



DEAG Deutsche Entertainment AG

Interim Report as at September 30, 2010

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1. DEAG on the capital market

During Q3/2010 DEAG was able to attract a prominent new shareholder: star violinist David Garrett, a partner of many years of DEAG, acquired a stake of more than 3 percent in the share capital of the company.

The DEAG share performed during the third quarter – after a rather uninspiring price development during the first 6 months of the year – significantly better than the overall market. With a 31 percent rise in share price, the SDAX, which serves as benchmark index for the development of the German small caps, was clearly outperformed, since it improved only by little less than 12 percent. For the nine-month period the DEAG share price recorded a plus of little less than 17 percent whereas the SDAX reported an improvement of slightly more than 23 percent.

At the end of the reporting period on September 30, 2010, the DEAG share was quoted at EUR 2.28 and hence only slightly below the peak for the period of EUR 2.30, which was recorded on the electronic trading platform Xetra on August 11, 2010. During the nine-month reporting period the low was recorded on May 10, 2010 with EUR 1.52. During the third quarter the low was EUR 1.66 on July 8. The subsequent dynamic recovery was backed by positive corporate news, such as the acquisition of a stake in DEAG by David Garrett and the joint venture with Sony Music Entertainment Germany GmbH in the field of German Schlager and middle-of-the-road music under the name of GOLD Entertainment GmbH.

With an average trading volume of 17,745 shares per trading day on all German stock exchanges, the DEAG share is a liquid investment. The highest trading share was again accounted for by Xetra with 76 percent. On that platform VEM Aktienbank acts as Designated Sponsor and quotes binding offer/bid prices.

During the reporting period DEAG was covered by three firms of analysts: DZ Bank AG, Hauck & Aufhäuser and Silvia Quandt Research. Their unanimous recommendation: buy. DZ Bank assesses the DEAG share with a fair target price of EUR 3.00, Silvia Quandt Research mentions a target price of EUR 3.15 and Hauck & Aufhäuser sees the target price of the share at EUR 3.20.

The dialog with investors was continued on a high level during the reporting period. Within the framework of road shows in Germany, Europe and the USA existing shareholders were informed about the current developments and many new investors were successfully addressed. Moreover, DEAG attended several capital market conferences and presented itself again at the German Equity Forum, organized by Deutsche Börse AG and KfW, in November 2010. The contact to financial media was likewise intensified. The development of DEAG met with a very positive response.

The DEAG 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 in English. The Investor Relations section on the website www.deag.de provides a comprehensive overview of current corporate developments. Moreover, contact partners are available to interested shareholders on the phone (+49 69 9055055-2) or electronically (deag@edicto.de).

2. Business development

Earnings position:

During the third quarter DEAG generated sales revenues of EUR 29.1 million (prior year quarter: EUR 24.2 million). Sales revenues rose likewise during the nine-month reporting period by EUR 2.1 million to EUR 83.3 million.

The operating income was positive during the third quarter. In previous years negative results were reported during Q3 for seasonal reasons. This year the positive numbers are attributable to a strong result of our investees in Switzerland and the constantly different concert distribution over the quarters of a fiscal year. They also include a one-off expenditure of EUR 0.2 million from the acquisition of Manfred Hertlein Veranstaltungen GmbH. EBITDA amounted to EUR 1.1 million (prior year quarter: EUR 0.1 million); EBIT amounted to EUR 0.8 million (prior year quarter: EUR -0.2 million). In fiscal 2010 the focus of the business activities will again be on the fourth quarter. During the nine-month period improved EBITDA were recorded in the amount of EUR 4.4 million (prior year: EUR 3.2 million) and the EBIT was at EUR 3.6 million (prior year: EUR 2.3 million).

The financial result amounted during the nine-month period to EUR -0.7 million (prior year: EUR -1.0 million). The share of minority interests of EUR 1.1 million was above the prior year value (EUR 0.7 million), due to the good business in Switzerland. Consolidated earnings after minority interests amount to EUR 0.9 million (prior year: EUR 0.1 million).

As a result of the sustained expansion of the European Classics segment, with an important role being played by the strategic partnership with Sony, a balanced artist portfolio in the Rock/Pop business, the 360 degree strategy successfully confirmed by David Garrett and other artists as well as a lean administration, the company considers itself to be well prepared not least because of a sustainably and consistently pursued strategy.

Assets position:

In late September 2010 a stake of 66.6 % was acquired in Manfred Hertlein Veranstaltungen GmbH together with Sony Music Germany. This acquisition is handled through the joint venture GOLD Entertainment GmbH set up for this purpose. The ancillary acquisition costs of EUR 0.2 million were not capitalized because of the IFRS provisions (IFRS 3.53) which were amended effective January 1, 2010. The acquisition was financed by the two partners out of own funds. The first-time consolidation took place on September 30, 2010.

The balance sheet total increased versus December 31, 2009 by 11.5 percent to EUR 86.8 million. The rise during the nine-month reporting period is mainly attributable to an increase in receivables and advance payments made (inventories) with a slight decline in liquid assets. This reflects the excellent advance booking for the current tours in 2010 and the forthcoming tours in 2011. The strong rise in advance booking income (deferred revenue items) by EUR 9.1 million to EUR 27.6 million likewise corresponds to this development.

The acquisition of the stake in Manfred Hertlein Veranstaltungen GmbH (first-time consolidation on September 30, 2010) resulted in an increase in both goodwill by EUR 0.8 million and other intangible assets by EUR 2.0 million.

The increase in current liabilities results essentially from the strong rise in advance payments in the deferred income items. Equity rose by EUR 0.5 million to EUR 26.5 million. In conjunction with the high balance sheet total, this results in a slight decrease of the equity ratio to 31 percent (December 31, 2009: 33 percent).

Financial position:

The operating cash flow amounted during the nine-month period to EUR 6.3 million (prior year: EUR 1.8 million).

The change in working capital (EUR -6.1 million) was mainly based on the increase in accounts receivable, inventories and other current assets and prepaid expenses (EUR -11.5 million) as well as the rise in advance booking income (deferred income items: EUR 9.1 million) as well as the payment of other current liabilities (EUR -4.0 million).

The outflow of funds from the investment field for the acquisition of the stake in Manfred Hertlein Veranstaltungs GmbH, RGL and DEAG Music (EUR -3.2 million) as well as dividend payments to minority shareholders and repayments of other current liabilities in the finance area (EUR -1,0 million) have resulted in a decrease in liquid assets.

Overall, liquid assets dropped with an impact on cash items during the nine-month period by EUR -4.6 million. On September 30, 2009 liquid assets amounted to EUR 19.2 million.

Risk report:

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

3. 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 the touring business is reported. This includes the activities of the companies DEAG Classics AG (Berlin), DEAG Concerts GmbH (Berlin), KBK Konzert- und Künstleragentur GmbH (Munich), ACE Entertainment GmbH (Hamburg), Manfred Hertlein Veranstaltungs GmbH (Würzburg), Raymond Gubbay Ltd. (London, UK) and The Classical Company AG (Zurich, Switzerland).
- The Entertainment Services segment reports on the regional as well as on the entire services business and includes activities by Good News Group (Zurich, Switzerland), Global Concerts GmbH (Munich), Kultur- und Kongreßzentrum Jahrhunderthalle GmbH (Frankfurt), Concert Concept Veranstaltungs GmbH (Berlin), Friedrichsbau Varieté-Betriebs- und Verwaltungs GmbH (Stuttgart), River Concerts GmbH and Elbklassik Konzerte Hamburg GmbH (both Hamburg) as well as label/music publisher DEAG Music GmbH (Berlin).

The discontinued business operations show the terminated activities of ULAB Verwaltungs GmbH & Co. KG.

We comment on the Q3 segment development as follows:

Live Touring:

Sales revenues in this area dropped versus the prior year quarter, after a strong increase in 2009, by EUR 1.5 million to EUR 4.3 million. The decline reflects the lower number of concerts versus the prior year quarter. The focus will be on the fourth quarter. With tours and concerts of Chris de Burgh, Status Quo and Udo Lindenberg the public is offered numerous high-quality events. The EBIT of this segment improved versus prior year from EUR -1.4 million to EUR -1.1 million.

Entertainment Services:

The Q3 sales revenues of the segment amounted to EUR 25.2 million and was EUR 6.0 million above the sales revenues of the prior year quarter. The highest share in sales revenues was contributed by the Good News Group. With concerts of P!nk, U2, DJ Bobo, Guns n' Roses, Leonard Cohen, Sting and Otto the Swiss business was able to close a very good third quarter. The EBIT of the segment has again strongly increased.

Segment development (continued operations)

Segment related sales revenues and earnings before tax and interest (EBIT) are as follows:

in EUR million	III/2010 01.07.2010 -30.09.2010	III/2009 01.07.2009 -30.09.2009	Variation absolute
Segment Live-Touring			
Sales revenues	4.3	5.8	-1.5
EBIT	-1.1	-1.4	0.3
Segment Entertainment-Services			
Sales revenues	25.2	19.2	6.0
EBIT	3.0	1.3	1.7

4. Outlook

We assume that the operating companies will be significantly above budget. The tours with Peter Maffay and with David Garrett make an essential contribution. This confirms the annual forecast according to which all ratios will increase versus 2009 and the consolidated net income for the year will again be positive.

5. 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) and consideration of IFRS 3.53

This report is not audited.

Berlin, November 30, 2010

DEAG Deutsche Entertainment AG

The Executive Board

Prof. Peter L.H. Schwenkow

Christian Diekmann

CONSOLIDATED BALANCE SHEET (IFRS)

	9 Month Report	Annual Report	9 Month Report
	2010	2009	2009
	as at	as at	as at
Assets	30.09.2010	31.12.2009	30.09.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>
Current assets			
Liquid funds	19.205	23.501	17.772
Short-term investments/marketable securities	61	61	61
Trade receivables	14.653	8.895	4.533
Inventories	11.135	6.467	7.462
Other current assets and deferred items	3.923	2.894	6.010
Other assets directly related to operation, which are to be discontinued	-	-	-
Current assets	48.977	41.818	35.838
Goodwill	19.848	18.943	18.944
Other intangible assets	7.994	6.482	6.653
Tangible fixed assets	877	870	715
Investment properties	8.200	8.200	8.200
Participations	668	674	694
Loans to participations	-	250	250
Shares in affiliated companies	33	16	33
	225	620	600
	-	-	-
Long-term assets	37.845	36.055	36.089
Total assets	86.822	77.873	71.927
	9 Month Report	Annual Report	9 Month Report
	2010	2009	2009
	as at	as at	as at
Liabilities and equity	30.09.2010	31.12.2009	30.09.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>
Bank loans payable	3.259	2.361	3.299
Trade accounts payable	8.033	10.223	5.745
Accruals	9.965	6.940	6.885
Sales accruals and deferrals	27.556	18.479	15.667
Other current liabilities	3.355	6.219	3.847
Accounts payable to associated companies with operations which are to be discontinued	-	-	-
Accruals and liabilities directly related to operations which are to be discontinued	-	-	-
Current liabilities	52.168	44.222	35.443
Accruals	261	65	61
	-	80	122
Other long-term liabilities	5.865	5.736	6.714
Deferred taxes	2.049	1.770	1.936
Long-term liabilities	8.175	7.651	8.833
Share capital	12.388	12.388	12.388
Capital reserve	27.337	27.337	27.337
Accumulated deficit	-16.066	-16.960	-17.300
Accumulated other income / loss	-1.770	-954	-1.262
Equity before minority interests	21.889	21.811	21.163
Minority interests	4.590	4.189	6.488
Equity	26.479	26.000	27.651
Total liabilities and equity	86.822	77.873	71.927

CONSOLIDATED STATEMENT OF INCOME

	Interim Report	Interim Report	6 Month Report	6 Month Report
	III/2010	III/2009		
	01.07.2010 30.09.2010	01.07.2009 30.09.2009	01.01.2010 30.09.2010	01.01.2009 30.09.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>	<u>in EUR'000</u>
Revenues	29.109	24.173	83.347	81.204
Cost of revenues	-23.606	-20.459	-65.643	-65.681
Gross profit	5.503	3.714	17.704	15.523
Distribution costs	-2.978	-2.546	-7.912	-7.182
Administration costs	-2.555	-2.510	-7.646	-7.765
Other operating income / expenses	1.165	1.469	2.277	2.627
Operating result before depreciation (EBITDA)	1.135	127	4.423	3.203
Amortisation of goodwill	-	-	-	-
Scheduled depreciation	-287	-307	-849	-880
Operating result (EBIT)	848	-180	3.574	2.323
Interest income and expenses	-212	-275	-638	-964
Result from investments and participations	-	-	-	-
Earnings from affiliated companies	4	3	18	12
Foreign currency exchange gains / losses	-87	-34	-74	-96
Financial result	-295	-306	-694	-1.048
Result before taxes	553	-486	2.880	1.275
Income taxes	-516	-36	-824	-225
Result after taxes from continued operations	37	-522	2.056	1.050
Result after taxes from discontinued operations	-27	-48	-25	-265
Result after taxes	10	-570	2.031	785
Minority interests	359	-3	1.137	650
Group result	-349	-567	894	135
Earnings per share in EUR (undiluted)				
from continued operations	-0,03	-0,04	0,07	0,03
from continued and discontinued operations	-0,03	-0,05	0,07	0,01
Earnings per share in EUR (diluted)				
from continued operations	-0,03	-0,04	0,07	0,03
from continued and discontinued operations	-0,03	-0,05	0,07	0,01
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

	per 30.09. 2010	per 30.09. 2009
from 01.01.2010 bis 30.09.2010	in EUR'000	in EUR'000
Group result	2.031	785
Other result		
(+/-) Differences from exchange rates (independent foreign units)	438	567
(+/-) Hedging of future cash flow (effective cash flow hedge)	106	21
(-) income tax on other result total	-32	-6
Other result after tax	512	582
Total result	2.543	1.367
there of due to:		
Minority Interests	1.352	848
Investors in the parent company	1.191	519

Further information on the statement of comprehensive income

Tax effects

(according to IAS 1.90 in connection with 1.91)

Tax effects in kEUR

	30.09.2010		
	Pre Tax	Tax	Net of tax
Exchange rate differences of independent foreign units	-67	-	-67
Cash Flow Hedge	-	-	-
Settlement of differences from step-ups	-1.703	-	-1.703
Total	1.770	-	1.770

	30.09.2009		
	Pre Tax	Tax	Net of tax
Exchange rate differences of independent foreign units	-790	-	-790
Cash Flow Hedge	-139	42	-97
Settlement of differences from step-ups	-375	-	-375
Total	-1.304	42	-1.262

CONSOLIDATED CASH FLOW STATEMENT

	9 Month Report	9 Month Report
	01.01.2010 -30.09.2010	01.01.2009 -30.09.2009
	<u>in EUR'000</u>	<u>in EUR'000</u>
Result from continued operations	2.056	1.050
Depreciation and amortisation	849	880
Change in accruals	3.025	-556
Changes not affecting payments	75	492
Deferred taxes (net)	279	-86
Result from valuation of affiliated companies	-17	-12
Cash flow	6.267	1.768
Net interest income	638	964
Change in working capital	-6.100	-10.216
Net cash from operating activities from continued operations	805	-7.484
Net cash from operating activities from discontinued operations	-25	-93
Net cash from operating activities (total)	780	-7.577
Net cash from investment activities from continued operations	-3.228	6.573
Net cash from financial activities (total)	-2.108	-3.655
Change in cash and cash equivalents	-4.556	-4.659
Effects of exchange rates	260	174
Cash and cash equivalents at beginning of Period	23.501	22.257 ⁽¹⁾
Cash and cash equivalents at end of period	19.205	17.772 ⁽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- 30.09.2009		30.09.2009
	<u>EUR'000</u>		<u>EUR'000</u>		<u>EUR'000</u>
Share capital	24.777	-	12.389		12.388
Capital reserve	65.217	-	37.880		27.337
Accumulated deficit	- 67.704		50.404	-	17.300
Accumulated other income / loss	- 1.846		584	-	1.262
	20.444		719		21.163
Minority interests	3.550		2.938		6.488
Equity	<u>23.994</u>		<u>3.657</u>		<u>27.651</u>

Changes in equity

	Balance as at		Changes		Balance as at
	31.12.2009		01.01.2010- 30.09.2010		30.09.2010
	<u>EUR'000</u>		<u>EUR'000</u>		<u>EUR'000</u>
Share capital	12.388		-		12.388
Capital reserve	27.337		-		27.337
Accumulated deficit	- 16.960		894	-	16.066
Accumulated other income / loss	- 954	-	816	* -	1.770
	21.811		78		21.889
Minority interests	4.189		401		4.590
Equity	<u>26.000</u>		<u>479</u>		<u>26.479</u>

* therof -218 kEUR in connection with the purchase of 9,53% in shares of DEAG Music GmbH and therof -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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