

DEAG Deutsche Entertainment Aktiengesellschaft

QUARTERLY FINANCIAL STATEMENT
AS OF 30/09/2018

// DEAG OVERVIEW

COMPANY PROFILE

DEAG Deutsche Entertainment Aktiengesellschaft (DEAG) is a leading entertainment service company and a provider of Live Entertainment in Europe with subsidiaries in its core markets. DEAG produces and profitably organises a broad range of live entertainment events and concerts. As a Live Entertainment service company with an integrated business model DEAG has extensive expertise in the organisation, marketing and holding of events, as well as in ticket sales via its own ticketing platform 'MyTicket' for its own and third-party content. The highly scalable business model of MyTicket strengthens DEAG on its way to increasing profitability. DEAG promotes around 4,000 concerts and events a year and currently sells more than 5 million tickets, of which a steadily increasing share is sold via its high-turnover ticketing platform MyTicket.

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

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

CORE MARKETS OF DEAG

7 LOCATIONS
IN EUROPE



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// DEAG ON THE CAPITAL MARKET

DEAG – THE SHARE

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



DEAG – THE BOND 2018/2023

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

CAPITAL MEASURES AND INVESTOR RELATIONS

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

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

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

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

// INTERIM GROUP MANAGEMENT REPORT

SIGNIFICANT OPERATIONAL DEVELOPMENTS

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

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

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

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

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

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

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

Both segments will benefit from the expected positive development in the further course of the financial year. With a well-stocked calendar of events DEAG has a solid basis for a successful final spurt in the fourth quarter of financial year 2018. The Family Entertainment and Arts+Exhibitions segments, the latter in particular in the fourth quarter, are expected to play a particularly strong role. The Christmas Garden formats in particular will be expanded from one last year to three in 2018 due to the positive response from visitors in Germany.

RISK AND OPPORTUNITY REPORT

There were no material changes to the risk report of the combined management and Group management report 2017 (p. 12) published in the Annual Report from 31/12/2017.

FORECAST REPORT

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

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements based on current assumptions and forecasts made by DEAG management. Such statements are subject to risks and uncertainties. These and other factors could lead to material differences between the results, financial position, development and performance of the company and the estimates made here. The company does not assume any obligation to update these forward-looking statements or adapt them to future events and developments.

// CONSOLIDATED BALANCE SHEET

TOTAL ASSETS

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

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

// CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

// SELECT EXPLANATORY NOTES

NOTES PURSUANT TO IAS 34

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

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

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

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

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

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

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

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

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

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

Berlin, 30 November 2018

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board



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// Legal notice

// EDITING AND COORDINATION

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

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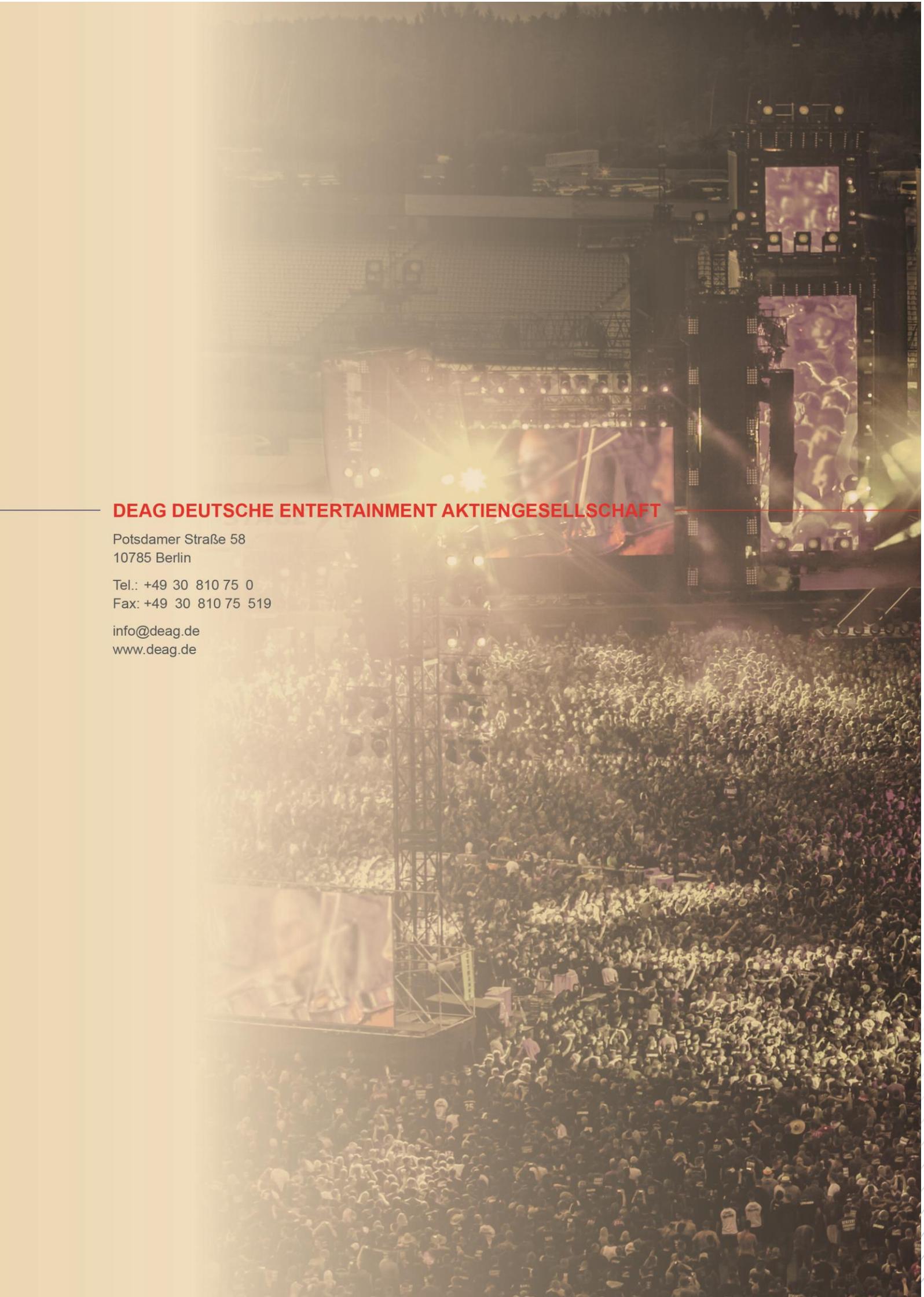
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