1,686 thousand) in connection with tour pre-financing.

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

#### **29. EQUITY**

The company's capital stock amounts to EUR 16,353,334.00 (December 31, 2015: EUR 16,353,334.00), each with a book share of EUR 1.00 in the capital stock when divided into 16,353,334 ordinary registered shares in the form of no-par-value individual share certificates.

The share capital of the company is paid in full.

The capital reserve contains the premium on the shares issued by DEAG, as well as the equity component of convertible bonds issued by DEAG (2016: EUR 142 thousand, 2015: EUR - thousand), reduced by the capital increase from own company funds to adjust the subscribed capital following the changeover to the euro as well as reduced by the cost of the respective capital measures (capital increases / placement of convertible bonds) of the respective year in the amount of EUR 5 thousand (2015: EUR - thousand). The transaction costs during the previous year essentially concerned consulting costs and issuing fees.

The revaluation reserve for property, plant and equipment results from the revaluation of owner-used plots of land after the deduction of deferred taxes in accordance with IAS 16. As a result of the Jahrhunderthalle transaction, the still existing revaluation allowance was reclassified completely during the reporting year to the capital reserve with no effect on income.

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

Earnings per share are calculated by dividing group profit by the weighted number of outstanding shares. With regard to the adjustment of the previous year's figure, please refer to our comments in Note 57.

Diluted and undiluted earnings per share are calculated according to IAS 33 on the basis of 16,352,719 shares (16,353,334 shares issued less 615 treasury shares). The weighted average of shares for 2016 came to the same amount as in the previous year at 16,352,719. The Group loss used as a basis amounts to EUR 3,576,484.65. The potentially dilutive shares relating to the convertible bonds had no dilutive effect in the fiscal year.

# **Contingent Capital**

The nominal capital of the company was contingently increased in accordance with a resolution adopted by the General Meeting on June 26, 2014, by an amount of EUR 6,800,000.00 (Contingent Capital 2014/I).

A contingent capital increase can only be carried out to the extent that the holders of option and conversion rights, which are added by virtue of the empowerment of the Executive Board of June 26, 2014, to the convertible bonds and/or bonds with warrants issued by the company until June 25, 2019, exercise their conversion or option right or holders which are obliged to convert the convertible bonds to be issued by the company by virtue of the resolution of empowerment of the General Meeting of June 26, 2014, until June 25, 2019, meet their obligation to convert. The new shares participate in the profit from the beginning of the fiscal year during which they originate from the exercise of conversion and option rights or from the fulfillment of the obligation to convert. The Executive Board is empowered to define the further details for the implementation of the contingent capital increase with the consent of the Supervisory Board.

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

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

# **Authorized Capital**

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

The resolution about authorized capital 2014/I was entered in the commercial register on September 9, 2014.

# Purchase of Treasury Shares (section 71 para 1 no. 8 AktG - German Stock Corporation Act)

As resolved by the General Meeting of Shareholders on May 25, 2015, DEAG is in accordance with section 71 para 1 no. 8 AktG authorized until June 24, 2020, to purchase upon approval by the Supervisory Board up to 10% of the share capital existing on the date of resolution. The decision is taken by the Executive Board. Such purchase may only be made via the stock exchange or by a public purchase offer addressed to shareholders. As of December 31, 2015, the company held 615 treasury shares.

# **Accumulated Other Result**

The accumulated other result developed as follows in 2016 and 2015 respectively:

01.01.2016 in EUR'000	Reporting Year in EUR'000	31.12.2016 in EUR'000
496	68	564
1,579	-740	839
2,075	-672	1,403
	in EUR'000 496 1,579	in EUR'000 in EUR'000 496 68 1,579 -740

	As at 01.01.2015 in EUR'000	Variance in Reporting Year in EUR'000	As at 31.12.2015 in EUR'000
Balancing item IAS 19.93A	354	142	496
Balancing item for foreign currency translation	237	1,342	1,579
Accumulated other income	591	1,484	2,075

# Shares of other shareholders

Shares in paid and generated equity which are held neither directly nor indirectly by DEAG are reported as minority interests. They are disclosed as 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 persons and companies.

All business relations with persons and companies presented below were based on standard market terms.

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

- Two family members of Prof. Peter L. H. Schwenkow, who works as employee for companies of the DEAG Group; and
- A family member of Prof. Peter L. H. Schwenkow, who acts as Managing Director or CEO of consolidated subsidiaries;
- A company controlled by Supervisory Board member Christian Angermayer, which provided agency services during the reporting year;
- Heliad Equity Partner GmbH & Co. KGaA, which made a current loan available during the reporting year.

Remunerations and fees of a total amount of EUR 505 thousand (2015: EUR 493 thousand) were settled for these persons and companies in the reporting year.

The total remunerations granted to the Executive Board in 2016 amounted to a total amount of EUR 1.8 million (prior year: EUR 1.6 million); benefits in the amount of EUR 1.8 million (prior year: EUR 1.4 million) were granted during the reporting period. These include remunerations for activities for subsidiaries included in the consolidated financial statements (EUR 98 thousand, prior year: EUR 158 thousand) and an associated company (EUR - thousand, prior year: EUR 20 thousand). They break down as follows:

0 11 6	Prof. Peter L.H. Schwenkow					
Granted benefits in EUR'000	CEO					
	2015	2016	2016 (Min)	2016 (Max)		
Fixed salary	400	500	500	500		
Ancillary benefits	222	168	168	168		
Total	622	668	668	668		
One-year variable cash remuneration	100	100	0	1,000		
Multi-year variable cash remuneration	0	0	0	0		
Total	100	100	0	1,000		
Service costs	0	0	0	0		
Total remuneration	722	768	668	1,668		

<b>2</b>		Christian Diekmann				
Granted benefits in EUR'000		COO, CDO				
	2015	2016	2016 (Min)	2016 (Max)		
Fixed salary	300	300	300	300		
Ancillary benefits	74	50	50	50		
Total	374	350	350	350		
One-year variable cash remuneration	100	100	0	255		
Multi-year variable cash remuneration	0	15	0	45		
Total	100	115	0	300		
Service costs	0	0	0	0		
Total remuneration	474	465	350	650		

		Detlef Kornett				
Granted benefits in EUR'000	-	СМО				
	2015	2016	2016 (Min)	2016 (Max)		
Fixed salary	220	220	220	220		
Ancillary benefits	62	55_	55	55		
Total	282	275	275	275		
One-year variable cash remuneration	80_	80	0	180		
Multi-year variable cash remuneration	0	0	0	0		
Total	80	80	0	180		
Service costs	0	0	0	0		
Total remuneration	362	355	275	455		

• • • • • • • • • • • • • • • • • • • •		Ralph Quellmalz				
Granted benefits in EUR'000	<del></del>	CFO				
	2015	2016	2016 (Min)	2016 (Max)		
Fixed salary	0	165	165	165		
Ancillary benefits	0	23	23	23		
Total	0	188	188	188		
One-year variable cash remuneration	0	60	0	180		
Multi-year variable cash remuneration	0	0	0	0		
Total	0	60	0	180		
Service costs	0	0	0	0		
Total remuneration	0	248	188	368		

	Prof. Peter L.H. Schwenkow				
Inflow in EUR'000	CEO				
	2015	2016	2016 (Min)	2016 (Max)	
Fixed salary	400	500	500	500	
Ancillary benefits	222	168	168	168	
Total	622	668	668	668	
One-year variable cash remuneration	100	100	100	1,000	
Multi-year variable cash remuneration	0	0	0	0	
Total	100	100	100	1,000	
Service costs	0	0	0	0	
Total remuneration	722	768	768	1,668	

		Christian Diekmann COO, CDO				
Inflow in EUR'000						
	2015	2016	2016 (Min)	2016 (Max)		
Fixed salary	300	300	300	300		
Ancillary benefits	74	50	50	50		
Total	374	350	350	350		
One-year variable cash remuneration	0	100	0	255		
Multi-year variable cash remuneration	30	15_	0	45		
Total	30	115	0	300		
Service costs	0	0	0	0		
Total remuneration	404	465	350	650		

		Detlef Kornett				
Inflow in EUR'000		СМО				
251( 333	2015	2016	2016 (Min)	2016 (Max)		
Fixed salary	220	220	220	220		
Ancillary benefits	62	55	55	55		
Total	282	275	275	275		
One-year variable cash remuneration	0	80	0	180		
Multi-year variable cash remuneration	0	0	0	0		
Total	0	80	0	180		
Service costs	0	0	0	0		
Total remuneration	282	355	275	455		

	Ralph Quellmalz					
Inflow in EUR'000		CFO				
	2015	2016	2016 (Min)	2016 (Max)		
Fixed salary	0	165	165	165		
Ancillary benefits	0	23	23	23		
Total	0	188	188	188		
One-year variable cash remuneration	0	60_	0	180		
Multi-year variable cash remuneration	0	0	0	0		
Total	0	60	0	180		
Service costs	0	0	0	0		
Total remuneration	0	248	188	368		

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

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

In the event of disease and/or the temporary occupational disability of the COO/CDO, CMO and CFO, the company undertakes to pay the fixed compensations for a period of six months as well as 50% of the fixed compensations 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 CFO and CMO 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 a premature termination of 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 pays severance pay to the members of the Executive Board. The corresponding agreements are in compliance with the recommendation of the German Corporate Governance Code (DCGK) as amended on May 5, 2015.

#### **Members of the Supervisory Board**

Members of the Supervisory Board are remunerated in line with the articles of incorporation. In the year under review, remuneration totaled EUR 62 thousand (2015: EUR 58 thousand). The company also reimbursed travel costs of EUR 7 thousand incurred in connection with Supervisory Board meetings (2015: EUR 6 thousand).

#### **31. SALES**

The segment reporting shows the breakdown of revenues by lines of business and geographical markets.

# 32. COST OF SALES

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

# 33. DISTRIBUTION COSTS

Distribution costs include personnel expenses (EUR 1.5 million, previous year: EUR 1.7 million), system fees (EUR 7.0 million, previous year: EUR 6.2 million) and the other distribution-related material costs (EUR 12.6 million, previous year: EUR 16.6 million). They have fallen by EUR 3.4 million to EUR 21.1 million. The decrease is mainly due to reduced sales and advertising costs. In contrast, the system fees have increased by EUR 0.8 million.

#### 34. ADMINISTRATIVE EXPENSES

Administrative expenses include personnel expenses (EUR 7.7 million, previous year: EUR 7.8 million), and other administration-related material costs (EUR 6.0 million, previous year: EUR 7.4 million) plus pro rata depreciation (EUR 0.4 million, previous year: EUR 0.5 million). Administrative expenses decreased by EUR 1.6 million to EUR 14.1 million. The decrease mainly relates to the change in the scope of consolidation in fiscal year 2015.

# 35. OTHER OPERATING INCOME

This item breaks down as follows:

in EUR'000	2016	2015
Income from the Jahrhunderthallen-Transaction	5,808	6,411
Commission income	774	439
Insurance compensation	184	535
Income from currency translation differences	147	1'140
Income from release of provisions	43	201
Income from service contracts	34	165
Rental income	19	55
Income from release of provisions	2	3
Other	1,052	556
Total	8,063	9,505

With regard to the realization of income in the reporting and previous year in the context of the Jahrhunderthalle transaction, we refer to our comments in Note 57.

# **36. OTHER OPERATING EXPENSES**

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

The items break down as follows:

in EUR'000	2016	2015
Expenses from cooperation arrangements	300	300
Expenses for commission	255	69
Damages	43	333
Individual allowances/ Provision for risks	37	5,831
Other taxes and additional service	13	187
Expenses from change real estate objects held as financial investments	5	34
Value adjustment of investment properties	-	2,600
Losses from fixed asset disposals	-	3
Other	195	248
Total	848	9,605

With regard to the impairment in connection with held financial investments in 2015, we refer to Notes 17 and 57.

The individual allowances/provisioning for risks concern the share of a contracting partner for a rock festival planned at the Nürburgring in 2015 in an amount of around EUR 5.4 million.

#### **37. INTEREST INCOME AND EXPENSES**

This item breaks down as follows:

In EUR'000	2016	2015
Other interest and similar income	146	100
Interest and similar expenditure	-1,143	-1,042
Interest income and expense	-997	-942

Interest expenses include, among other things, non-paging interest expenses of EUR 11 thousand (2015: EUR 22 thousand).

# **38. INCOME FROM INVESTMENTS**

Income from investments amounts to EUR -134 thousand (2014: EUR -67 thousand).

#### 39. INCOME TAXES

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

In EUR'000	2016	2015
Tax expenditure:		
Reporting period	-1.059	-615
Previous years	-47	-47
Tax refund previous years	67	227
Deferred tax revenue/expenditure		
Deferrered taxes	506	248
Accrual of temporary differences	-	-4
Changing tax rate	48	-
Tax expenditure:	-485	-191

Income tax includes all income tax paid or payable in the respective countries and all deferred taxes. Income tax includes corporate income tax as well as solidarity surcharge and trade tax as well as the corresponding 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 tax claims are applied as far as they can be settled against deferred taxes on the liabilities side.

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 2016. 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 30.0%. Income tax rate in Switzerland is approximately 20.0% and approximately 20.0% (2015: 21%) 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	2016	2015
Result before taxes on income and shares of other shareholder	-998	-27,165
Tax expenditure at the DEAG AG tax rate	300	8,149
Tax expenditure as per profit and loss statement	-485	-191
Carryover figure	785	8,340
In EUR'000	2016	2015
Changing tax rate	48	
Taxes previous years	-20	-178
Tax-free earnings and non-deductible expenses	-151	-1,360
Different tax rates	42	164
Write-up of value adjustment of tax accruals	998	9,327
Others	-132	387
	785	8,340

Deferred tax assets are made up as follows:

In EUR'000	2016	2015	Variances with no effect on results	Variances with effect on results
Tax accruals on losses carried				
forward	1,477	1,358	-8	128
Other temporary variances	-	-	-	-
Deferred tax assets	1,477	1,358	-8	128
Deferred tax assets that can be set				
off against deferred tax liabilities	-1,169	-1,169		
Deferred tax assets (net)	308	189		

The deferred tax assets in respect of losses carried forward were recognized in the amount of EUR 1,477 thousand. The tax claims were shown as a balance in the amount provided that there is an offsetting possibility with the same tax authority.

The tax losses carried forward of DEAG amounted on December 31, 2016, to EUR 92.8 million (prior year: EUR 82.8 million) in terms of corporation tax and EUR 49.0 million (prior year: EUR 42.2 million) in terms of local trade tax.

Due to the usage of previously unrecognized fiscal losses, the current tax expenditure was lowered by EUR 524 thousand (prior year: EUR 483 thousand).

Deferred tax liabilities are made up as follows:

In EUR'000	2016	2015	Variances with no effect on results	Variances with effect on results
Deferred income from the value write-up on the Jahrhunderthalle				
Frankfurt am Main	1,281	1,283		2
Deferred income on intangible assets	1,509	2,020	-96	-415
Other temporary variances	20	29		-9
Deferred taxes on the liabilities side	2,810	3,332	-96	-422
To be settled against deferred tax assets	-1,169	-1,169		
Balance Shown	1,641	2,163		

With regard to the adjustment of the previous year's figure, please refer to our comments in Note 57.

#### **40. DISCONTINUED OPERATIONS**

By resolution of December 21, 2015, the Executive Board decided to discontinue DEAG Music GmbH, Berlin. From this date onwards, no operating activities were exercised any more in the business unit label/music publishing company (previously allocated to the Entertainment Services segment). The company no longer operates active business. The processing, particularly the exploitation of the rights of the existing artist portfolio, has not yet been completed for 2016.

By application of IFRS 5 DEAG Music is therefore to be reported as business unit intended to be discontinued. In the income statement and in the cash flow statement the discontinued operations have to be stated and explained separately as such. In light of this, the prior year numbers have to be adjusted accordingly.

The earnings after tax from Discontinued Operations include during the reporting year in an amount of EUR 716 thousand (2015: EUR 1,518 thousand) the business unit DEAG Music (Entertainment Services segment).

The result from discontinued operations breaks down as follows:

in TEUR	2016	2015
Sales	345	373
Cost of sales	-612	-708
Gross profit	-267	-335
Distribution costs	-146	-562
Administrative expenses	-312	-502
Other operating income	13	7
Other operating expenses	-1	-201
Operating income (EBIT)	-713	-1,593
Financial result	-3	-26
Result before taxes	-716	-1,619
Result from discontined operations after taxes	-716	-1,619

The earnings after tax from discontinued operations is exclusively attributable to the shareholders of the parent company.

The item Assets Held for Sale contains the 49% share in JHH GmbH & Co. KG, Frankfurt/Main, with the 71,072 sqm plot of land from the business unit Jahrhunderthalle (previously allocated to the Entertainment Services segment) sold in March 2016. With regard to the adjustment of the previous year's figure, please refer to our comments in Note 57.

	Current book value	
Assets held für sale	ld für sale 2016 2	
JHH GmbH & Co. KG, Frankfurt a.M.	-	813

# **41. PERSONNEL EXPENSES**

In EUR'000	2016	2015
Salaries and wages	14,392	15,027
Social security contribution	1,915	2,306
Total	16,307	17,333

The discontinued operations account for salaries and wages in an amount of EUR 253 thousand during the reporting year (prior year: EUR 385 thousand) and social security contributions in the amount of EUR 23 thousand (prior year: EUR 43 thousand).

## **42. RENT EXPENDITURE**

The rent expenditure from leasing offices and venues as part of operating leases amount during fiscal year 2016 to EUR 13,532 thousand (2015: EUR 10,085 thousand).

# **43. CASH FLOW STATEMENT**

The financial resources fund exclusively concerns liquid assets.

Income tax in the amount of EUR 347 thousand (2015: EUR 1,661 thousand) were reimbursed, which was classified as cash flow from current operations.

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

Under defined contribution plans in Germany, the Group contributes by virtue of statutory provisions to state pension insurance schemes. During the fiscal year, the employer contribution to the pension insurance amounted to 9.35% (2015: 9.35%). The ongoing payments of contributions are disclosed as social contributions in personnel expenses and amount to EUR 680 thousand (2015: EUR 623 thousand).

For the employees of Raymond Gubbay Ltd. and Kilimanjaro Live Ltd., retirement benefits are granted under the statutory defined contribution plan. Moreover, the Directors of the company are insured through individual defined contribution pension insurance policies. During the reporting period, Raymond Gubbay Ltd. paid pension insurance contributions in the amount of EUR 121 thousand (2015: EUR 120 thousand) and Kilimanjaro Live Ltd. paid pension insurance contributions in the amount of EUR 29 thousand (2015: EUR 80 thousand).

The companies of the DEAG Group which are resident in Switzerland have joined a collective foundation for compliance with their retirement benefit obligations under the Swiss Federal Act on Professional Retirement, Surviving Dependents and Disabled Provision Schemes (BVG). Apart from the payment of ongoing contributions to this pension scheme, they are also obliged to compensate any under-coverage of this pension scheme if necessary (see Article 65d BVG). For this reason, this retirement benefit scheme has to be classified as a defined multi-employer benefit plan within the meaning of IAS 19.29.

An independent expert has calculated the obligations in terms of retirement benefits effective December 31, 2016. The corresponding values were taken over into the consolidated financial statements and are now part of the Group's personnel obligations. We refer to our comments in Note 23.

The disclosure in accordance with IAS 19.120A can be taken from the table below:

		in kEUR	in kEUR
		31.12.2016	31.12.2015
(a)	Accounting policy for recognising gains and losses	Recognised	in the OCI
,, ,			
(b)	General description of the type of plan	Savings/Risk	Insurance
(c)	Changes in the defined benefit obligation		
(0)	Benefit obligation beginning of year	1,028	2,813
	Current service costs	152	203
	Interest expenditure	9	8
	Contributions by plan participants	68	111
	Actuarial (gains)/losses demographic assumptions	-50	0
	Actuarial (gains)/losses econimic assumptions	17	12
	Actuarial (gains)/losses experience adjustment	-54	-332
	Foreign currency exchange rate changes	10	340
	Benefits paid	-63	-2,127
	Benefit obligation end of year	1,117	1,028
	,	Í	•
(d)	Changes in assets		
	Fair value of the assets beginning of the year	952	2,632
	Expected return on plan assets	9	9
	Actuarial (gains)/losses	-17	-157
	Foreign currency exchange rate changes	10	318
	Contributions by the employer	103	166
	Contributions by plan participants	68	111
	Benefits paid	-63	-2,127
	Fair value of the assets end of the year	1,062	952
(e)	Amounts recognised in the balance sheet		
(-)	Present value of the obligation that is funded	1,117	1,028
	Fair value if the assets	1,062	952
	Surplus/deficit	55	76
	Net obligation (credit)	55	76
	Reconciliation balance sheet		
	Net liabilities (net assets) at the beginning of the		
	year	76	181
	Recognised net losses (net gains)	152	202
	Pension costs included in the OCI	-72	-162
	Contributions by the employer	-103	-166
	Foreign currency exchange rate changes	2	21
	Net liabilities (net assets) at the end of the year	55	76
(f)	Total expense recognised in P&L		
	Current service cost	152	203
	net Interest exepenses / income	0	-1
	Pension costs recognised in P&L	152	202

		in kEUR	in kEUR
		31.12.2016	31.12.2015
(g)	Amounts recognised in the other comprehensive income (OCI)		
	Actuarial (gains)/losses changed assumptions	-34	12
	(Profits) / losses not yet reported		
	Actuarial (gains)/losses experience adjustment	-54	-332
	expense plan assets (minus interest income)	16	157
(h)	Cumulative gains and lossed recognised in the OCI	716	645
(i)	Actual return on plan assets		
	investment category		
	equity assets	0.00%	0.00%
	bonds	0.00%	0.00%
	real estate	0.00%	0.00%
	other	100.00%	100.00%
	total	100.00%	100.00%
(j)	Actuarial assumptions		
	Discount rates	0.45%	0.90%
	Expected rates of salary increases	1.00%	1.00%
	Expected pension development	0.00%	0.00%
	Fluctuation rate	27.50%	27.50%
	technical basis	BVG 2015	BVG 2010
(k)	expected employer contributions	88	160
(I)	sensitivities of changing assumptions		
.,,	current assumptions 31.12.2015	1,117	1,028
	Discount rates +0.5%	1,090	1,000
	Discount rates -0.5%	1,146	1,060
	salary increases +0.5%	1,119	1,032
_	salary increases -0.5%	1,114	1,025

#### 45. AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

Head count	2016	2015
Live Touring	83	76
Entertainment Services	84	94
DEAG Holding	33	30
Total	200	200

Discontinued operations account for zero employees (2015: 2) which are part of Entertainment Services.

On December 31, 2016, the Group employed 222 (2015: 205) employees in continuing operations.

# 46. OFF-BALANCE SHEET CONTINGENCIES/ CONTINGENT LIABILITIES / CONTINGENT ASSETS

On the reporting date, the following contingencies relating to other securities and guarantees provided for third parties exist in the amount of EUR 483 thousand (2014: EUR 562 thousand).

This includes an amount of EUR 483 thousand in respect of which DEAG has taken over liability in connection with the letter of comfort vis a vis a joint venture. DEAG has issued a Letter of Comfort vis a vis an associated company in order to ensure that the latter can satisfy its obligations under a lease contract at any time. The risk of the guarantee being activated is considered to be very low. The company is able to satisfy the existing and future obligations vis a vis the lessor from own cash flow.

For sufficiently concrete, foreseeable tax risks whose probability of occurrence is predominantly likely, existing tax credits were reduced and/or corresponding provisions were expensed. Moreover, further payment obligations may result from the result of future external tax audits whose amount can currently not 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 financial statement on the one hand by valuation allowances in respect of the assets and on the other hand by provisions. During the reporting year exclusively costs of proceedings were provisioned. Individual risks involving a provisioning obligation do not exist.

(Potential) asset additions in connection with judicially asserted damage claims and claims for contractual performance are not pending on the reporting date. The claims reach a total amount of EUR 8.9 million (2015: EUR 10.0 million).

# **47. OTHER FINANCIAL COMMITMENTS**

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

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

Other financial commitments mainly concern contractual service agreements in the amount of EUR 341 thousand (2015: EUR 284 thousand).

Commitments of more than 5 years do not exist.

The other financial commitments for fiscal year 2015 concerned:

In EUR'000	Artist Guarantees	Rent and Leasing	Other	Total
2016	15,484	1.294	78	16,856
2017-2020	3,458	1,530	206	5,194
Total	18,942	2,824	284	22,050

If circumstances arise which cannot be influenced by DEAG, additional financial obligations can result vis a vis the three members of the Executive Board in the amount of EUR 6,000 thousand (prior year: EUR 6,242 thousand). The probability of occurrence is classified as low.

#### **48. AUDIT FEES**

The fees for the auditor Roever Broenner Susat Mazars GmbH & Co. KG, Hamburg, which are reported as expenses in fiscal year 2016, are made up as follows:

In EUR'000	2016	2015
Audit costs	284	204
Other services rendered	14	42
	298	246

# 49. DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 AKTG

Declaration on the Corporate Governance Code

The Executive Board and the Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft have issued a statement of conformity with the recommendations of the Government Commission for a German Corporate Governance Code in accordance with section 314 no. 8 HGB in conjunction with section 161 AktG on December 13, 2016, and made it permanently accessible to shareholders on the Internet.

The full declaration is posted on the company website (www.deag.de/ir).

#### **50. LEGAL DISPUTES**

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

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

#### **51. CAPITAL CONTROL**

In addition to the provisions under the German Stock Corporation Act, DEAG is not subject to any more extensive obligations for the purpose of capital conservation under byelaws or contracts. The financial ratios which are used for internal controlling of the company, are performance-based and are to serve for the appreciation of the shareholder assets while preserving at the same time balanced liquidity.

In the project business, the gross margin and the break-even ticket number are used as the most important control parameters. For the overall corporate control the EBIT, the Group performance and the corresponding profit to sales ratios constitute the decisive parameters. In the event of acquisitions of companies, the duration of amortization of the purchase price is an important decision criterion in addition to the corporate parameters. The Group manages its capital with the objective of ensuring that all affiliated companies can operate their business as a going concern and that at the same time the earnings of the shareholders are maximized though an optimization of the ratio of equity to debt capital. The overall strategy has remained unchanged versus 2015. Compliance with the covenant criteria in connection with financings used is monitored on an ongoing basis.

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

#### 52. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

# Interest risks

On the assets and liabilities side the Group is subject to interest rate fluctuations. Whilst on the assets side in particular income from short-term investments is exposed to an interest rate risk, the liabilities side is affected essentially 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 of the interest payments. These financings are based on spread grids with a scaling of 0.25 percentage points. The spread over EURIBOR depends on the net leverage ratio and interest coverage.

The financial and non-financial covenants vis a vis banks are permanently monitored and the interest margins derived from this are coordinated by mutual agreement 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 154 thousand as far as the floating rate interest financing is concerned. A reduction by 1% is currently not possible because of the low interest level

In the event of a hypothetical increase (decrease) of the interest spread by 0.25%, interest would increase (decrease) by EUR 38 thousand (previous year: EUR 31 thousand) as far as the floating rate interest financing is concerned.

# **Currency risks**

Payments of fees for artists, orchestras, show productions etc. are partly made on a USD basis and are hence subject to a currency risk vis a vis EUR, CHF or GBP. The same applies to dividend payments of foreign subsidiaries which are made in CHF and GBP. The company makes sensitivity analyses on a regular basis in order to anticipate the impact of currency fluctuations and assess whether rate-hedging transactions are advantageous. During the reporting period, currency hedging transactions were carried out to a small extent.

#### Solvency risks

The DEAG Group is exposed in the operating business and in respect of other transactions – for instance, stake sales – to a default risk, if the contracting partners fail to meet their payment obligations. The existing deposits have been made with principal banks with good credit standing. The maximum default risk is reflected by the accounting values. The deposits are made with different banks so that a diversification of the default risk is guaranteed.

In the operating business, too, credit standing is strictly observed at the selection of the business partners. Accounts receivable are monitored on an ongoing basis. Possible default risks are taken into account by specific valuation allowances. As of the reporting date, there were no indications of risks beyond the posted valuation allowances for accounts receivable or other assets.

# Liquidity risks

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

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

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

At the financing of the operating business including the 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 drawdowns of framework lines from the company's main banks.

Apart from the liquidity shown on the reporting date, framework lines totaling EUR 4.8 million, which have not yet been used, are available. Based on the current forecasts for the result (EBIT) and the resulting liquid funds, the Executive Board considers the financial position of the company and the Group to be orderly.

If the course of business worsened permanently and sustainably versus planning, e.g. as a result of a significant decline in ticket sales, in terms of the earning strength of the DEAG Group, there could be a liquidity shortage if the planned financial inflows and framework lines are not available to a sufficient extent.

DEAG would then be dependent on the use of additional financing resources (third party or own funds).

The following tables show the contractually fixed payments under financial liabilities. The values reflect the undiscounted liabilities. In the event of floating interest payments, reference is made to the interest rate level on the reporting date.

2016 In EUR'000

Non-derivative				
financial liabilities				
	up to 1 year	>1 - 5 year	> 5 years	Total
Liabilities against banks and other financial liabilities				
- repayment - interest (2.84%)	16,353 464	100 3	-	16,453 467
Trade accounts payable	13,554	-	-	13,554
Convertible bond - interest (6.00%)	- 171	5,388 342		5,388 513
Other financial liabilties	3,673	-	-	3,673
Other non-derivative financial liabilities		_	464	464
Derivative financial liabilities	-	<u>-</u>	-	
2015				In EUR'000
Non-derivative financial liabilities				
	up to 1 year	>1 - 5 year	> 5 years	Total
Liabilities against banks and other financial liabilities - repayment - interest (2.65 %)	9,847 261	2,424 64	<u>-</u>	12,271 325
Trade accounts payable	11,136		-	11,136
Other financial liabilties	6,144	303	796994	6,447
Other non-derivative financial liabilities			712	712
Derivative financial liabilities				

As far as a more detailed risk description is concerned, we refer to section 4 of the Management Report.

The task of risk management is to manage these risks through close market monitoring, risk assessments, the reduction of net exposure and selective hedging measures, e.g. through financial derivatives.

When selecting business partners, their credit standing is taken into strict account.

#### 53. REPORTING ON FINANCIAL INSTRUMENTS AND FAIR VALUES

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

Liquid assets, accounts receivable as well as other receivables have above all short residual terms. For that reason, their carrying values on the reporting date correspond more or less to the fair value. The fair values of lendings and other non-current receivables correspond to the present value of the payments associated with the assets taking into account current interest parameters.

The portfolio of original financial instruments is being reported in the balance sheet, the amount of the financial assets corresponds to the maximum default risk. As far as default risks become evident within the financial assets, these risks are being recognized through value adjustments.

Current financial liabilities, accounts payable as well as other liabilities have regularly short residual terms; the reported values reflect more or less the fair values. Since the interest rate has not changed significantly since the issuance of the convertible bonds, it can be assumed that the book value of the liability approximates the fair value.

#### Financial instruments 2016

## Valuation according to IAS 39

In EUR '000		Continued			
	<b>Book value</b>	book	Affecting		
Assets	31.12.2016	value	fair value		
Liquid funds	28,378	28,378	-		
Trade receivables	15,312	15,312	-		
Other current financial assets	2,796	2,796	-		
Investments	279	279	-		
Loans to associated companies	1,209	1,209	-		
Other long-term financial assets	1,863	1,863	-		

# Valuation according to IAS 39

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

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

# **Financial instruments 2015**

# Valuation according to IAS 39

In EUR'000	Continued				
Access	Book value	book	Affecting		
Assets	31.12.2015	value	fair value		
Liquid funds	25,805	25,805	-		
Trade receivables	13,035	13,035	-		
Other current financial assets	2,299	2,299	-		
Investments	71	71	-		
Other long-term financial assets	188	188	-		

# Valuation according to IAS 39

Liabilities	Book value 31.12.2015	Continued book value	Affecting fair value
Bank loans payable, short-term	9,847	9,847	-
Bank loans payable, long-term	2,424	2,424	-
Trade accounts payable	11,136	11,136	-
Other current financial liabilities	6,144	6,144	-
Other long-term financial liabilities	1,015	303	712

# Valuation according to IAS 39

Aggregate as valuation categories IAS 39	Book value 31.12.2015	book value	Affecting fair value
Financial assets loans and receivables	41,327	41.327	
at fair value through profit or loss available for sale	41,32 <i>1</i> - 71	41,327 - 71	- - -
Financial liabilities at fair value through profit or loss	29,854 712	29,854	- 712

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

In EUR'000	2016	2015
Financial Assets		
Loans and receivables	248	-322
rated at fair value		-
Financial liabilities		
rated with amortized cost	-975	-542
rated at Fair Value	153	235
Total	-574	-629

#### Financial assets:

Income and expenditure in the category:

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

## Financial liabilities:

Income and expenditure in the category:

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

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs which concern the quoted prices included within Level 1 but are observable for the asset or liability either directly or indirectly.

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

# Valuation of fair value

#### In EUR 000

	2016		market value	
assets at fair value	total	level 1	level 2	level 3
Real estate held as financial investment (Section 17)	5,340	-	-	5,340
	2015		market value	
liabilities measured	total	level 1	level 2	level 3
convertible bonds (Section 25)	5,388	-	-	5,388
contingent consideration liability (Section 27)	464	-	-	464

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

#### Valuation of fair value

# In EUR '000

	2015	1	market value	
assets at fair value	total	level 1	level 2	level 3
Real estate held as financial investment (Section 17)	5,340	-	-	5,340
	2015	ı	market value	
liabilities measured	total	level 1	level 2	level 3
contingent consideration liability (Section 27)	712	-	-	712

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

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

The following companies withdraw themselves from 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
- DEAG Music GmbH, Berlin (until December 31, 2016)
- Grünland Family Entertainment GmbH, Berlin
- River Concerts GmbH (since January 01, 2016)

# 55. NOTIFICATION IN ACCORDANCE WITH SECTION 21, 26 WPHG

In accordance with section 160 para 1 No. 8 of the German Stock Corporation Act (AktG), we hereby notify that DEAG received the following information about investments and changes in voting rights within the time from the beginning of the fiscal year 2016 until the preparation of the financial statements in accordance with the duties of notification pursuant to section 21 ff. German Security Trading Act (WpHG). Furthermore, notifications from prior fiscal years are stated. The information is based on the last communication in time of a person subject to notification to the company. It is pointed out that concerning the mentioned voting right shares there may have been changes after the mentioned points in time which were not subject to notification to DEAG or were not notified to the Company. All investment notifications are published by DEAG in accordance with section 26 para 1 WpHG and can be retrieved on the website of the Company under: www.deag.de/InvestorRelations /SecurityTransactions.

The following persons and companies have notified DEAG in 2016, and as of the preparation of the financial statements in accordance with section 21 para 1 WpHG:

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with section 21 para 1 WpHG on December 12, 2011 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 10% of the voting rights on December 8, 2011 and amounted to 10.30% on that day (this corresponds to 1,285,256 voting rights).

DAP Management GmbH, Heidelberg, Germany, informed us on August 1, 2013, in accordance with section 21 para 1 WpHG that its share in the voting rights of DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, exceeded the threshold of 3% of the voting rights as of July 11, 2013, and amounted to 3.61% (this corresponds to 492,308 voting rights) on that date.

Altira Aktiengesellschaft, Frankfurt/Main, Germany, informed us on November 4, 2014, for and on behalf of

- 1. Heliad Equity Partners GmbH & Co. KGaA, Frankfurt/Main, Germany
- 2. Altira Heliad Management GmbH, Frankfurt/Main, Germany
- 3. Altira Aktiengesellschaft, Frankfurt/Main, Germany

in accordance with section 21 para 1, 22 para 1 sentence 1 No. 1 WpHG that

- 1. the voting rights of Heliad Equity Partners GmbH & Co. KGaA in DEAG Deutsche Entertainment AG ('DEAG'), Berlin, Germany ISIN DE000A0Z23G6 in accordance with section 21 para 1 WpHG remained below the threshold of 10% as of November 3, 2014, and amounted to 9.67% (this corresponds to 1,581,550 voting rights) on that date.
- 2. the voting rights of Altira Heliad Management GmbH in DEAG, Berlin, Germany ISIN DE000A0Z23G6 in accordance with section 21 para 1 WpHG remained below the threshold of 10% as of November 3, 2014, and amounted to 9.67% (this corresponds to 1,581,550 voting rights) on that date. These voting rights are attributable to Altira Heliad Management GmbH in accordance with section 22 para 1 sentence 1 No. 1 WpHG as personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA in an amount of 9.67% (this corresponds to 1,581,550 voting rights).
- 3. the voting rights of Altira Aktiengesellschaft in DEAG, Berlin, Germany ISIN DE000A0Z23G6 in accordance with section 21 para 1 WpHG remained below the threshold of 10% as of November 3, 2014, and amounted to 9.67% (this corresponds to 1,581,550 voting rights) on that date. 9.67% (this corresponds to 1,581,550 voting rights) of these are attributable to Altira Aktiengesellschaft through the subsidiary controlled by it, Altira Heliad Management GmbH, as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA.

Mr. Bernd Förtsch, Germany, informed us on November 7, 2014, in accordance with section 21 para 1 WpHG that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft ('DEAG'), Berlin, Germany – ISIN DE000A0Z23G6 – remained below the threshold of 10% of the voting rights as of November 3, 2014, and amounted to 9.67% (corresponding to 1,581,550 voting rights) on that date.

9.67% of the voting rights (corresponding to 1,581,550 voting rights) are attributable to Mr. Förtsch in accordance with section 22 para 1 sentence 1 No. 1 WpHG. Allocated voting rights are held through the following companies controlled by Bernd Förtsch whose voting rights in DEAG amount to 3% or more in each case:

- Heliad Equity Partners GmbH & Co. KGaA, Frankfurt/Main, Germany through
- Altira Heliad Management GmbH, Frankfurt/Main, Germany through
- · Altira Aktiengesellschaft, Frankfurt am Main, Germany through
- LION CAPITAL AG, Kulmbach, Germany through
- · BF Holding GmbH, Kulmbach, Germany.
- 1. BF Holding GmbH, Kulmbach, Germany, informed us on November 7, 2014, in accordance with section 21 para 1 WpHG that its voting rights in DEAG remained below the threshold of 10% of the voting rights as of November 3, 2014, and amounted to 9.67% (corresponding to 1,581,550 voting rights) on that date.

9.67% of the voting rights (corresponding to 1,581,550 voting rights) are attributable to BF Holding GmbH in accordance with section 22 para 1 sentence 1 No. 1 WpHG. The allocation is based on the following companies controlled by BF Holding GmbH whose voting rights in DEAG amount to 3% or more in each case:

- Heliad Equity Partners GmbH & Co. KGaA, Frankfurt/Main, Germany through
- Altira Heliad Management GmbH, Frankfurt/Main, Germany through
- Altira Aktiengesellschaft, Frankfurt/Main, Germany through
- LION CAPITAL AG, Kulmbach, , Germany.
- 2. LION CAPITAL AG, Kulmbach, Germany informed us on November 7, 2014, in accordance with section 21 para 1 WpHG that its voting rights in DEAG remained below the threshold of 10% of the voting rights as of November 3, 2014, and amounted to 9.67% (corresponding to 1,581,550 voting rights) on that date.

9.67% of the voting rights (corresponding to 1,581,550 voting rights) are attributable to LION CAPITAL AG in accordance with section 22 para 1 sentence 1 No. 1 WpHG. The allocation is based on the following companies controlled by LION CAPITAL AG whose voting rights in DEAG amount to 3% or more in each case:

- Heliad Equity Partners GmbH & Co. KGaA, Frankfurt/Main, Germany through
- Altira Heliad Management GmbH, Frankfurt/Main, Germany through
- Altira Aktiengesellschaft, Frankfurt/Main, Germany.

Monolith Duitsland B.V., Amsterdam, Netherlands informed us in accordance with section 21 para 1 WpHG on July 31, 2015, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 10% of the voting rights as of July 31, 2015, amounting to 10.02% (corresponding to 1,637,872 voting rights) on that date.

Stichting Administratiekantoor Monolith, Amsterdam, Netherlands, informed us in accordance with section 21 para 1 WpHG on July 31, 2015, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft ('DEAG'), Berlin, Germany exceeded the threshold of 10% of the voting rights as of July 31, 2015, amounting to 10.02% (corresponding to 1,637,872 voting rights) on that day. 10.02% of these voting rights (corresponding to 1,637,872 voting rights) are attributable to the company in accordance with section 22 para 1, sentence 1, No. 1 WpHG. The allocation is based on the following company controlled by Stichting Administratiekantoor Monolith whose voting rights in DEAG amount to 3% or more:

Monolith Duitsland B.V.

Mr. Moritz Schwenkow, Germany, notified the company in accordance with section 21 para 1 WpHG on November 6, 2015, that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 3% on November 4, 2015, and amounted to 3.06% (corresponding to 500,000 voting rights) on that date.

Other explanations: Donation Professor Peter Schwenkow (father) / anticipated inheritance.

Kabouter Fund II, LLC, Chicago, Illinois, United States of America informed us in accordance with section 21 para 1 WpHG on July 19, 2016, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany did not exceed the threshold of 3% of the voting rights as of July 14, 2016, and amounted to 2.99% (corresponding to 488,974 voting rights) on that date.

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

Kabouter Fund I QP, LLC, Chicago, Illinois, United States of America informed us in accordance with section 21 para 1 WpHG on September 1, 2016, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany remained below the threshold of 3% of the voting rights on October 30, 2016, and amounted to 2.97% (corresponding to 468,009 voting rights) on that date.

Mr. Peter Zaldivar, United States of America, informed us in accordance with section 21 para 1 WpHG on September 27, 2016, that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany remained below the threshold of 5% of the voting rights as of September 22, 2016, and amounted to 3.75% (corresponding to 612,926 voting rights) on that date. 3.75% of these voting rights (corresponding to 612,926 voting rights) are attributable to Mr. Zaldivar in accordance with section 22 WpHG.

Mr. Peter Zaldivar, United States of America, informed us in accordance with section 21 para 1 WpHG on September 28, 2016, that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany remained below the threshold of 3% of the voting rights on September 23, 2016, and amounted to 2.51% (corresponding to 410,926 voting rights) on that date. 2.51% of these voting rights (corresponding to 410,926 voting rights) are attributable to Mr. Zaldivar in accordance with section 22 WpHG.

Argos Funds, Luxemburg, Luxemburg, informed us in accordance with section 21 para 1 WpHG on October 26, 2016, that their voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 3% of the voting rights as of October 25, 2016, and amounted to 3.58% (corresponding to 585,000 voting rights) on that date.

Quaero Capital SA, Meyrin, Switzerland, informed us in accordance with section 21 para 1 WpHG on October 27, 2016, that their voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 3% of the voting rights on October 25, 2016, and amounted to 3.58% (corresponding to 585,000 voting rights) on that date. 3.58% of these voting rights (corresponding to 585,000 voting rights) are attributable to Quaero Capital SA in accordance with section 22 WpHG

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

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

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

On January 30, 2017, Axel Springer SE and Starwatch Entertainment GmbH increased their shares in mytic myticket AG by 4.9% to 24.9%. DEAG holds more than 50% of the shares. The increase was linked to the expansion of ticketing activities to Austria through its own platform myticket.at.

On February 13, 2017, DEAG sold its stake in Manfred Hertlein Veranstaltungs GmbH (Live Touring segment) based in Würzburg, which it held through GOLD Entertainment GmbH, which is operated jointly with Sony Music. The purchase price has already been paid. The company had assets of approx. EUR 10.1 million in 2016, revenues of approx. EUR 21.3 million and an EBIT of EUR 0.2 million.

From the viewpoint of the Executive Board, there have not been any other material events during the period from January 1, 2017, until the publication of this report

#### **57. AMENDMENTS IN ACCORDANCE WITH IAS 8**

The Financial Reporting Enforcement Panel (FREP) has examined the consolidated financial statements and group management report as of December 31, 2014, and has reported an incorrect accounting by letter dated December 20, 2016. In addition, the interim consolidated financial statements and management report as of June 30, 2015, were also examined. Incorrect accounting was established here as well. As the facts are also reflected in the consolidated financial statements and group management report as at December 31, 2015, there is further need for adaptation. A retrospective correction has not been made in the current financial statements for some of the findings. In the following points, incorrect accounting was established:

No.	Type of error	Amendment	Reason			
Find	ings as of reporting date December 31, 2014					
1.	Valuation of provisions for onerous contracts	No	Quantitative impossibility, since old and new information is not separable.			
2.	Disclosure of discretionary provisions for the valuation of provisions	No	Not applicable since only one comparison period is presented.			
3.	Presentation in the risk and forecast report	No				
Find	Findings as of reporting date June 30, 2015					
4.	Income reported from the sale of the Jahrhunderthalle property and the deconsolidation of the Kultur- und Kongresszentrum Jahrhunderthalle GmbH	Yes	Adjustment of the date of the realization of the income and in the immediate future consideration of an obligation to eliminate the interim result			
5.	Valuation of investment properties as a fair value model	Yes	Consideration of current information for the evaluation			
6.	Presentation of the income situation and risk reporting in the interim management report	No	The reporting in the management report as of December 31, 2015, which differs from the date of June 30, 2015, does not allow a direct correction, but the reporting is adjusted in the management report			

For the rock festivals held for the first time in May and June 2015, an expected loss was already becoming apparent as of the reporting date on December 31, 2014, for which a risk provision was made for onerous contracts. The FREP has determined that on the basis of the scenarios assumed by DEAG, and against the background of the possible risk to the survival of the company presented in the group management report, no adequate risk provision was made.

However, as a result of the error detection by the FREP regarding the Consolidated Financial Statements as of December 31, 2014, there was no adjustment made in the risk provisions for the

festivals organized in the 2015 fiscal year. The auditor appointed for the financial statements as of December 31, 2014, had already restricted the audit opinion in the context of the provision for risks for onerous contracts, as the level of risk provision could not be determined with sufficient certainty. In fiscal year 2015, there was certainty about the realized loss from the organization of the festivals, but a separation between new information and findings, which were available in the evaluation period for the fiscal year ended December 31, 2014, is still not objectively possible; therefore a retrospective adjustment was not made. In fiscal year 2015, a reduction of EUR 23.2 million was made in this connection after a risk provision of EUR 1.5 million had already been recorded in the 2014 consolidated financial statements.

Also in the context of the risk provision, insufficient reporting on discretionary decisions and uncertain estimates were found in the notes. In addition, an insufficiently clear and balanced disclosure of the uncertainties arising from the rock festivals taking place promptly after the reporting date was complained in the risk and forecast report in the combined group management report as of December 31, 2014. Since only one comparative period is presented in the current financial statements, there is no retrospective adjustment.

In the second quarter of the 2015 fiscal year, a joint venture (both 50% of the voting rights) was established with a real estate investor and under condition precedent a sale of the land for sale or development around the Jahrhunderthalle – which was legally effectively sold in the third quarter of fiscal year 2015 - was agreed to the joint venture. Still in the Q2 2015 with the joint venture partner a binding declaration of intent with a minimum price for the property was agreed, a legally binding contract followed in the third quarter. For the valuation of the land in the fair value model, both on June 30 as well as on December 31, 2015, an expert valuation at level 3 exceeded the minimum price agreed between the parties. The FREP has determined that the land is overvalued in the interim financial statements and thus also in the consolidated financial statements as of December 31, 2015. The agreed minimum price – also as a level 3 valuation – has to be given priority since it is based on a current transaction. Therefore, in the comparative period, the fair value was adjusted by an amount of EUR 2.6 million (amendment 5).

As a further finding, the FREP has criticized the reporting on the income situation and the risk reporting in the first half year of the 2015 fiscal year. When using alternative performance measures, there was no quantitative reconciliation to the consolidated result. In addition, there was insufficient information on the risks of future business development. A retrospective adjustment of the interim management report is not possible as of December 31, 2016. However, the findings are being taken into account for future management reporting.

The sale of the Jahrhunderthalle property in Frankfurt/Main and the deconsolidation were recorded in the consolidated interim financial statements as of June 30, 2015, and thus also in the consolidated financial statements as of December 31, 2015, due to the DEAG's loss of control over the operating compnay. As part of the review of the interim financial statements as of June 30, 2015, the FREP has determined that the conditions for a derecognition of the property and the deconsolidation of the operating company were not given in the absence of a legally binding agreement – there was only a binding declaration of intent.

As of December 31, 2016, there was a legally binding agreement for both the sale of the property and the loss of control over the operating company. However, we believe that there is a need to retrospectively adjust the comparative period in terms of the level of income realization. In the interim consolidated financial statements and as of the reporting date of December 31, 2015, the accounting figure, with full recognition of a disposal result, was essentially based on the assessment that the transaction as a whole was the disposal of a business as defined by IFRS and the premature application of the amendment to IFRS 10 and IAS 28, which has been postponed for an indefinite period.

After judging again and taking into account the clear IASB guidelines regarding the definition of "business" (ED/2016/1) dated June 2016, we came to the assessment – which is underpinned by an expert opinion - that our previous view of the existence of a "business" in relation to the sale objects cannot be maintained. Therefore, we conclude that the presentation of the departure of the Jahrhunderthalle as a "downstream transaction" between the Group company Concert Concept Veranstaltungs-GmbH and the JHH GmbH & Co. KG included as At Equity in the consolidated financial statements, taking into account an interim profit elimination within the scope of the own participation,

leads to a correct accounting of the issue and an improved presentation of the assets and income situation. The income recognition for the 2015 fiscal year has therefore to be reduced by EUR 5.8 million (amendment 4). The adjustment relates to other operating income. As a further consequence, the goodwill of the "Entertainment Services" segment, which comprises several cash-generating units without goodwill, has not been charged pro rata. As a continuous accounting decision, the indeterminate (legal) term "operation" is regarded as being only fulfilled for a business operation. Due to the lack of business quality of the disposal objects, no pro rata goodwill could be booked in accordance with the provisions for partial sales of goodwill-bearing cash-generating units. As a result, the goodwill will be increased by an amount of EUR 0.4 million as of the reporting date of December 31, 2015 (amendment 4).

The total resulting correction amounts pursuant to IAS 8.41 ff. are presented below in the amount of EUR 8.4 million. Due to existing loss carryforwards and the balancing of passive and active deferred tax assets (EUR +780 thousand / EUR -780 thousand), there was no correction for the tax positions.

The adjustments retrospectively recorded for the 2015 fiscal year are as follows:

2015	31.12.2015	Adjustment	31.12.2015
		amount	(adjusted)
<u>in EUR '000</u>			
Consolidated Balance Sheet			
Assets			
Current assets:			
Assets held for sale	7,016	-6,203	813
Long-term asset:			
Goodwill	23,625	396	24,021
Investment properties	7,940	-2,600	5,340
Liabilities			
Long-term liabilities:			
Deferred taxes	2,163	_	2,163
Equity:	2,103	-	2,103
Accumulated deficit	-39,862	-8,407	-48,269
	•		
Group profit and loss account			
Other operating income	15,312	-5,807	9,505
Other operating expenses	-7,005	-2,600	-9,605
Income taxes	-191	_	-191
Group result after taxes	-20,568	-8,407	-28,975
thereof attributable to non-controlling interest	- <b>20,366</b> 869	-0,407	869
thereof attributable to DEAG	009	-	009
shareholders	-21,437	-8,407	-29,844
Earnings per share in EUR (undiluted/diluted)			
from continued operations	-1.21	-0.52	-1.73
from continued and discontinued			
operations	-1.31	-0.52	-1.83
Average number of shares in circulation (undiluted/diluted)	16,352,719	-	16,352,719
Consolidated Statement of Comprehensive Income			
Group result after taxes	-20,568	-8,407	-28,975
Currency translation differences	1,377	9999777	1,377
(+/-) Actuarial profit/loss	177	7//////	177
(+/-) Income taxes on the other total result	-35	11/1/1/	-35
Total of expenditures and income			
directly entered in equity	1,519	///////	1,519
Total result	-19,049	-8,407	-27,456
thereof attributable to non-controlling interest	904	7//////	904
thereof attributable to DEAG Shareholders	-19,953	-8,407	-28,360

## **58. PERSONAL DATA**

On the reporting date the Executive Board had the following composition:

### **Executive Board**

Prof. Peter L.H. Schwenkow	
Place of residence	Berlin
Profession	Chief Executive Officer
Responsibility within the Group	Strategic Business Development and Operations, Sales, Marketing, Public Relations
Group retainers	Administrative Board Member of AlO Group AG,
	Glattpark, (Switzerland) Administrative Board Member of Good News
	Productions AG, Glattpark (Switzerland)
	Administrative Board Member of The Classical Company AG, Zürich (Switzerland)
	Board member of Raymond Gubbay Ltd., London
	(Great Britain) Board member of Kilimanjaro Holdings Ltd., London
	(Great Britain)
	Chairman of the supervisory board of mytic myticket AG, Berlin
Shares held as at	
31.12.2016	203.350
Christian Diekmann	
Place of residence	Berlin
	DiplKaufmann, Executive Board Member
Profession	(Chief Operations Officer, Chief Digital Officer)
Responsibility within the	
Group	Business Operations, German market, Sales, Marketing, Human Resources
Group retainers	Tiuman resources
·	Administrative Board Member of AlO Group AG, Glattpark (Switzerland)
	Administrative Board Member of Good News Production AG, Glattpark (Switzerland),
	Administrative Board Member of The Smart Agency AG, Glattpark (Switzerland),  Glattpark (Switzerland)
	Administrative Board Member of Fortissimo AG, Glattpark (Switzerland)
	Administrative Board Member of Venue Consulting AG, Glattpark (Switzerland)
	Administrative Board Member of The Classical Company AG, Zürich (Switzerland)
	Supervisory Board Member of DEAG Classics AG, Berlin Supervisory Board Member of mytic myticket AG, Berlin
Shares held as at 31.12.2016	5.750

Detlef Kornett	
Place of residence	Kleinmachnow
	Kaufmann, Executive Board Member (Chief Marketing
Profession	Officer)
Responsibility within the	
Group	Marketing, International Business Affairs
Group retainers	
	Administrative Board Member of AIO Group AG,
	Glattpark (Switzerland)
	Administrative Board Member of Good News Production
	AG, Glattpark (Switzerland). Administrative Board Member of The Smart Agency AG.
	Glattpark (Switzerland)
	Administrative Board Member of Fortissimo AG,
	Glattpark (Switzerland)
	Administrative Board Member of Venue Consulting AG,
	Glattpark (Switzerland) Board member of Raymond Gubbay Ltd., London
	(Great Britain)
	Board member of Kilimanjaro Holdings Ltd., London (Great Britain)
	Supervisory Board Member of mytic myticket AG, Berlin
Shares held as at 31.12.2016	1.675
Ralph Quellmalz	
Place of residence	Köln
	DiplKaufmann, Executive Board Member
Profession	(Chief Financial Officer)
Responsibility within the	
Group	Finance, Investor Relations
Group retainers	
Shares held as at 31.12.2016	1.675
Supervisory Board	
Wolf-D. Gramatke	
Place of residence	Hamburg
Position on Supervisory Board	Chairman
Profession	President of Great-Minds Consultants GmbH, Hamburg
Retainers on other boards	
	Supervisory Board Chairman of Wild Bunch AG
	(formerly: Senator Entertainment AG), Berlin
	Other:  Member of the media business committee of the
	ivientiber of the media business committee of the
	Hamburg Chamber of Commerce
Group retainers	Hamburg Chamber of Commerce Chairman of the Supervisory Board of DEAG Classics AG, Berlin

Martina Bruder		
Place of residence	München	
Position on Supervisory Board	Vice-Chairman of the Supervisory Board	
Profession	CEO/ Managing director digital media, Wolters Kluwer Legal & Regulatory (since 08.08.2016)	
Retainers on other boards		
Group retainers	Member of the Supervisory Board of mytic myticket AG, Berlin	
Shares held as at 31.12.2016		
Christian Angermayer		
Place of residence	London	
Position on Supervisory Board	Member of the Supervisory Board	
Profession	Founder, Apeiron Investment Group Ltd., St. Julians (Malta)	
Retainers on other boards	President of the administrative board of Film House Germany AG, Frankfurt am Main	
Group retainers	-	
Shares held as at 31.12.2016		
Michael Busch		
Place of residence	Berlin	
Position on Supervisory Board	Member of the Supervisory Board (since 13.07.2016)	
Profession	Management consultant	
Retainers on other boards	Member of the advisory board of Sterling Strategic Value Ltd., Monaco	
Group retainers	-	
Shares held as at 31.12.2016	2.270	

#### 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 April 24, 2017.

Berlin, April 24, 2017

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L. H. Schwenkow

Christian Diekmann

Gullbrah

Detlef Kornett

Ralph Quellmalz

## **// AUDITOR'S REPORT**

We have audited the consolidated financial statements - comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes and the management report of DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, for the business year from 1 January to 31 December 2016. Section 3.1 of the management report containing the corporate governance statement was not the subject of our audit procedures. The preparation of the consolidated financial statements and the management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB (German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (German Commercial Code) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position and performance in the consolidated financial statements in accordance with the applicable financial reporting framework, and in the management report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management as well as evaluating the overall presentation of the consolidated financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB (German Commercial Code) and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the principles of proper accounting. The management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 24 April 2017

Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Udo Heckeler Wirtschaftsprüfer David Reinhard Wirtschaftsprüfer

# // DECLARATION BY THE STATUTORY REPRENSATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and income of the Group and the combined Management Report and Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, April 24, 2017

DEAG Deutsche Entertainment Aktiengesellschaft

Der Vorstand

Prof. Peter L. H. Schwenkow

Detlef Kornett

Christian Diekmann

the Untiman

Ralph Quellmalz

# // CONDENSED INDIVIDUAL FINANCIAL STATEMENTS OF DEAG

DEAG Deutsche Entertainment Aktiengesellschaft Balance Sheet Summany (according to HGB)

Assets in EUR'000	31.12.2016	31.12.2015
Intangible assets and tangible fixed assets	170	156
Financial assets	15,567	14,957
Fixed assets	15,737	15,113
Receivables and accruals and deferrals	34,766	36,361
Cash, cash equivalents and securities	72	57
Total current assets	34,838	36,418
Assets	50,575	51,531
Liabilities and equity in EUR'000	31.12.2016	31.12.2015
Share capital	16,353	16,353
Capital reserve	14,095	14,095
Retained income	697	697
Accumulated losses	-9,756	-3,963
Shareholders' equity	21,389	27,182
Accruals	601	747
Liabilities to financial institutions	15,272	10,073
Other liabilities	13,313	13,529
Total liabilities	28,585	23,602
Total equity and liabilities	50,575	51,531

## **DEAG Deutsche Entertainment Aktiengesellschaft**

## Statement of Income (according to HGB)

In EUR'000	Financial statement 1.1 31.12.2016	Financial statement 1.1 31.12.2015
Sales	2.730	<u>-</u>
Distribution costs	-1,175	-1,805
General and administration costs	-6,023	-5,734
Other operating income and expenses	-2,081	-4,853
Interest income/ expenses and other financial result	-649	-305
Income from investments	1,405	4,239
Result of ordinary business activities	-5,793	-8,458
Income tax and other taxes	-	
Net income	-5,793	-8,458
Result carried forward	-3,963	4,495
Accumulated losses	-9,756	-3,963

# // CORPORATE GOVERNANCE REPORT

The Executive Board and the Supervisory Board continually dealt with the further development of corporate governance in the company during fiscal year 2016. The amendments to the German Corporate Governance Code in the version from May 5, 2015, have been taken into account by the Executive Board and Supervisory Board. Pursuant 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 December 13, 2016, the Executive Board and Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft issued an annual Declaration of Conformity as legally required by the German Corporate Governance Code pursuant to Section 161 AktG. The Declaration of Conformity reports:

The recommendations of the German Corporate Governance Code (DCGK) in the current version dated May 5, 2015, have been and are being complied with, with the exception of the following deviations:

- 1. The D&O insurance policy for the Supervisory Board does not provide for a deductible as this does not seem to be appropriate or necessary in view of the moderate level of remuneration for the Supervisory Board. (3.8 DCGK)
- 2. Supervisory Board committees have not been formed. In the case of a Supervisory Board consisting of only four members, any matter that requires the involvement of the Supervisory Board may be carried out with the direct involvement of all Supervisory Board members. In this situation, an increase in the efficiency of the Supervisory Board's activities would not be expected by forming a committee. (5.3.1 to 5.3.3 DCGK)
- 3. The Consolidated Financial Statements are not made public within 90 days of the end of the fiscal year, and the interim reports are not made publicly available within 45 days of the end of the reporting period. Publication takes place within the framework of statutory and stock exchange regulations. Earlier publication, also considering a number of non-listed subsidiaries and affiliates abroad, could only be achieved with a marked increase in personnel and organizational expenses and thus only with considerable additional costs. (7.1.2 DCGK)

#### **Composition of the Supervisory Board**

Pursuant to section 5.4.1 of the German Corporate Governance Code, the Supervisory Board is to be set up in such a way that its members have the general knowledge, skills and professional experience necessary for the proper performance of their tasks. From the viewpoint of the Supervisory Board, these criteria are being met by the current Supervisory Board.

The Supervisory Board should designate concrete targets for its composition which, taking into account the company-specific situation, the company's international activities, potential conflicts of interest, the number of independent members of the Supervisory Board as defined in section 5.4.2 GCGC, a fixed age limit for Supervisory Board members and a regulatory limit for the Supervisory Board membership, as well as diversity. In addition, the Supervisory Board is to set targets for the share of women.

In view of these requirements, the Supervisory Board endeavors to consider the following criteria in the composition of the Board:

- At least one Supervisory Board member should have international experience.
- Membership in the Supervisory Board is to end with one's 75th birthday.
- Membership in the Supervisory Board should not exceed three terms of office.
- The share of women in the Supervisory Board should be 30%.

With the exception of the 30% target for women's participation in the Supervisory Board, the aforementioned targets were implemented in fiscal year 2016. As a result of the enlargement of the Supervisory Board to four members at the Annual General Meeting on June 23, 2016, the share of women in the Supervisory Board is currently 25%.

#### **Share ownership of Board members**

Stock option programs and similar securities-oriented incentive systems do not exist. As of December 31, 2016, Executive Board member Prof. Peter L. H. Schwenkow held a total of 203,350 shares in the company. Executive Board member Christian Diekmann held a total of 5,750 shares in the company as of December 31, 2016. As of December 31, 2016, Executive Board member Detlef Kornett held a total of 1,675 shares in the company. As of December 31, 2016, Executive Board member Ralph Quellmalz held a total of 1,675 shares in the company. As of December 31, 2016, Supervisory Board member Michael Busch held a total of 2,270 shares in the company. As of December 31, 2016, Supervisory Board member Christian Angermayer indirectly held a total of 10 bonds of the company in a nominal amount of 100,000.00 each through Apeiron Investment Group Ltd.

#### **Executive Board and Supervisory Board remuneration system**

For further information on the remuneration system and individual remuneration of Executive Board and Supervisory Board members, please refer to the Remuneration Report in section 3.3 of the Consolidated Management Report and Group Management Report and in section 30 of the Notes to the Consolidated Financial Statements.

The Supervisory Board members received net remuneration (in EUR thousand) for their activities in fiscal year 2016 as follows:

Supervisory Board member	Fixed remuneration	Variable remuneration	Other remuneration	Total remuneration
Wolf-D. Gramatke	29	0.0	4	33
Martina Bruder	19	0.0	3	22
Christian Angermayer	10	0.0	0.0	10
Michael Busch (since July 13, 2016)	5	0.0	0.0	4
Total	62	0.0	7	69

Other remuneration of the Supervisory Board includes travel expenses of EUR 6 thousand and office expenses of EUR 1 thousand.

#### **Declaration on Corporate Governance**

The Declaration on Corporate Governance pursuant to section 289a (2) HGB is contained in section 3.1 of the Consolidated Management Report and Group Management Report.

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#### **Risk management**

For company risk management, please refer to the detailed explanations in the Opportunity and Risk Report in section 4 of the Consolidated Management Report and Group Management Report.

Berlin, April 2017

DEAG Deutsche Entertainment Aktiengesellschaft

For the Supervisory Board

For the Executive Board

Wolf-D. Gramatke

Prof. Peter L.H. Schwenkow

Chairman of the Supervisory Board

Chairman of the Executive Board

# **// LEGAL NOTICE**

#### **// EDITING AND COORDINATION**

DEAG Deutsche Entertainment AG cometis AG

#### **// FURTHER INFORMATION**

For analysts and investors

Investor Relations: deag@cometis.de

The interim report and other current information on DEAG is also available on the Internet at www.deag.de/ir

#### // PICTURES

DEAG Deutsche Entertainment AG

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