



DEAG Deutsche Entertainment AG

Interim Report as at June 30, 2010

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1. Foreword by the CEO

Dear Shareholders,

DEAG has continued the good development of fiscal 2009 during the first half of this year. After optimizing our business portfolio and focusing on the segments with the highest return, we increasingly succeed in leveraging the strengths of classical music, the excellent positioning in Germany, Switzerland and the United Kingdom, and the strategy of an Integrated Content Company.

In what is still a difficult general economic market environment in Europe, marked by a generally decreasing consumption rate, DEAG outperforms – despite slightly lower sales revenues of more than EUR 54.0 million – all prior year earnings ratios. More particularly, the rise in the earnings per share by 67% to EUR 0.10 as at June 30, 2010 confirms our strategy and shows that the efforts in recent years to strengthen the Group's earnings power are now bearing fruit.

Based on this earning strength we set up together with the Ringier Verlag (Zurich), the largest Swiss publishing house, "The Classical Company" AG (Zurich) in February, which organizes the events of our classical music business line in Switzerland. In March we took over 10% of the minority shares in DEAG Music and in June the remaining 24.9% of the shares from the existing shareholders of Raymond Gubbay Ltd. All purchases of shares were fully financed from our own funds.

In the operating business DEAG delighted its audiences again during the first half-year with top concerts by AC/DC, Black Eyed Peas, Rihanna, Scooter in Switzerland or David Garrett, Howard Carpendale and Riverdance.

As far as further business performance is concerned, DEAG is very optimistic because of the existing concert pipeline: In Germany, Switzerland and the United Kingdom tours and concerts are produced with many artists from the classical and Pop/Rock music segments. These include celebrities like U2, Elton John, Joe Cocker, Leonard Cohen, Roger Waters, Shakira, Lady Gaga, Sting, Chris de Burgh, Peter Maffay or also David Garrett, Simone Kermes, Elina Garanca, Katherine Jenkins and Jessye Norman. The DEAG Music label will release several sound carriers. They include, on September 24 the live DVD "David Garrett - Rock Symphonies", recorded during the sold-out open air concert in Berlin, viewed by an audience of two million people during a ZDF television broadcast.

Dear Shareholders,

A year ago I mentioned in the half-year report 2009 the sale of 49% of our classical business to Sony Music Entertainment and outlined the diverse possibilities for driving the further development of our business together with Sony.

Today I am pleased to inform you about the joint acquisition of 66.7% of the shares in Manfred Hertlein Veranstaltungen GmbH in August of this year. Thanks to this step we will be able to further strengthen our positioning in the field of middle-of-the-road and Schlager music. Moreover, this shows that the co-operation with Sony is rich in prospects and that we are justified in expecting a lot of positive impulses from it in future.

The result for the first half-year, together with the positive outlook up to the end of the year, confirms our annual forecast. We target an overall result which will be above prior year in respect of all earnings ratios.

Cordially

Yours,

Prof. Peter L.H. Schwenkow

2. DEAG on the capital market

After a significant price increase in the DEAG share in 2009, the quotation fell slightly during the first half-year 2010. Whilst the closing price on the electronic trading platform of the Frankfurt Stock Exchange, Xetra, was still €1.95 at the end of fiscal 2009, it closed at EUR 1.74 towards the end of June 2010, whilst the index of the largest German standard shares, DAX, was almost unchanged during the same period with a plus of 0.3%. The share reached a peak on January 4 with EUR 2.20 whereas a low was recorded on May 10 with EUR 1.52. Shortly after the end of the reporting period, the quotation went up significantly which means that in August with prices of EUR 2.30 a considerable plus will be reported on an annual basis.

Over the last few months DEAG maintained active contacts to press representatives and institutional investors and conducted many one-on-one talks in this connection during road shows. Furthermore, the business model and the prospects were presented at the Munich Capital Market Conference, MKK, in April to many representatives of the financial community. After the end of the first half-year DEAG started a road show in the USA and presented itself to numerous investors. The feedback from the talks was very positive throughout. A consistent implementation of the 360 degree strategy and the unflinching positioning as an Integrated Content Company were highlighted as particularly positive.

Daily trading on all German stock exchanges amounted to about 16,000 shares during the first half-year 2010. About 78% were accounted for by Xetra trading.

DEAG continues to engage in open, transparent communication with the general public and the capital market. For that reason the share is quoted in the quality segment of Deutsche Börse AG, the Prime Standard. DEAG provides detailed information about major events, depending on requirements either as an ad-hoc disclosure or press release. Communication takes place in German and English.

For investors, the Investor Relations section of the website www.deag.de/ir provides a particularly comprehensive overview of the current corporate development. Moreover, interested shareholders can contact us at any time by phone (+49 69 9055055-2) or electronically (deag@edicto.de).

3. Business development

Earnings position:

During the first half-year 2010 the DEAG Group generated sales revenues of EUR 54.2 million (prior year: EUR 57.0 million). During the second quarter sales revenues amounted to EUR 33.7 million (prior year: EUR 30.7 million, plus 9.8%). The increase in sales revenues versus the prior year quarter can be attributed in particular to a seasonal change in event density of different affiliates.

During the first half-year sales revenues dropped slightly versus prior year due to the first quarter of the Swiss Good News Group. As already explained in the Q1 report, several concerts were shifted to later quarters compared to the previous year. The first half-year was marked by the successful tour with David Garrett in Germany and in Switzerland, which will be continued during the second half-year as well as further successful tours of our subsidiary Raymond Gubbay Ltd. in the United Kingdom. Very good contributions were also made by the Jahrhunderthalle arena in Frankfurt/Main.

Earnings before interest, taxes, depreciation and amortization (EBITDA) of the first half-year amounted to EUR 3.3 million (prior year: EUR 3.1 million). They are 7% higher than the previous year. The operating income for the first half-year 2010 before interest and taxes (EBIT) amounts to EUR 2.7 million (prior year: EUR 2.5 million). Depreciation and amortization were on the prior year level of EUR 0.6 million.

The interest result fell by EUR 0.3 million or 38.2% during the first half-year versus the prior year period to EUR 0.4 million (prior year: EUR 0.7 million); this was attributable to the repayment of liabilities in 2009 and 2010.

The Group result before minority interests amounted to EUR 2.0 million during the first half-year 2010 (prior year: EUR 1.4 million). Minority interests reached EUR 0.8 million compared with EUR 0.7 million during the prior year period.

The interim result after minority interests adds up to EUR 1.2 million. The earnings per share totaled EUR 0.10 during the half-year compared with EUR 0.06 per share during the prior year period.

Assets position:

The balance sheet total increased versus December 31, 2009 by 8.5% to EUR 84.5 million. The rise is attributable, more particularly, to the increase in liquid assets and a simultaneous rise in inventories (artist fees and production costs for forthcoming events) and an exchange rate-driven increase in goodwill.

The rise in liquid assets by EUR 2.7 million to EUR 26.2 million as well as the increase in inventories by EUR 3.3 million to EUR 9.8 million reflect the higher event volume during the second half-year 2010 versus prior year.

The increase in goodwill by EUR 0.2 million to EUR 19.2 million concerns the investment in Raymond Gubbay Ltd. and is purely due to exchange rates.

Against the backdrop of the positive Group result after minorities of EUR 1.2 million and a simultaneous increase in the balance sheet total, the equity ratio amounts to 32% (December 31, 2009: 33%).

Financial position:

During the first half-year 2010 operating cash flow amounted to EUR 5.7 million (prior year: EUR 3.3 million). After a change in working capital of EUR -1.6 million (prior year: EUR -4.6 million), the inflow of funds from continuing operations amounted to EUR 4.6 million (prior year: EUR -0.6 million). The outflow of funds from financing activities of EUR -1.3 million is attributable in an amount of EUR -0.2 million to dividend shares of minority shareholders as well as the servicing of financial liabilities. Overall, liquid assets rose by EUR 2.7 million to EUR 26.2 million after changes in exchange rates.

Risk report:

Concerning the risk report we refer to the Annual Report 2009 (Pages 12-16)

4. Development by segment

DEAG reports in the two segments Live Touring and Entertainment Service. It reflects the strategic orientation of the Group in an appropriate and transparent manner:

- In the segment Live Touring ("travelling business") the touring business is reported. This includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Munich), ACE Entertainment (Hamburg), Raymond Gubbay Ltd. (UK) and The Classical Company (Switzerland).
- The Entertainment Services segment ("stationary business") reports on the regional as well as on the entire services business and includes activities by Good News Group (Switzerland), Global

Concerts (Munich), Jahrhunderthalle Kultur (Frankfurt), Concert Concept (Berlin), Friedrichsbau Varieté (Stuttgart), River Concerts and Elbklassik Konzerte (both Hamburg) as well as label/music publisher DEAG Music (Berlin).

The discontinued business operations show the income and expenditure from the liquidation of terminated activities in the Comedy area.

We comment on the Q2 segment development as follows:

Live Touring:

Sales revenues in this segment rose versus the prior year quarter by EUR 1.0 million to EUR 12.4 million. The EBIT fell by EUR 0.3 million to EUR 0.1 million.

Events with good contributions to the result such as the spring tours with David Garrett, Howard Carpendale or Jean Michel Jarre, contrasted with individual concerts with lower earnings. The concert by David Garrett at the Berlin Wuhlheide was a highlight of this year's second quarter by means of which we were able once again to thrill a large audience. Moreover, the concert was seen by around two million viewers when it was broadcast by the German television chain, ZDF. In the fall a live DVD of the concert will be released by DEAG Music..

Entertainment Services:

Segment sales revenues went again up versus prior year by EUR 1.5 million to EUR 21.9 million (prior year: EUR 20.4 million). The segment EBIT fell by EUR 0.3 million following a strong increase in fiscal 2009 (EUR +2.0 million).

The main revenue and result drivers were the Good News Group in Switzerland, the Jahrhunderthalle arena in Frankfurt and ACE in Hamburg. In Switzerland concerts with AC/DC, Rihanna, KISS, Black Eyed Peas, Alicia Keys, Eric Clapton & Steve Winwood and others secured excellent results. At the Jahrhunderthalle arena we staged several general meetings of large German companies which contributed to the success of the company in the same way as shows and music events.

Discontinued Business Operations:

The result of 2 kEUR refers to the terminated activities in the Comedy area.

5. Outlook

We assume that all areas of the DEAG Group will be able to continue to generate positive contributions to the result, as scheduled, in the further course of the year. In the German classical music business line the tours with Peter Maffay and David Garrett will secure sold-out concerts with tens of thousands of enthusiastic fans. Concerts with Katherine Jenkins, Elina Garanca, the pianist Joseph Bulva as well as performances by Jessye Norman at several international Jazz Festivals and with many other artists will be attended by thousands of thrilled spectators. A DVD of the live concert by David Garrett will be released by DEAG Music; the first three albums have already achieved gold status. The strategic partnership with Sony Music Entertainment secures considerable and excellent prospects for our business development. One initial result is the joint foundation of Gold Entertainment GmbH (Berlin), as well as the acquisition of a majority shareholding in Manfred Hertlein Veranstaltungen GmbH (Würzburg), one of the most important promoters on the German middle-of-the-road music market.

For that reason we uphold our annual forecast, i.e. an increase in operating income versus 2009 and the generation of a result that outperforms all ratios compared to the previous year.

6. Supplementary report

In August 2010 DEAG Concerts GmbH set up, together with Sony Music Entertainment Germany GmbH (Munich), Gold Entertainment GmbH (Berlin). The latter acquired a 66.7% share in Manfred Hertlein Veranstaltungen GmbH (Würzburg) in August 2010. Subject to clearance by the cartel authorities this shareholding will be consolidated within the DEAG Group from September 30, 2010.

7. Explanations in accordance with IAS 34

The following interim financial statements, consisting of the consolidated balance sheet, the consolidated statement of income, statement of comprehensive income, the consolidated capital flow statement as well as additional explanatory notes are in conformity with the Guidelines on structured quarterly reports of Deutsche Börse AG.

The consolidated interim financial statements do not include all the data and information as presented in full annual financial statements. It is recommended to read the interim report together with the consolidated financial statements 2009.

The accounting and valuation methods applied in the consolidated financial statements as at December 31, 2009 remained unchanged, with first-time application of IAS 27 (revised 2008).

This report is not audited.


8. Management Board Statement

The undersigned, in their capacity as statutory representatives of DEAG Deutsche Entertainment AG, Berlin, hereby affirm that, to the best of their knowledge, the interim consolidated financial statements as at June 30, 2010 give a true and fair view of the Group's asset, financial and earnings position in accordance with the generally accepted accounting principles for interim financial statements and that in the interim group management report as at June 30, 2010 the business development including the business result and the situation of the Group during the reporting period are presented in such a way that its real fair view is given and that the essential opportunities and risks of the probable development of the Group during the remaining fiscal year are described.

Berlin, August 31, 2010

DEAG Deutsche Entertainment AG

The Executive Board



Prof. Peter L.H. Schwenkow



Christian Diekmann

CONSOLIDATED BALANCE SHEET (IFRS)

	6 Month Report	Annual Report	6 Month Report
	2010	2009	2009
	as at	as at	as at
Assets	30.06.2010	31.12.2009	30.06.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>
Current assets			
Liquid funds	26.169	23.501	21.095
Short-term investments/marketable securities	61	61	61
Trade receivables	8.844	8.895	5.840
Inventories	9.755	6.467	7.702
Other current assets and deferred items	4.092	2.894	3.393
Other assets directly related to operation, which are to be discontinued	-	-	-
Current assets	<u>48.921</u>	<u>41.818</u>	<u>38.091</u>
Goodwill	19.170	18.943	24.471
Other intangible assets	6.403	6.482	7.180
Tangible fixed assets	827	870	867
Investment properties	8.200	8.200	8.200
Participations	668	674	696
Loans to participations	0	250	250
Shares in affiliated companies	30	16	30
Other long-term assets	250	620	625
Long-term assets	<u>35.548</u>	<u>36.055</u>	<u>42.319</u>
Total assets	<u>84.469</u>	<u>77.873</u>	<u>80.410</u>
	6-Monatsbericht	Jahresabschluss	6-Monatsbericht
	2010	2009	2009
	as at	as at	as at
Liabilities and equity	30.06.2010	31.12.2009	30.06.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>
Bank loans payable	3.223	2.361	4.994
Trade accounts payable	8.510	10.223	6.760
Accruals	10.022	6.940	8.635
Sales accruals and deferrals	25.151	18.479	19.004
Other current liabilities	2.505	6.219	4.013
Current liabilities	<u>49.411</u>	<u>44.222</u>	<u>43.406</u>
Accruals	65	65	61
	-	80	164
Other long-term liabilities	5.825	5.736	9.269
Deferred taxes	1.807	1.770	2.057
Long-term liabilities	<u>7.697</u>	<u>7.651</u>	<u>11.551</u>
Share capital	12.388	12.388	24.777
Capital reserve	27.337	27.337	65.217
Accumulated deficit	-15.717	-16.960	-67.002
Accumulated other income / loss	-1.302	-954	-685
Equity before minority interests	<u>22.706</u>	<u>21.811</u>	<u>22.307</u>
Minority interests	4.655	4.189	3.146
Equity	<u>27.361</u>	<u>26.000</u>	<u>25.453</u>
Total liabilities and equity	<u>84.469</u>	<u>77.873</u>	<u>80.410</u>

CONSOLIDATED STATEMENT OF INCOME

	Interim Report	Interim Report	6 Month Report	6 Month Report
	II/2010	II/2009		
	01.04.2010 30.06.2010	01.04.2009 30.06.2009	01.01.2010 30.06.2010	01.01.2009 30.06.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>
Revenues	33.712	30.705	54.238	57.031
Cost of revenues	-27.303	-24.003	-42.037	-45.222
Gross profit	6.409	6.702	12.201	11.809
Distribution costs	-2.825	-2.728	-4.934	-4.636
Administration costs	-2.536	-2.874	-5.091	-5.255
Other operating income / expenses	678	633	1.112	1.158
Operating result before depreciation (EBITDA)	1.726	1.733	3.288	3.076
Amortisation of goodwill	-	-	-	-
Scheduled depreciation	-286	-292	-562	-573
Operating result (EBIT)	1.440	1.441	2.726	2.503
Interest income and expenses	-234	-315	-426	-689
Result from investments and participations	-	-	-	-
Earnings from affiliated companies	9	5	14	9
Foreign currency exchange gains / losses	-40	-29	13	-62
Financial result	-265	-339	-399	-742
Result before taxes	1.175	1.102	2.327	1.761
Income taxes	34	8	-308	-189
Result after taxes from continued operations	1.209	1.110	2.019	1.572
Result after taxes from discontinued operations	-2	-149	2	-217
Result after taxes	1.207	961	2.021	1.355
Minority interests	281	481	778	653
Group result	926	480	1.243	702
Earnings per share in EUR (undiluted)				
from continued operations	0,07	0,05	0,10	0,07
from continued and discontinued operations	0,07	0,04	0,10	0,06
Earnings per share in EUR (diluted)				
from continued operations	0,07	0,05	0,10	0,07
from continued and discontinued operations	0,07	0,04	0,10	0,06
Average no. of shares outstanding (undiluted)	12.388.368	12.388.368 *	12.388.368	12.388.368
Average no. of shares outstanding (diluted)	12.388.368	12.388.368 *	12.388.368	12.388.368

* Previous year's figures have been adjusted due to the abbreviated capital decrease in 2009

Statement of comprehensive income	as at 30.06.2010	as at 30.06.2009
from 01.01.2010 bis 30.06.2010	in EUR'000	in EUR'000
Group result	2.021	1.355
Other result		
(+/-) Differences from exchange rates (independent foreign units)	931	1.162
(+/-) Hedging of future cash flow (effective cash flow hedge)	70	-2
(-) income tax on other result total	-21	1
Other result after tax	980	1.161
Total result	3.001	2.516
there of due to:		
Minority Interests	931	761
Investors in the parent company	2.070	1.755

Further information on the statement of comprehensive income

Tax effects

(according to IAS 1.90 in connection with 1.91)

Steuereffekte

Tax effects in kEUR

	30.06.2010		
	Pre Tax	Tax	Net of tax
Exchange rate differences of independent foreign units	426	-	426
Cash Flow Hedge	-36	11	-25
Settlement of differences from step-ups	-1.703	-	-1.703
Total	-1.313	11	-1.302

	30.06.2009		
	Pre Tax	Tax	Net of tax
Exchange rate differences of independent foreign units	-197	-	-197
Cash Flow Hedge	-162	49	-113
Settlement of differences from step-ups	-375	-	-375
Total	-734	49	-685

CONSOLIDATED CASH FLOW STATEMENT

	6 Month Report	6 Month Report
	01.01.2010 -30.06.2010	01.01.2009 -30.06.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>
Result from continued operations	2.019	1.572
Depreciation and amortisation	562	573
Change in accruals	3.152	1.194
Changes not affecting payments	-20	-30
Deferred taxes (net)	37	35
Result from valuation of affiliated companies	-14	-9
Cash flow	5.736	3.335
Net interest income	426	689
Change in working capital	-1.608	-4.628
Net cash from operating activities from continued operations	4.554	-604
Net cash from operating activities from discontinued operations	2	-93
Net cash from operating activities (total)	4.556	-697
Net cash from investment activities from continued operations	-46	-72
Net cash from financial activities (total)	-1.275	-439
Change in cash and cash equivalents	3.235	-1.208
Effects of exchange rates	-567	46
Cash and cash equivalents at beginning of Period	23.501	22.257 ⁽¹⁾
Cash and cash equivalents at end of period	26.169	21.095 ⁽²⁾

(1) Therof kEUR 160 to be associated with discontinued operations

(2) Therof kEUR - to be associated with discontinued operations

Changes in equity	Balance as at	Changes	Balance as at
	31.12.2008	01.01.2009- 30.06.2009	30.06.2009
	<u>EUR'000</u>	<u>EUR'000</u>	<u>EUR'000</u>
Share capital	24.777	-	24.777
Capital reserve	65.217	-	65.217
Accumulated deficit	- 67.704	702	- 67.002
Accumulated other income / loss	- 1.846	1.161	- 685
	20.444	1.863	22.307
Minority interests	3.550	- 404	3.146
Equity	<u>23.994</u>	<u>1.459</u>	<u>25.453</u>

Changes in equity	Stand am	Veränderungen	Stand am
	31.12.2009	01.01.2010- 30.06.2010	30.06.2010
	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Share capital	12.388	-	12.388
Capital reserve	27.337	-	27.337
Accumulated deficit	- 16.960	1.243	- 15.717
Accumulated other income / loss	- 954	- 348	* - 1.302
	21.811	895	22.706
Minority interests	4.189	466	4.655
Equity	<u>26.000</u>	<u>1.361</u>	<u>27.361</u>

* thereof -218 kEUR in connection with the purchase of 9,53% in shares of DEAG Music GmbH and thereof -1.110 kEUR in connection with the purchase of 24,9% in shares of RGL
(Reporting according to IAS 27.30 A rev. 2008)

IMPRINT

Editing and Coordination

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The Interim Report and current information on DEAG are posted on the internet at
<http://www.deag.de/en/investors.htm>

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