



DEAG Deutsche Entertainment Aktiengesellschaft

Group Interim Report as at September 30, 2014



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Imprint

## 1. DEAG on the capital market

During the third quarter 2014 declines in prices were recorded on the German equity market not least due of the Ukraine crisis as well as signs of weaker growth rates. In this connection the leading index DAX dropped by 3.6% to 9,474.3 points, whereas the small-cap index SDAX dropped by 7.2% to 6,852.8 points during the third quarter. During the first nine months of 2014 the DAX hence recorded a slight minus of 0.8%, whilst the SDAX had a slight plus of 0.9% during this period.

The DEAG share dropped during Q3/2014 by 3.9% from EUR 6.19 per share at the end of the first half year to EUR 5.95 per share, but overall it recorded a significant plus of 38.7% during the first nine months of 2014 and hence clearly outperformed the DAX and the SDAX. Together with the dividend of 12 €cents per share paid after the ordinary general meeting of June 26, 2014, the DEAG shareholders benefitted from a 41.5% growth in value. If one adds the value of the subscription right of the capital increase from May 2014, the performance of DEAG shareholders amounts even to 45% during the first nine months of 2014. After the end of the reporting period, the DEAG share climbed again clearly above EUR 6.00.

With EUR 5.60 per share the DEAG share reached its third quarter low on August 6, 2014. The quarterly peak was reached on September 18, 2014 with EUR 6.47 (in both cases in the electronic trading system Xetra). The average daily trading volume in DEAG shares at all German stock exchanges amounted to 20,410 shares during the first nine months of 2014 and was clearly above the corresponding prior year level of 13,552 shares. The percentage of shares transacted via Xetra rose from 73% in 2013 to 85% in 2014. VEM Aktienbank AG continues to act as designated sponsor which ensures binding purchasing and selling prices, a narrow price spread range and altogether a high liquidity.

During the first nine months of 2014 DEAG has again communicated closely and regularly with analysts, institutional investors, private investors as well as the financial and business press. The growth course of DEAG, which was more particularly expressed through the acquisition of a majority stake in the British promoter Kilimanjaro Live Ltd., London, in May, was viewed as positive in every respect and resulted in several buying recommendations for the DEAG share by renowned media.

Moreover, the DEAG share is analyzed by two top banks, DZ Bank as well as Hauck & Aufhäuser. Against the backdrop of the good business development and the positive outlook, the analysts recommended the DEAG share again for buying. DZ Bank reached a "fair value" of the DEAG share of EUR 7.65 (study dated September 1, 2014). Hauck & Aufhäuser increased the target share price in a study published in mid-November to EUR 12.00 per share, after DEAG announced the launch of its own ticket distribution platform "myticket.de".

DEAG is listed in the Prime Standard, i.e. the quality segment of Deutsche Börse AG. In line with the different requirements, the company always informs promptly about important events as ad-hoc disclosures or press releases. Furthermore, DEAG participated again in various important capital market conferences such as the German Equity Forum. The dialogue with institutional investors was intensively cultivated during the reporting period. Within the framework of numerous roadshows in Germany and in other European countries investors were informed about current business developments and were given an opportunity to convince themselves of the attractiveness of the share.

For investors, the investor relations page of the website [www.deag.de/ir](http://www.deag.de/ir) provides a comprehensive overview of the current corporate developments. Moreover, contact partners are available to interested shareholders by email ([deag@edicto.de](mailto:deag@edicto.de)) or by phone (069/9055055-2).

## **2. Business development**

### **Earnings position**

After three quarters DEAG Deutsche Entertainment AG has been able to continue its positive development for sales revenues and earnings in 2014. Despite the Football World Cup which resulted seasonally, as planned, in less shows during the second and third quarter 2014, sales revenues increased by 3.4% during the reporting period to EUR 129.5 million (prior year: EUR 125.2 million). Sales revenues of EUR 32.8 million were accounted for by the third quarter of 2014.

Overall, DEAG generated earnings during the third quarter which were above prior year and its own budget. The adjusted EBIT jumped during the first nine months 2014 by 4.2% to EUR 5.8 million. The reported EBIT in the amount of EUR 4.2 million includes one-time amortizations in the amount of around EUR 1.6 million for intangible assets which were identified within the framework of the provisional purchase price allocation in connection with the first-time consolidation of the activities of the British promoter KILIMANJARO LIVE.

The financial result of EUR -0.3 million has improved by EUR 0.2 million versus prior year.

With a tax expenditure reduced by EUR 0.4 million of EUR 0.9 million, the consolidated net income after taxes and minority interests amounts to EUR 2.1 million. Taking into account the one-time effect in connection with the provisional purchase price allocation, this ratio increased by 20.4% to now EUR 2.9 million. This has resulted in a clearly improved net margin also due to the lower minority interests.

The expenses for the assertion of claims in connection with the "Qivive" case were taken fully into account as discontinued operations.

All group entities contributed to the good result. This can again be interpreted as a confirmation for the strategy and orientations of the company. The increasing focusing on the digital distribution business is paying off and will continue to be intensively expanded. In this connection DEAG launched its own ticket distribution with Myticket.de on November 14, 2014. The consolidated earnings of DEAG include all start-up costs accrued during the reporting period for the new ticket distribution.

### **Assets position**

The balance sheet total increased versus December 31, 2013 by EUR 9.6 million to EUR 100.4 million.

The increase results on the assets side essentially from an acquired goodwill (EUR + 3.2 million) and other intangible assets (EUR + 4.7 million) in connection with the takeover of a majority stake during the reporting period as well as higher other current assets (EUR + 1.9 million). As far as the latter are concerned, EUR 3.4 million are accounted for by advance payments in respect of future events.

On the liabilities side there has been, more particularly, an increase in equity (EUR + 14.3 million) as a result of the successful cash capital increase as well as the consolidated net income generated during the reporting period. Moreover, there have been higher deferred revenues (EUR + 3.7 million), i.e. advance sale income for tours and shows which are essentially carried out and/or organized until the end of the year.

The equity capital after minority interests amounts at the end of the reporting period to EUR 44.4 million (12.31.2013: EUR 30.1 million). The equity ratio increased accordingly to 44% (12.31.2013: 33%).

### **Financial position**

The cash flow before changes in net current assets of the reporting period amounts to EUR 1.6 million. After changes in the working capital of EUR -8.9 million (prior year: EUR: -11.3 million) there has been an outflow of funds in the amount of EUR 7.1 million from current operations in the continuing

operations (prior year: outflow of funds of EUR 8.2 million). The change in working capital results primarily from the reduction of liabilities and higher other current assets.

The outflow of funds from investment activities in the amount of EUR 0.3 million (prior year: outflow of funds of EUR 4.9 million) includes essentially the balance of payments made during the reporting period for investments and the acquired cash and cash equivalents.

The inflow of funds from financing activities in the amount of EUR 6.3 million (prior year: inflow of funds of EUR 4.5 million) includes payments for the dividend distributed to the shareholders of DEAG (EUR 1.6 million) and in particular cash receipts from the cash capital increase.

Altogether these essential changes resulted in a decline in liquid funds by EUR 1.3 million to EUR 21.6 million.

### **3. Development of the segments**

DEAG continues to report in an unchanged segment structure. The latter reflects the strategic orientation of the Group in an accurate and transparent manner.

In the segment Live Touring (“travelling business”) the tour business is reported. This includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Berlin), Manfred Hertlein Veranstaltungen GmbH (Würzburg), Wizard Promotions Konzertagentur (Frankfurt am Main), FF Tournee GmbH (Berlin); Raymond Gubbay Ltd. (London, UK), Kilimanjaro Live Ltd. (London, UK) as well as The Classical Company (Zurich, Switzerland).

In the segment Entertainment Services (“stationary business”) the regional businesses as well as the entire service business are reported. This includes the activities of the AIO Group (Glattpark, Switzerland), Global Concerts (Munich), Jahrhunderthalle Kultur (Frankfurt am Main), Concert Concept (Berlin), Grandezza Entertainment (Berlin), River Concerts and Elbklassik (both Hamburg), handwerker promotion e. gmbh (Unna), Blue Moon Entertainment GmbH (Vienna, Austria) as well as DEAG Music (Berlin) as music publishing house/label.

We provide the following explanations on the development of the segments:

#### **Live Touring:**

With an increase in sales revenues by 74.6% to EUR 87.9 million, an EBIT in the amount of EUR 4.4 million was generated. This means that the EBIT has more than doubled.

Tours of all DEAG promoters contributed to this very positive result. The highlights were tours by Black Sabbath, Lady Gaga, Lenny Kravitz and Peter Gabriel in the field of Rock/Pop. Echo Award winner Andreas Gabalier and star violinist David Garrett made a positive contribution to the development of the sales revenues and earnings in the fields of middle-of-the-road music/German hit songs and classical music.

#### **Entertainment Services:**

With sales revenues of EUR 55.9 million, the EBIT in the segment amounts to 3.2 million.

The main revenue and earnings drivers were our activities as local promoter in Germany including sold-out shows of the Rolling Stones and Böhse Onkelz. The Local Business participated essentially in the handling of the intragroup tours. The Jahrhunderthalle arena in Frankfurt also contributed successfully to the performance of the segment. The local business in Switzerland and Austria recorded good development and corresponds to the planning.

#### **4. Outlook**

The outlook of DEAG for the fourth quarter 2014 and for 2015 is very positive; this is also supported by the expansion of Family Entertainment. In particular the open air and festival season 2015 includes many highlights. DEAG has already sold around 1.6 million tickets for 2015.

In addition, Myticket.de, DEAG's own ticket distribution, had a very successful start with ticket sales in a five-digit range already during the first week. Myticket.de will generate a positive contribution margin in 2015.

For the full year 2014 and the new year 2015 DEAG anticipates the continuation of its profitable growth course. In particular the fourth quarter 2014 is likely to make a contribution to the 2014 result being above prior year.

## 5. CONSOLIDATED BALANCE SHEET (IFRS)

	Interim Report	Annual Report	Interim Report
	2014	2013	2013
<b>Assets</b>	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Liquid funds	21.604	22.943	19.912
Trade receivables	7.965	8.801	6.349
Down Payments	15.262	11.838	9.024
Inventories	103	105	89
Other current assets and	7.068	6.452	7.480
<b>Current assets</b>	<b>52.002</b>	<b>50.139</b>	<b>42.854</b>
Goodwill	23.173	19.974	22.227
Other intangible assets	11.766	7.054	7.063
Tangible fixed assets	2.362	2.094	1.943
Investment properties	9.450	9.450	9.450
Investments	758	757	759
Investment in associates	55	36	48
Loans to participations	39	39	231
Down Payments	-	243	243
Other long-term assets	312	635	553
Deferred tax assets	501	355	200
<b>Long-term assets</b>	<b>48.416</b>	<b>40.637</b>	<b>42.717</b>
<b>Total assets</b>	<b>100.418</b>	<b>90.776</b>	<b>85.571</b>

  

	Interim Report	Annual Report	Interim Report
	2014	2013	2013
<b>Liabilities and equity</b>	<b>30.09.2014</b>	<b>31.12.2013</b>	<b>30.09.2013</b>
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Bank loans payable	6.003	6.203	6.276
Trade accounts payable	4.817	5.608	5.458
Accruals	2.741	6.092	6.793
Sales accruals and deferrals	30.868	27.174	18.708
Income tax liabilities	1.286	1.977	1.391
Other current liabilities	3.846	4.252	5.085
<b>Current liabilities</b>	<b>49.561</b>	<b>51.306</b>	<b>43.711</b>
Accruals	864	848	935
Bank loans payable	2.244	5.567	4.448
Other long-term liabilities	279	564	-
Deferred taxes	3.078	2.387	2.213
<b>Long-term liabilities</b>	<b>6.465</b>	<b>9.366</b>	<b>7.596</b>
Share capital	16.352	13.627	13.627
Capital reserve	39.642	29.826	29.826
Accumulated deficit	-16.667	-17.048	-14.554
Accumulated other income / loss	-234	-274	-198
<b>Equity attributable to DEAG shareholders</b>	<b>39.093</b>	<b>26.131</b>	<b>28.701</b>
Equity attributable to non-controlling interest	5.299	3.973	5.563
<b>Equity</b>	<b>44.392</b>	<b>30.104</b>	<b>34.264</b>
<b>Total liabilities and equity</b>	<b>100.418</b>	<b>90.776</b>	<b>85.571</b>

## 6. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated Income Statement	Interim Report	Interim Report	9 Month Report	9 Month Report
	III/2014	III/2013		
	01.07.2014 30.09.2014	01.07.2013 30.09.2013	01.01.2014 30.09.2014	01.01.2013 30.09.2013
	in EUR '000	in EUR '000	in EUR '000	in EUR '000
Sales	32.822	29.624	129.480	125.247
Cost of sales	-27.322	-22.799	-104.687	-99.695
<b>Gross profit</b>	<b>5.500</b>	<b>6.825</b>	<b>24.793</b>	<b>25.552</b>
Distribution costs	-3.478	-4.695	-12.651	-12.722
Administrative expenses	-3.220	-3.016	-9.789	-9.498
Other operating income / expenses	232	696	1.831	1.703
<b>Operating income (EBIT)</b>	<b>-966</b>	<b>-190</b>	<b>4.184</b>	<b>5.035</b>
Interest income and expenses	-117	-137	-153	-279
Result from investments and participations	17	-	18	-
Earnings from associated companies	-47	-191	-172	-251
<b>Financial result</b>	<b>-147</b>	<b>-328</b>	<b>-307</b>	<b>-530</b>
<b>Result before taxes</b>	<b>-1.113</b>	<b>-518</b>	<b>3.877</b>	<b>4.505</b>
Income taxes	185	-164	-942	-1.244
<b>Group result from continued operations after taxes</b>	<b>-928</b>	<b>-682</b>	<b>2.935</b>	<b>3.261</b>
<b>Group result from discontinued operations after taxes</b>	<b>-124</b>	<b>-4</b>	<b>-124</b>	<b>-2.469</b>
<b>Group result after taxes</b>	<b>-1.052</b>	<b>-686</b>	<b>2.811</b>	<b>792</b>
thereof attributable to non-controlling interest	-80	-189	692	1.070
<b>thereof attributable to DEAG Shareholders (Group Result)</b>	<b>-972</b>	<b>-497</b>	<b>2.119</b>	<b>-278</b>
Earnings per share in EUR (undiluted/diluted)				
from continued operations	-0,05	-0,05	0,15	0,16
from continued and discontinued operations	-0,06	-0,06	0,14	-0,02
Average no. of shares outstanding (undiluted/ diluted)	16.352.719	13.627.368	14.838.578	13.627.368

Consolidated Statement of Comprehensive Income	III/2014 in EUR '000	III/2013 in EUR '000	01.01.-30.09.14 in EUR '000	01.01.-30.09.13 in EUR '000
<b>Group result after taxes</b>	-1.052	-686	2.811	792
<b>Other result</b>				
(+/-) Differences from exchange rates (independent foreign units)	-31	190	125	-174
(+/-) Deferred taxes on the other total result	-	-	-	-
Other result after tax	-31	190	125	-174
<b>Total result</b>	<b>-1.083</b>	<b>-496</b>	<b>2.936</b>	<b>618</b>
Thereof attributable to				
Non-controlling interest	-13	-61	814	892
DEAG Shareholders	-782	-435	2.123	-402

## 7. SHORTENED CONSOLIDATED STATEMENT OF CASH FLOW

	Interim Report	Interim Report
	01.01.2014 -30.09.2014	01.01.2013 -30.09.2013
	<u>in EUR '000</u>	<u>in EUR '000</u>
<b>Result from continued operations</b>	<b>2.935</b>	<b>3.261</b>
Depreciation and amortisation	2.608	1.524
Change in accruals	-3.932	-2.401
Changes not affecting payments	123	158
Deferred taxes (net)	-327	11
Result from valuation of affiliated companies	172	251
<b>Cash flow</b>	<b>1.579</b>	<b>2.804</b>
Net interest income	153	279
Change in working capital	-8.872	-11.308
<b>Net cash from operating activities from continued operations</b>	<b>-7.140</b>	<b>-8.225</b>
Net cash from operating activities from discontinued operations	-124	-
<b>Net cash from operating activities (total)</b>	<b>-7.264</b>	<b>-8.225</b>
<b>Net cash from investment activities from continued operations</b>	<b>-266</b>	<b>-4.923</b>
<b>Net cash from financial activities (total)</b>	<b>6.337</b>	<b>4.455</b>
<b>equivalents</b>	<b>-1.193</b>	<b>-8.693</b>
Effects of exchange rates	160	-258
<b>Cash and cash equivalents at beginning of Period</b>	<b>22.943</b>	<b>28.863</b>
<b>Cash and cash equivalents at end of period</b>	<b>21.910</b>	<b>19.912</b>

## 8. DEVELOPMENT OF THE CONSOLIDATED EQUITY

	Balance as at	Changes	Balance as at
	31.12.2012	01.01.2013- 30.09.2013	30.09.2013
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Share capital	12.388	1.239	13.627
Capital reserve	27.337	2.489	29.826
Accumulated deficit	- 13.285	- 1.269	- 14.554
Accumulated other income / loss	- 63	- 135	- 198
<b>Equity attributable to DEAG shareholders</b>	<b>26.377</b>	<b>2.324</b>	<b>28.701</b>
Equity attributable to non-controlling interest	5.435	128	5.563
<b>Equity</b>	<b><u>31.812</u></b>	<b><u>2.452</u></b>	<b><u>34.264</u></b>

### Consolidated Statement of Changes in Equity

	Stand am	Veränderungen	Stand am
	31.12.2013	01.01.2014- 30.09.2014	30.09.2014
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Share capital	13.627	2.725	16.352
Capital reserve	29.826	9.816	39.642
Accumulated deficit	- 17.048	381	- 16.667
Accumulated other income / loss	- 274	40	- 234
<b>Equity attributable to DEAG shareholders</b>	<b>26.131</b>	<b>12.962</b>	<b>39.093</b>
Equity attributable to non-controlling interest	3.973	1.326	5.299
<b>Equity</b>	<b><u>30.104</u></b>	<b><u>14.288</u></b>	<b><u>44.392</u></b>

## **9. Explanations in accordance with IAS 34**

The following interim financial statements, consisting of the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated condensed statement of cash flow as well as additional explanatory information have been prepared in accordance with IAS 34 and the applicable provisions of the German Securities Trading Act (WpHG).

The interim consolidated financial statements as at September 30, 2014 do not contain all data and information as presented in the complete annual financial statements. It is recommended to read the interim financial statements together with the consolidated financial statements as at December 31, 2013.

The generally accepted accounting principles, consolidation, currency exchange as well as accounting and evaluation applied in the consolidated financial statements as at December 31, 2013 were maintained without any changes. We refer to the consolidated Notes in the Annual Report 2013 (pages 28-36).

The report is not audited.

### **Equity**

On May 8, 2014 the Executive Board decided with the consent of the Supervisory Board based on a partial utilization of the authorized capital created on June 28, 2011 to increase the share capital of DEAG by contributions in cash from EUR 13,627,881.00 by up to EUR 2,725,453.00 to EUR 16,353,334.00 by issuing up to 2,725,453 new no par value bearer shares with a proportionate amount of EUR 1.00 per share in the share capital. The capital increase was carried out at a price of EUR 4.90 and resulted in gross issuing proceeds of around EUR 13.4 million.

The capital increase was entered into the commercial register on May 27, 2014. The share capital then amounted to EUR 16,353,334.00.

### **Changes in respect of the scope of consolidation**

DEAG as the parent company includes those companies into the interim consolidated financial statements, which meet the control concept. Companies which were set up, acquired or sold during the first half year were included from the date of foundation, acquisition or until the date of sale.

During the reporting period the following changes occurred in respect of the scope of consolidation:

During the second quarter of fiscal 2014 DEAG acquired 51.0% of the shares in the British concert, tour and festival promoter Kilimanjaro Live Ltd., London. The purchase price in the amount of EUR 4.0 million might increase later, depending on the future business development of the company from 2014 to 2017.

On September 30, 2014, the purchase price allocation had not yet been completed, since analyzes concerning the closing financial statements as well as the acquired intangible assets are still pending. For that reason, the merger cannot yet be finally represented.

### **Supplementary report**

On November 24, 2014 DEAG sold its stake of 10% in Ticketmaster Deutschland Holding GmbH to the parent company Ticketmaster NVH Inc., Delaware/USA, in order to place the focus of the co-operation exclusively on the operational co-operation in distribution.

## Other information

The annual meeting adopted the following resolutions on June 26, 2014:

The balance sheet of profit of DEAG Deutsche Entertainment Aktiengesellschaft in the amount of EUR 3,792,093.00 is used for the payment of a dividend of EUR 0.12 per no par value dividend-bearing share (13,627,266) in the amount of EUR 1,635,271.92, and the amount of EUR 2,156,821.08 is carried forward on to new account.

The members of the Executive Board and of the Supervisory Board are granted discharge for fiscal 2013.

BDO AG, Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor and Group auditor for fiscal 2014.

The German Financial Reporting Enforcement Panel (DPR) conducts an examination in accordance with § 342b para 2 sentence 3 No. 2 HGB (German Commercial Code) at the company and examines the consolidated financial statements for the fiscal year ending on December 31, 2012. The valuation of the real property around the Jahrhunderthalle Arena is the only examination item actively pursued by DPR at the time of this report. A final result is not yet available.

Other possible required explanatory notes in accordance with IAS 34.15ff are not relevant, of secondary importance and/or have not been subject to any material changes since December 31, 2013.

## Date and release of the publication

The Executive Board of DEAG (registered office: Potsdamer Straße 58 in 10785 Berlin) has approved these consolidated interim financial statements as well as the consolidated interim management report on November 28, 2014.

Berlin, November 28, 2014

DEAG Deutsche Entertainment AG

The Executive Board



Prof. Peter L. H. Schwenkow



Christian Diekmann



Detlef Kornett

## IMPRINT

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