



DEAG Deutsche Entertainment AG
Annual Report 2008

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Management Report and Group Management Report

The Company

DEAG is one of the leading providers of Live Entertainment in Europe, with several subsidiaries in Germany, England and Switzerland. Apart from the organization of tours (purchasing, reselling, marketing, production, execution, quality assurance, merchandising, sponsoring, rights exploitation TV/DVD etc) several subsidiaries also operate as local promoters in German, British and Swiss cities. The event portfolio of DEAG is comprised of Rock/pop domestic and international, Schlager/German popular music, classical music events, shows, the Friedrichsbau Varieté in Stuttgart and the record label / music publisher DEAG Music. DEAG has access to several venues, either through possessions or exclusive lease contracts.

1. Business development and Framework Conditions

DEAG Deutsche Entertainment AG (DEAG) managed to increase its sales in fiscal 2008 by 39% to EUR 109.5 million (prior year: EUR 78.7 million). Sales in the reporting year reflect the added activities of Raymond Gubbay Ltd (RGL) in the amount of EUR 11.1 million, ct creative talent GmbH at EUR 3.3 million and DEAG Music GmbH at EUR 2.5 million. Without changing the scope of consolidation of 2007 and 2008 a net increase in sales of EUR 13.9 million was recorded. With the acquisition of RGL DEAG has become the European market leader for classical music events. Furthermore, DEAG's activities in Switzerland and the German language music activities contributed to the higher sales. EBITDA from continued operations amounted to EUR 3.7 million (prior year: EUR 6.7 million).

During the past fiscal year, DEAG initiated a restructuring of its Group portfolio. Apart from a reduction in overhead costs this included the divestiture of business lines whose risk-return relationship turned out to be disadvantageous. These measures which have already to a large extent been implemented are reflected by the unscheduled depreciations and amortizations in the amount of EUR 5.0 million as well as the result of discontinued operations in the amount of EUR -5.2 million. Following the execution of these measures and the focusing on the more profitable business lines DEAG will in future achieve a stabilization of its earnings. Due to these non-recurring burdens, the Group result after taxes and before minority interests amounted to EUR -10.1 million (prior year: EUR 2.5 million).

1.1. The Live Entertainment Market

In its annual expert report for 2009 the German Council of Economics Experts anticipates at best a dragging recovery in 2009 and a stagnating gross domestic product in Germany. A further downtrend could result from additional turbulences on the financial markets. The spring expert report 2009 of Germany's leading economics institutes even forecasts a 6% decline in the gross domestic product.

The Live Entertainment market in Germany does not seem to be hit to a noteworthy extent by the general economic crisis so far. The same applies to the UK and Switzerland. The further development remains to be seen.

A 2007 study by idkv/GfK estimates the market volume for music events in Germany to EUR 2.82 billion; this corresponds to a 15% rise versus 1995. Furthermore, there is a market for non-music events of EUR 1.1 billion. In accordance to the market research results the attendance of live events is evenly spread between the age groups. The most important role is played by the group of those aged 60 plus with 37%. In the breakdown by genre, classical music concerts (15%), followed by music festivals (14%) and opera/operetta (13%) are most popular. The most important distribution channel continues to be the advance booking office (43%), followed by the

box office (21%) and the internet (20%). The most relevant advertising media is still media coverage (55%) followed by recommendations of friends (51%), newspaper ads (46%) and posters (42%). An important share in revenues originates from incidental income: on average every visitor to an event spends, in addition to the ticket (EUR 33.20), EUR 9.20 on food and beverages and EUR 5.60 on merchandising.

The sales revenue development in the events business is driven, inter alia, by the increase in ticket distribution via the internet (in the age groups 20–29 years with 34% now the most important distribution channel), the substitution within the media budget in favor of Live Entertainment, increasing ticket prices, the growing number of modern venues and, in Germany, the high popularity of domestic artists.

By contrast, recorded music experienced a long-term declining trend: the sales revenues of recorded music amounted to EUR 1.58 billion in 2008 versus EUR 1.50 billion in 2007 and EUR 2.65 billion in 1995 (Source: German Confederation of the Music Industry; idkv/GfK).

At present the industry undergoes a deep-rooted change. As a result of the dramatic dip in sales of recorded music, the music majors try to diversify their sources of income. Within the framework of the so-called 360 Degree Model income is not only to be generated by sales of recorded music but also by merchandising, artist management, advertising proceeds and not least from the concert business. At present this diversification is pushed through acquisitions, co-operations and the own development of corresponding business units.

Within the industry itself there is likewise a restructuring process. The most recent example is the announced merger between the world's largest live entertainment group, Live Nation (which operates apart from tour business also venues) and the market leader for ticketing systems, Ticketmaster.

These trends have a series of impacts on the further development of DEAG:

- The Live Entertainment industry has apparently not yet been fully hit by the crisis. With its broad spectrum of segments DEAG is in a position to serve all age groups and to respond to trend changes in a flexible manner.
- The income from tours has in the meantime become the most important source of revenue for many artists. At present an album serves increasingly for the promotion of a tour whereas the reverse was the case in the past. This means that tour organizers become increasingly important for artists.
- With the growing importance of the live share as an income component of an artist, their fee demands are increasing, too. Furthermore, the number of events is growing. In this connection it is important to occupy the right niches with a balanced portfolio.
- As an independent event Group which is present in attractive segments such as classical and German language music, as well as with its market leadership in Switzerland and on the English classical music market, DEAG is an interesting partner in a market which is currently being redefined and in which large live entertainment groups, venue operators, music majors and ticketing systems fight for their share in the live business.

1.2. DEAG: Positive development in the European classical music business and in the German language area; strong presence in Switzerland

Since 2004 DEAG has been continuously expanding its classical music business. The artists brought on stage by DEAG include the most popular stars of classical music such as Anna

Netrebko, Rolando Villazón, Plácido Domingo, Lang Lang, Elina Garanca, Hilary Hahn, Renée Fleming, Jonas Kaufmann, Jessye Norman, David Garrett and Gabriela Montero. In 2008 the European classical music highlight was the open air performance of the opera stars Netrebko/Domingo/Villazón, which enthralled thousands of viewers and listeners in front of Schönbrunn Castle in Vienna and on television. Apart from ticketing income DEAG generates increasingly also income from the marketing of TV and DVD rights. The DVD produced on the Berlin Waldbühne Concert 2006 with Netrebko/Domingo/Villazón is still amongst the bestsellers in the classical music charts.

Further classical highlights were the open air concerts with star pianist Lang Lang and the Berlin Philharmonics with two concerts at Waldbühne.

- With the acquisition of 75.1% of Raymond Gubbay Ltd., UK, in April 2008, a milestone in the extension of the European classical business was reached. Through RGL DEAG has gained a foothold on the second most important classical music market after the German speaking countries and has become Europe's largest classical event organizer. RGL, which was set up in 1966, is the market leader in the UK and presents about 400 opera, ballet and concert events per year in the UK, Europe and Australia. In the Royal Albert Hall RGL stages the annual series of Classical Spectacular concerts, Christmas festivals as well as numerous events in the field of opera, ballet and musical. In future the DEAG artists are to be promoted through RGL (at present already David Garrett and Anna Netrebko) and the RGL productions are to be developed for the German market. Furthermore, the combined know-how of DEAG and RGL is to be exploited in view of a market entry in other European countries.
- In the German Music business line DEAG was able to establish itself at the top. DEAG subsidiary ACE presented the largely sold-out concerts with Schlager legend Howard Carpendale and the German rock artist Udo Lindenberg who will continue their concerts in 2009, too. In 2009 the DEAG Group will also stage the large-scale arena and open air tour of Peter Maffay and other tours by Vicky Leandros and Peter Kraus.
- As every year, the Swiss subsidiary Good News, market leader in Switzerland, generated a good result. Apart from mostly sold-out concerts in the Zurich Hallenstadion, as well as in other arenas, the highlight was the sold-out open air concert by Madonna with an audience of 70,000.
- In the International Rock/Pop business line the DEAG companies were again able to present a balanced roster of superstars, established artists and newcomers. Kylie Minogue, Foo Fighters, Alicia Keys, Katie Melua, Neil Young, Leonard Cohen, Chris de Burgh and the Stray Cats were amongst the artists on tour in Germany. In the Rock/Pop segment DEAG will continue to focus with an even stricter selection on projects with a reasonable risk-earnings ratio.
- In the local business in Germany the Jahrhunderthalle in Frankfurt and concert concept in Berlin performed well.
- A good contribution to results was also by the own music label and publishing activities, DEAG Music. Star violinist David Garrett reached gold status with two of his albums "Encore" and "Virtuoso". DEAG is the tour promoter of David Garrett and markets the merchandising rights. This project is a perfect example for a successful 360 Degree strategy with an extensive coverage of the added value chain.
- The business is strengthened by the partnerships entered into in previous years with the world market leader in ticketing, Ticketmaster, the world's second largest Live Entertainment Group, Anschutz Entertainment, as well as the second largest music major, Warner Music, for the area of recorded music distribution/music publishing.

1.3. Focusing and divestiture of non-profitable business lines

- Due to increasing pressure on margins in the international Rock/pop business and a possible further deterioration of the general economic situation, DEAG will focus increasingly on the high-margin classical music and crossover business as well as domestic artists. The international Rock/pop business will be reduced. In the wake of this restructuring of the business lines of the Group, the profit transfer agreement with in MPE Music Pool Europe was suspended effective December 31, 2008 and the shareholding was sold after the balance sheet date.
- At the same time the comedy activities of Balou Entertainment were discontinued. In spring 2009 the last tour with comedian Rüdiger Hoffmann will be staged. The contracts with the Popolskis and Guido Canz were likewise terminated.

The corresponding plans were submitted to the Supervisory Board before the balance sheet date and approved by the latter.

2. Income, Financial and Assets Position

DEAG Group Overview:

Figures in EUR million	2008	2007	%
Revenues	109,5	78,7	39%
Gross margin (%)	24%	27%	-3%
EBITDA	3,7	6,7	-45%
EBIT	-3,1	5,6	N/A
Group result *	-10,1	2,5	N/A
Earnings per share **	-0,25	0,09	N/A
Balance sheet total	82,0	70,1	17%
Equity	24,0	34,0	-29%
Equity ratio	29%	48%	-19%

* before minority interests

** from continued operations

2.1. Income position

Please note: The prior year numbers were adjusted by taking into account the reporting of results in the discontinued business lines.

During the past fiscal year DEAG generated sales in continued operations in the amount of EUR 109.5 million versus EUR 78.7 million. The growth in sales revenues is primarily attributable to the added activities of the largest British promoter of classical music events, Raymond Gubbay Ltd., the higher sales of our Swiss subsidiary Good News and the expansion of the German language music business line. In continued operations a gross result in the amount of EUR 26.5 million (prior year: EUR 21.1 million) was achieved; this corresponds to a gross margin of 24% (prior year: 27%).

The administration costs amounted to EUR 10.2 million versus EUR 8.7 million in fiscal 2007. The increase is attributable, more particularly, to the full consolidation of Raymond Gubbay Ltd., from the second quarter 2008 onwards and the full year consolidation (in 2007 only second half

of the year) of ACE.

The increase in distribution costs from EUR 8.7 million to EUR 13.8 million is attributable to the widening of the business scope and the structure of the projects which was different compared to prior year.

The other operating income in the amount of EUR 2.1 million (prior year: EUR 3.5 million) includes incidental income, income from letting, food and beverage income, insurance compensation payments etc.

EBITDA from continued operations amounted to EUR 3.7 million (prior year: EUR 6.7 million).

The other operating expenses of EUR 1.0 million (prior year: EUR 0.6 million) include, amongst others, write-downs of receivables as well as project development costs.

The depreciations and amortizations of tangible and intangible assets of EUR 4.5 million include unscheduled depreciations and amortizations of EUR 2.7 million which were made within the framework of restructuring. The remaining depreciations and amortizations concern primarily scheduled amortizations of rights and artist relations.

The amortizations of goodwill in the amount of EUR 2.3 million (prior year: EUR 0.0 million) concern to the full extent unscheduled amortizations which were made within the framework of restructuring.

EBIT amounts to EUR -3.1 million versus EUR 5.6 million in fiscal 2007.

The financial income of EUR -1.4 million (prior year: EUR -1.5 million) is marked by the interest payments for mezzanine loans raised for the financing of acquisitions.

After tax expenses in the amount of EUR 0.4 million (prior year: EUR 0.6 million) the result from continued operations amounts to EUR -5.0 million (prior year: EUR 3.5 million).

The result from discontinued operations of EUR -5.2 million (prior year: EUR -1.0 million) includes Balou Entertainment and MPE Music Pool Europe. The activities of Balou Entertainment end with the spring tour of Rüdiger Hoffmann. The shares in MPE Music Pool Europe were sold. The result from discontinued operations includes, in addition to the current results for fiscal 2008, also special amortizations of goodwill and other intangible assets.

The consolidated result after minority interests amounts to EUR -11.1 million (prior year: EUR 1.1 million).

2.2. Assets Position

The balance sheet total rose versus prior year by EUR 11.9 million to EUR 82.0 million. Liquid assets increased to EUR 22.1 million (prior year: EUR 14.1 million); only a small part of the increase is attributable to the inclusion of Raymond Gubbay Ltd. into the scope of consolidation.

Trade receivables amounted to EUR 6.6 million and, despite a strong increase in sales revenues, remained more or less on prior year level (EUR 6.5 million).

Inventories, which consist primarily of advance payments of artist fees and production costs, increased by EUR 2.8 million to EUR 6.5 million; this is an indication of growing business activities in the upcoming quarters.

As far as real estate held as investment property is concerned (EUR 8.2 million), this relates to parts of plots of land around the Frankfurt Jahrhunderthalle.

Goodwill amounts to EUR 23.9 million versus EUR 24.5 million in fiscal 2007. The increase in goodwill following the first-time consolidation of Raymond Gubbay Ltd. during the past fiscal year contrasted with the unscheduled goodwill amortizations as well as the reclassifications of Balou Entertainment and MPE Music Pool Europe as discontinued operations.

The same applies to other intangible assets (artist relations, rights etc) which rose on balance from EUR 7.0 million to EUR 7.1 million.

Other non-current liabilities in the amount of EUR 11.5 million (prior year: EUR 5.3 million) include primarily funds from mezzanine financing raised for acquisition purposes (EUR 9.2 million). The advance booking payments received in the amount of EUR 20.4 million are reported in sales deferrals. The increase versus the prior year reporting date (EUR 13.3 million) documents the growing business activities in the upcoming quarters.

Equity amounts to EUR 24.0 million (prior year: EUR 34.0 million); this corresponds to an equity ratio of 29% (prior year: 49%). The equity was reduced by the consolidated net loss for the year. Furthermore, it was reduced by the non cash-relevant foreign exchange losses resulting from the impairment of the net assets of Raymond Gubbay Ltd. as a result of the drop in the exchange rate of the British Pound. By contrast, equity was increased by the capital increase through contributions in kind following the acquisition of the company.

2.3. Development of the Segment

DEAG has been reporting in an unchanged segment structure. It reflects the strategic orientation of the Group in an appropriate and transparent manner:

- In the segment Live Touring ("traveling business") the touring business is reported. This includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Munich), ct creative talent (Berlin), ACE (Hamburg) and Raymond Gubbay Ltd. (UK).
- 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) and River Concerts and Elbklassik (both Hamburg) as well the label/music publisher DEAG Music.
- Reported under discontinued operations are the activities of Balou Entertainment Konzertagentur (Cologne), which will be discontinued in spring 2009, as well as Music Pool Europe (Hamburg), which was sold after the balance sheet date.

Business development of the segments as far as they concern continuing business lines:

Revenues (in EUR'000)	2008	2007	Variation versus prior year
Live Touring	52,621	29,737	22,884
Entertainment Services	60,107	52,176	7,931

Segment performance

Operating result (EBIT) in EUR'000	2008	2007	Variation versus prior year
Live Touring	-1,252	4,583	-5,835
Entertainment Services	1,922	4,928	-3,006

Live Touring

Sales revenues: the increase in sales revenues in the Live Touring segment is attributable firstly to the added activities of Raymond Gubbay Ltd., UK. Moreover, there was a growth in the German Schlager/popular music business of ACE.

During the past fiscal year the highlight of the classical music segment was the open air concert of the opera stars Anna Netrebko, Rolando Villazón and Plácido Domingo. In the international Rock/Pop business line tours with superstars such as Kylie Minogue, Katie Melua, Neil Young, Leonard Cohen, Alicia Keys and the Foo Fighters were staged. In the German language business lines, the tours of Udo Lindenberg and Howard Carpendale were standing out.

Segment performance: the segment result was burdened by unscheduled amortizations of goodwill, rights and customer relations in an amount of EUR 3.1 million. The result before special amortizations hence amounts to EUR 1.8 million; RGL and ACE were the main contributors to this result.

Entertainment Services

Sales revenues: the growth in sales was mainly attributable to the activities of our Swiss subsidiary Good News. The highlights in Switzerland were, amongst others, the sold-out open air concert with Madonna as well as sold-out concerts by Neil Young, Eric Clapton, REM, Alicia Keys, The Police, Celine Dion in the Zurich Hallenstadion. In Germany the two concerts of the Berlin Philharmonics at Waldbühne were amongst the highlights.

Segment performance: the result is burdened by goodwill amortizations in the amount of EUR 1.9 million. The main contributors to the adjusted result of EUR 3.8 million were the activities of Good News and Jahrhunderthalle Frankfurt.

Discontinued Operations (see also Section 1.3)

	2008	2007
Sales revenue in EUR'000	5,970	10,857
Operating result (EBIT) in EUR'000	-5,362	-1,073

This includes the activities of Balou Entertainment Konzertagentur (Cologne) which will end in spring 2009 as well as those of Music Pool Europe (Hamburg) which was sold after the balance sheet date and Entertainment One (Altendorf, Switzerland), which was liquidated in the reporting period. Apart from current results the segment result 2008 also includes the depreciation and amortization of goodwill, customer relations and other assets.

DEAG cannot dispose of liquid funds of kEUR 15,022 in an unlimited way and mainly depends on dividend payments.

2.4. Financial position

Group cash flow statement (abbreviated version)

in kEUR	2008	2007
Cash flow before changes to net current assets	2,832	4,799
Outflow of funds from current business activities	5,906	-3,271
Including from discontinued operations	-1,114	-493
Addition/outflow from investing activities	-2,578	1,384
Including from discontinued operations	2	-3
Addition/outflow from financing activities	4,707	1,230
Including from discontinued operations	214	-48
Change in cash and cash equivalents with an impact on payments	8,035	-657
Exchange effects	93	-10
Cash and cash equivalents at the beginning of the year	14,129	14,796
Cash and cash equivalents at the end of the year	22,257	14,129

The company was able to generate a positive operating cash flow of EUR 2.8 million. The inflow from current business activities include, moreover, higher payments from advance booking (sales deferrals) on the balance sheet date versus prior year. The outflows from investing activities results primarily from the acquisition of the shares in Raymond Gubbay Limited, reduced by the net cash increase at the addition of this acquisition. The outflow from financing activities is attributable, more particularly, to the raising of mezzanine loans to finance this acquisition. Overall, liquid assets increased by EUR 8.0 million during the reporting period.

2.5. Income and Assets Position of DEAG Holding

The statements on DEAG Deutsche Entertainment AG are in conformity with the provisions of the German Commercial Code.

Income Position

In fiscal 2008 DEAG AG generated a net loss for the year in the amount of EUR -5.3 million (prior year: EUR -0.6 million). The result was burdened, more particularly, by the write-downs of financial investments made within the framework of restructuring which are reflected either directly in the investment result (-0.4) or indirectly in the result from profit and loss transfer agreements (EUR -3.3 million) if the corresponding shareholdings are only held indirectly. Furthermore, the result was adversely impacted by interest expenses in the amount of EUR -1.4 million.

Assets Position

The balance sheet total increased from EUR 28.3 million to EUR 32.0 million. The shares in associated companies rose essentially following the addition of Raymond Gubbay Ltd. from EUR 2.4 million to EUR 7.9 million. Receivables from associated companies rose by EUR 3.9 million to EUR 22.7 million.

The AG equity amounts to EUR 14.0 million (prior year: EUR 16.9 million); this corresponds to an equity ratio of 44% (prior year: 60%). The decline in equity is attributable more particularly to the indirect and direct write-downs of financial investments. By contrast, there was an addition from an increase in equity by contribution in kind for the acquisition of the shares in Raymond Gubbay Ltd., UK in the amount of a nominal EUR 1.7 million as well as an increase in capital reserve by EUR 0.7 million.

2.6. Personnel Development

The Group headcount (continued operations) amounted on an annual average to 163 employees versus 152 in fiscal 2007. DEAG Deutsche Entertainment AG employed 23 people (prior year: 20) on an annual average

2.7. Compensation report in accordance with § 289 para 2 No. 5 HGB (German Commercial Code) and § 315 para 2 No. 4 HGB

The Supervisory Board fixes the compensation of the Executive Board. Some members of the Executive Board receive variable compensation in addition to fixed compensation.

The bonus for the CEO is paid for every fiscal year on the basis of targets defined by the Supervisory Board of DEAG together with the Executive Board. Another member of the Executive Board is paid under a profit sharing scheme which is based on the achievement of specified targets.

In addition, compensation in kind is paid for instance through the provision of a company car and contributions to a sickness/care insurance. The fixed salary of the Executive Board totaled kEUR 984 in fiscal 2008 (prior year: kEUR 974).

The compensation of the Supervisory Board is governed by the provisions of the By-laws. The corresponding provisions were reworded by the general meeting on June 14, 2007 by an amendment to the By-laws. The compensation of the Supervisory Board includes a fixed (EUR 9,500) and a variable amount. The variable amount depends on the consolidated EBIT; it corresponds to EUR 1,000 for each full amount of EUR 1 million of the consolidated EBIT exceeding 15% of the nominal capital, capped at EUR 9,500 per year. The Chairman of the Supervisory Board is paid the triple amount of the compensation and his deputies the double amount. Furthermore, all expenses of the members of the Supervisory Board are refunded, and they are reimbursed any VAT which may be payable on their compensation and expenses.

2.8. Explanatory report of the Executive Board in accordance with § 289 para 4 HGB and § 315 para 4 HGB

The subscribed capital (EUR 24,777,966.00) consists exclusively of no par value bearer shares with a nominal value of EUR 1 per share. There are no different share categories or shares with special rights which grant control rights. There are no restrictions under the By-laws which concern voting rights or the transfer of shares. The Executive Board is not aware of any

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agreements to that effect between the shareholders.

One loan agreement contains the right of termination in case of a change in ownership.

The CEO, Mr Peter Schwenkow, Berlin controls directly or indirectly more than 10% of the shares and hence of the voting rights of the company. Insofar as employees have a share in the capital, they exercise their voting rights directly.

The Executive Board is appointed by the Supervisory Board in accordance with § 84 German Stock Corporation Act (AktG). The number of members of the Executive Board is determined by the Supervisory Board which also decides on the term of the Executive Board offices. The Supervisory Board is empowered to adopt amendments to the By-laws which concern only its version. As for the rest, the Annual General Meeting decides on amendments to the By-laws. The Executive Board is empowered to issue new shares once or more than once with the consent of the Supervisory Board from the authorized capital approved by the Annual General Meeting and from the contingent capital of the company adopted by the Annual General Meeting and to increase the nominal capital of the company in this way.

The conditional capital 2006/I, limited until June 15, 2011, was reduced to EUR 7,600,237.00 after the issue of 1,689,154 new no par value bearer shares against contribution in kind of 21,46% of the shares in Raymond Gubbay Ltd.

The share capital is conditionally increased by an amount of up to EUR 2,291,675.00 (conditional capital 2004/II).

The company was authorised until January 2, 2010 by decision of the Annual General Meeting on July 3, 2008 according to § 71 para 1 No. 8 AktG (German Stock Corporation Act) to purchase own shares (= 10% of the share capital). The respective decision is made by the Executive board. Such purchase may only take place via the stock exchange or a public purchase offer made to all share holders.

No agreements on compensations by the company have been entered into with members of the Executive Board or employees in the event of a takeover bid.

3. Supplementary Report

In April 2009 DEAG sold its 50% share in ct creative talent GmbH.

In April 2009 100% of the shares in MPE Music Pool Europe GmbH were likewise sold.

The activities of Balou Entertainment are to be discontinued after the end of Rüdiger Hoffmann's spring tour.

4. Risk Report

In accordance with § 91 para 2 AktG (German Stock Corporation Act), the Management Board is obliged to take appropriate measures and, more particularly, to set up a monitoring system in order to ensure early detection of any developments that could jeopardize the continued existence of the company. Risks are an integral part of entrepreneurial activities. Growth and successful actions are dependent on the identification, evaluation and notification of any strategic and operating risks.

All the same, DEAG is constantly exposed to a series of general and market business risks as well as several specific risks which are, more particularly, associated with the industry which means that it is engaged in a volatile business.

The company has set up a monitoring system to detect any developments that could jeopardize the continued existence of the company early on. The monitoring of business activities with a view to detecting any potential jeopardizing risks early on is mainly done by the Management Board and Corporate Controlling at the present time. The risk management system focuses on liquidity planning, project calculation and supervision of the advance booking numbers as well as the ongoing forecast of the income position. The Group is controlled via the key figures EBITDA, EBIT and Earnings Per Share. Forecasts and Plan/Actual comparisons for the individual divisions are conducted on a regular basis. Pre and post project budgets are prepared at division level. The break even load is the most important controlling factor, whose achievement is monitored through a regular scan of the advance booking numbers. Liquidity plans are being prepared for all the substantial divisions on a regular basis. Following the transfer of the bookkeeping to the holding company and/or through a standardized information exchange with subsidiaries ensure that the Executive Board is regularly informed about the income and assets position.

According to the German Commercial Code, we are obliged to report on the opportunities and risks of the future development. This Management Report and the further information on the fiscal year include forward-looking assumptions and estimates associated with risks which may lead to the actual results deviating from our forecasts.

4.1. General Economic Development

The slowdown in economic growth in 2008 is likely to continue in 2009. The German Council of Economics Experts anticipates a 6% decline of the gross domestic product. So far the financial and economic crisis has, however, not yet had any noteworthy impact on ticket sales. The further development remains to be seen.

4.2. Market / Competition

DEAG operates in a market characterized by stiff competition. We endeavor to identify changes on the market at an early stage and to respond to them. Nonetheless, the market environment can change in a surprising manner which could involve risks for the business operations of DEAG. This applies, for instance, to changes in the leisure and consumption behavior which could have an adverse influence on ticket sales in Live Entertainment. The business operations of DEAG currently depend to a large extent on ticket sales. Although there are currently no indications suggesting that the present deterioration of the economic situation impacts ticket sales, the further development remains to be seen.

Moreover, the framework conditions for the availability of artists who correspond to the taste of the audiences might change and new, strong suppliers could enter the market and hence compete with DEAG.

Furthermore, business success, more particularly, in the Rock/Pop business line, depends on the extent to which the subsidiaries of DEAG succeed in countering the increasing fee demands of artists. As a result of the decline in the sales revenues from recorded music, the significance of promoters grows, so that their negotiation position is improved.

The business operations of DEAG are also determined by the availability of corresponding venues. Apart from Jahrhunderthalle in Frankfurt, which is in the possession of Concert Concept, there are lease contracts for Waldbühne in Berlin (expired at the end of 2008) and through the DEAG investee Good News Productions AG, for the Hallenstadion in Zurich. The other venues are rented for the respective event. If it is no longer possible to use the different venues, this can have an adverse impact on DEAG's business.

In addition, there is a dependency on artists, agents, producers and other players of the industry as far as existing business relations are concerned, as well as in view of the establishment of new business relations. The availability of distribution channels, more particularly advance booking systems, is another factor which has a major impact on business success. With the shareholding in Ticketmaster Germany and close co-operation with the world market leader Ticketmaster USA, DEAG has taken an important strategic step forward in this respect.

4.3. Evaluation of goodwill and other intangible assets

Given the above-mentioned imponderables of DEAG's operating business, further write-downs of goodwill and/or financial investments as well as of the artist relations of DEAG reported within the framework of purchase price allocation cannot be excluded if the actual results of the subsidiaries deviate from expectations. This applies to both existing and possibly newly added goodwill from further company acquisitions. For the goodwill of each cash-generating unit of the Group impairment tests are carried out. In fiscal 2008 unscheduled amortizations of goodwill and other intangible assets were made within the framework of the restructuring of the business portfolio.

Within the Group DEAG allocates part of the delta between the purchasing price and the paid off equity of the parts of companies acquired to artist relations and regularly writes-down that part.

4.4. Real estate held as financial investment property

Under "Real estate held as financial investment property" the company shows in its balance sheet parts of plots of land around Frankfurt Jahrhunderthalle to be sold and/or to be built on. Notarized purchasing agreements have already been entered into for two parts of plots. The building permit has not yet been issued. The company assumes that the planning procedure will be successfully completed. If the planned building permit were not issued, there would be a risk of a material impairment.

4.5. Financial obligations

Within the framework of a mezzanine loan agreement for the financing of acquisitions and corporate growth DEAG has credits of EUR 9.5 million which were fully used. The loans are collateralized by pledgings of shares of direct and indirect shareholdings as well as real property. The called tranches still have a term of 3 years and 6 months but can be prematurely redeemed by the company.

The interest rate is fixed on a quarterly basis on a EURIBOR basis plus a fixed margin. In addition, there is a so-called equity kicker which depends on the share price development of the DEAG share in the coming years. The credit can be prematurely called if certain prerequisites and financial ratios ("covenants") whose calculation is partly subject to interpretation, are not met. The same applies if the value of the furnished collaterals were reduced. A possible calling would have a considerable impact on the development of the company because of the realization of the collaterals if the company failed to serve the credits by adding equity and/or raising new third party funds.

For the financing of current business operations the three banks of DEAG have granted overdraft facilities and/or guarantees totalling EUR 6.1 million and made available resources for the financing of tours. If the used credit lines were not extended as expected, the company will depend on debt rescheduling measures; otherwise its continued existence could be a jeopardized.

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 and/or to tap external financial sources (third-party capital or equity). If this did not succeed to a sufficient extent, the continued existence of the company and the Group would be jeopardized.

4.6. Exchange rate risks

Some of the fees paid by the company are billed in US Dollars (USD), British Pounds (GBP) and Swiss Francs (CHF). Furthermore, the company receives dividend payments and management fees in CHF and GBP. Fluctuations in the exchange rates with respect to these currencies and the Euro may have an impact on the business operations, the financial position and the income position. This applies, more particularly, to the operating margin of the companies that may lead to both exchange rate gains or exchange rate losses.

4.7. Tax risks

As a result of the most recent case law of the German Federal Fiscal Court concerning the definition of relationships between a controlled and a controlling company, in terms of VAT, there is a risk in respect of retroactive application (which we consider to be doubtful under German constitutional law) for all open assessment periods.

4.8. Holding structure

The company itself has almost no operating business but acts as a holding of the DEAG Group. At present, the assets of the company primarily consist of the shares in the operating subsidiaries. The company is associated with the latter partly through profit and loss transfer and control agreements. The company itself is, therefore, dependent in terms of its own income on the operating companies of the DEAG Group generating profits and transferring them to it. On the other hand, the company has obligations vis a vis the investees linked to it through profit and loss transfer and control agreements to offset any losses incurred by these companies. This may lead to significant adverse effects on the assets, financial and income position of the company.

4.9. Opportunities

DEAG continues to anticipate a successful course of business in 2009. The financial and economic crisis has not yet impacted ticket sales. With its broadly based portfolio DEAG is able to respond flexibly to changes in trend. Moreover, the company sees opportunities for an extremely good business development in the following areas:

After its expansion to Great Britain DEAG has become the market leader for classical music events in Europe. The business volume is initially to be enlarged through the mutual transfer of artists and productions between the companies. Furthermore, the entry into other European markets is to be implemented. Following a strong European presence, the attractiveness of DEAG for artists from the classical music area increases.

The share of secondary income from sponsoring, VIP packages, marketing of ancillary rights (TV, DVD) and merchandising offers high growth potential in future, too.

With tours by Howard Carpendale, Peter Maffay, Udo Lindenberg, Vicky Leandros and others the DEAG Group is by far the leader in the attractive German language segment. This area offers further growth opportunities in the years to come.

With the artist David Garrett DEAG Music has achieved a good example for a successful 360 Degree Model. Further deals are being prepared and will contribute to an increase in earnings

for DEAG.

Since 2006 DEAG has had a joint venture in Germany with the market leader for ticketing systems, Ticketmaster. The announced merger of Ticketmaster with the market leader for live entertainment, Live Nation, could result in a series of new business opportunities for DEAG.

5. Outlook

The adjustment of the business portfolio initiated in 2008 will contribute to a stabilization of earnings and cash flow. At the same time the growth potential from the classical segment, the German speaking music area, DEAG Music and the newly launched business lines is to be exploited. The company assumes that the operating result will be increased in 2009 and finish with a positive overall result. This presupposes that no extraordinary influences burden the planned development and that the economic framework conditions will not deteriorate further.

Forward-looking statements

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

Berlin, March 31/April 29, 2009

DEAG Deutsche Entertainment AG

The Management Board

Peter L.H. Schwenkow

Dr. Ingo Stein

Christian Diekmann

DEAG Deutsche Entertainment AG, Berlin

Consolidated Balance Sheet

		31.12.2008	31.12.2007
Total Assets	Notes	in EUR'000	in EUR'000
Liquid funds	7,25	22.097	14.129
Short-term investments/ marketable securities	8	61	155
Trade receivables	9	6.647	6.505
Inventories	10	6.511	3.690
Other current assets	11	2.982	1.982
Other assets directly related to operation, which are to be discontinued	29	1.048	-
Current Assets		39.346	26.461
Goodwill	12, 13, 14	23.906	24.459
Other intangible assets	15	7.104	7.001
Tangible fixed assets	16	892	897
Investment properties	17	8.200	8.200
Participations	18	705	712
Loans to affiliated companies	18	250	250
Shares in affiliated companies	18	21	21
Other long-term assets	19	1.585	2.104
Deferred tax assets	20, 40	-	-
Long-term assets		42.663	43.644
TOTAL ASSETS		82.009	70.105

		31.12.2008	31.12.2007
Liabilities and equity	Notes	in EUR'000	in EUR'000
Bank loans payable	21, 27	4.110	2.739
Trade accounts payable	22	7.474	4.211
Accruals	23	7.441	5.315
Sales accruals and deferrals	24	20.391	13.281
Other current liabilities	25	5.245	5.262
Accounts payable to associated companies with operations which are to be discontinued	29	607	-
Accruals and liabilities directly related to operations which are to be discontinued	29	1.237	-
Current liabilities		46.505	30.808
Accruals	23	61	90
Bank loans payable	21, 27	248	-
Other long-term liabilities	26	9.179	3.669
Deferred taxes	20, 40	2.022	1.551
Long-term liabilities		11.510	5.310
Share capital		24.777	23.088
Capital reserve		65.217	64.568
Accumulated deficit		-67.704	-56.566
Accumulated other income		-1.846	-374
Equity before minority interests		20.444	30.716
Minority interests		3.550	3.271
Equity	28	23.994	33.987
TOTAL LIABILITIES AND EQUITY		82.009	70.105

Consolidated Statement of Income

		01.01. to 31.12.2008	01.01. to 31.12.2007
	<u>Notes</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Sales	31	109.451	78.737
Cost Of Sales	32	-82.937	-57.583
Gross profit		26.514	21.154
Distribution costs	33	-13.755	-8.663
Administration costs	34	-10.205	-8.668
Other operating income	35	2.125	3.457
Other operating expenses	36	-961	-626
Operating result before depreciation (EBITDA)		3.718	6.654
Scheduled depreciation	37	-4.503	-1.079
Amortisation of goodwill	37	-2.347	-
Depreciation		-6.850	-1.079
Operating income (EBIT)		-3.132	5.575
Interest income and expenses	38	-1.058	-241
Participations	39	-17	-12
Earnings from associated companies	18	-205	-1.054
Write-down of financial assets and working capital securities		-94	-43
Foreign currency exchange gains/ losses		-61	-100
Financial result		-1.435	-1.450
Result before taxes		-4.567	4.125
Income taxes	40	-391	-637
Result after taxes from continued operations		-4.958	3.488
Result after taxes from discontinued operations	29	-5.159	-950
Group result before minority interests		-10.117	2.538
Minority interests		1.021	1.405
Group result after minority interests		-11.138	1.133
Loss carried forward		-56.566	-57.699
Accumulated deficit		-67.704	-56.566
Earnings per share in EUR (undiluted)			
from continued operations	28	-0,25	0,09
from continued and discontinued operations	28	-0,46	0,05
Earnings per share in EUR (diluted)			
from continued operations	28	-0,25	0,09
from continued and discontinued operations	28	-0,46	0,04
Average number of shares in circulation (undiluted)	28	23.965.476	23.087.582
Average number of shares in circulation (diluted)	28	23.965.476	23.087.582

DEAG Deutsche Entertainment AG, Berlin

Consolidated Cash Flow Statement

in EUR '000	2008	2007
Result from continued operations	-4.958	3.488
Depreciation and amortisation/ write-ups	6.850	1.079
Income from retirement of fixed assets	-28	-
Changes not affecting payments	-86	-394
Change in other accruals	1.535	113
Deferred taxes (net)	-686	-541
Result from valuation of affiliated companies	205	1.054
Cash flow before changes in net current assets	2.832	4.799
Net interest income	1.058	241
Changes to receivables, inventories and other assets	-489	-7.740
Changes to other loan capital without financial debts	3.619	-78
Net cash from operating activities from continued operations	7.020	-2.778
Net cash from operating activities from discontinued operations	-1.114	-493
Net cash from operating activities (total)	5.906	-3.271
Outflows for investments in...		
...Intangible assets including goodwill	-186	-198
...Tangible assets and financial investments	-320	-321
Inflow/outflow from purchase of consolidated companies and business units	-2.628	857
Inflow from sale of consolidated companies and business units	-	84
Inflow from repayment of loans granted to third parties	-	500
Assets disposals	82	-
Interest Income	472	465
Net cash from investment activities from continued operations	-2.580	1.387
Net cash from investment activities from discontinued operations	2	-3
Net cash from financial activities (total)	-2.578	1.384
Cost of financing, net	-44	-
Borrowing	6.989	6.220
Repayment of financial debts	-84	-2.650
Interest expenditures	-1.335	-965
Outflow for repayments to minority partners	-32	-371
Shares capital of minority interests	-1.001	-956
Net cash from finance activities from continued operations	4.493	1.278
Net cash from finance activities from discontinued operations	214	-48
Net cash from finance activities (total)	4.707	1.230
Changes in liquidity	8.035	-657
Effects of exchange rates	93	-10
Liquid funds as at 01.01.	14.129	14.796
Liquid funds as at 31.12.	22.257 (1)	14.129

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

Development of Equity

DEAG Deutsche Entertainment AG, Berlin

	Number of shares issued	Authorized DEAG shares in EUR '000	DEAG capital reserve in EUR '000	Accumulated deficit in EUR '000	Accumulated other income in EUR '000	Equity before minorities in EUR '000	Minority shares in EUR '000	Equity in EUR '000
As at 31.12.2006	23.087.582	23.088	64.568	-57.699	-50	29.907	2.002	31.909
Consolidated net profit (+)/-loss (-)	-	-	-	1.133	-	1.133	1.405	2.538
Changes resulting from currency translation	-	-	-	-	19	19	-29	-10
Dividends	-	-	-	-	-	-	-956	-956
Purchase of shares of minority interests*	-	-	-	-	-343	-343	-28	-371
Changes in scope of consolidation	-	-	-	-	-	-	877	877
As at 31.12.2007	23.087.582	23.088	64.568	-56.566	-374	30.716	3.271	33.987
Issue of shares	1.689.154	1.689	693	-	-	2.382	-	2.382
Cost of financing	-	-	-44	-	-	-44	-	-44
Consolidated net profit (+)/-loss (-)	-	-	-	-11.138	-	-11.138	1.021	-10.117
Loss from capitalisation of hedging relations	-	-	-	-	-112	-112	0	-112
Changes resulting from currency translation	-	-	-	-	-1.328	-1.328	-12	-1.340
Dividends	-	-	-	-	-	-	-1.001	-1.001
Purchase of shares of minority interests**	-	-	-	-	-32	-32	0	-32
Changes in scope of consolidation	-	-	-	-	-	-	271	271
As at 31.12.2008	24.776.736	24.777	65.217	-67.704	-1.846	20.444	3.550	23.994

* Reporting according to IFRS 3.58 et seq. in connection with the purchase of the remaining 25% in shares of MPE Music Pool Europe GmbH

** Reporting according to IFRS 3.58 et seq. In connection with the purchase of 3,948% in shares of DEAG Music GmbH

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

1. Accounting Principles

DEAG Deutsche Entertainment AG (DEAG) is an *Aktiengesellschaft* (stock corporation under German law) set up in Germany with registered office in Germany, 10785 Berlin, Potsdamer Straße 58.

These Consolidated Financial Statements of DEAG Deutsche Entertainment AG (DEAG) were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as applicable on the closing date and, in addition, in conformity with the provisions under German commercial law to be applied in accordance with § 315a 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 (IFRIC) – formerly Standing Interpretations Committee (SIC).

The consolidated financial statements are based – with one exception - 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 Standardisation Council (DRSC) as at the closing date in accordance with § 342 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 a company included in the full consolidation with a different fiscal year from July 1 to June 30, interim financial statements had to be prepared.

The single-entity financial statements as well as the interim financial statements of the consolidated companies were prepared effective on the closing date of the consolidated financial statements. Carrying values for tax purposes are not included in the consolidated financial statements. The reconciliation of the valuations in accordance with the IFRS standards was carried out on the level of the Group outside the single-entity financial statements prepared under German commercial law, in a so-called *Handelsbilanz II*.

We apply, in addition to IAS 1, the Deutsche Börse AG Guidelines on Structured Quarterly Reports. In principle, these guidelines are only mandatory for interim reports. With a view to ensuring comparability and consistency of presentation, we also use the structured layout as a matter of principle for the consolidated financial statements to the extent that it does not vary significantly from IFRS.

The consolidated statement of income has been prepared in conformity with the cost-of-sales format. Given the capital market requirement to report earnings before interest, taxes, amortizations and depreciations (EBITDA), amortizations and depreciations are shown separately in the statement of income.

IFRS 5 regulates the non-current assets held for sale and discontinued operations. A separation needs to be made between the continued operations and the discontinued operations. The description of the discontinued operations is covered by a separate Note (29) in the Annual Report.

The items summarised in the consolidated balance sheet and in the consolidated statement of income are explained in the Notes.

For the preparation of the consolidated financial statements, 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 liabilities. For DEAG this includes, more particularly, the estimates at 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 financial investment, the determination of the useful life of the depreciable fixed assets, the assigned value and the valuation adjustment of accounts receivable as well as the measurement and assessment of the probability of occurrence in respect of accruals and contingent liabilities.

Actual figures may subsequently differ from these estimates.

Notes to the Consolidated Financial Statements

2. Amendments to Accounting Standards

Within the framework of its projects relating to the further development of the IFRS standards and the reaching of convergence with US GAAP, IASB has amended many existing standards or adopted new ones. These were applied in the consolidated financial statement from January 1, 2008 – insofar as they were already adopted by the European Commission. The application of the following standards in the consolidated financial statement has been mandatory since December 31, 2008:

- Amendments to IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosures). The amendments to this standard permit an entity to reclassify certain financial instruments in particular circumstances from the available-for-sale category to a different category.

- IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained.

- IFRIC 13 (Customer Loyalty Programs). The interpretation removes the existing incongruities at the accounting of free or discounted goods or services which are offered or provided within the scope of customer loyalty programs with which companies reward their customers through points, travel miles or other benefits at the sale of goods or services.

- IFRIC 14 (IAS 19 Employee Benefits, with the exception of benefits to which IFRS 2 Share-based Payments applies). The interpretation IFRIC 14 deals essentially with the interplay between an obligation on the balance sheet date to pay additional amounts into a pension plan and the provisions of IAS 19 on the upper limit of a positive balance between the plan assets and the performance-based obligation.

The new standards mentioned had no impact on the group's assets, financial and income position of fiscal 2008.

Furthermore the following standards passed by IASB and IFRIC have not been used in the consolidated financial statements per December 31, 2008, since they were not mandatory yet or have not yet been adopted by the European Commission:

- New version of IAS 1 (Presentation of Financial Statements), application from January 1, 2009

- New version of IAS 23 (Borrowing costs), application from January 1, 2009

- Amendment to IAS 27 (Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate). Application from January 1, 2009.

- New version of IAS 27 (Consolidated and Separate Financial Statements). Not yet adopted by the EU.

- Amendment to IAS 32 (Financial Instruments: Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation). Application from January 1, 2009.

- Amendment to IAS 39 (Financial Instruments: Recognition and Measurement - Eligible Hedged Items). Not yet adopted by the EU.

- New version of IFRS 1 (First-time adoption of International Financial Reporting Standards). Application from January 1, 2010

- Amendment to IFRS 2 (Share-based Payments - Vesting Conditions and Cancellations). Application from January 1, 2009

- New version of IFRS 3 (Business Combinations). Not yet adopted by the EU.

- IFRS 8 (Operating Segments). Application from January 1, 2009

Notes to the Consolidated Financial Statements

These Standards will only be applied by DEAG Deutsche Entertainment AG from fiscal 2009 or later. IAS 1 and IFRS 8 will lead to a changed presentation of the consolidated financial statements and/or segment reporting. The new versions of IFRS 3 and IAS 27 will be applied to future business combinations and result, more particularly, in a changed presentation of goodwill, minority interests and results from the consolidations. The impact on assets, financial and income position of fiscal 2009 will be of minor significance.

The impact of the other standards on assets, financial and income position of fiscal 2008 will be of minor significance.

3. Consolidation Principles

Scope Of Consolidation

We, DEAG Deutsche Entertainment Aktiengesellschaft, as the parent company, include in the consolidated financial statement those subsidiaries fulfilling the control concept. Companies acquired or disposed of during the financial year are included from the date of acquisition or up until the date of sale.

On the balance sheet date, the consolidated entity comprised 25 fully consolidated German and foreign companies, including three companies in discontinued operations. In all, one joint venture is consolidated pro rata and one shareholding is evaluated as an associated enterprise according to the equity method as specified in IAS 28. One major shareholding is reported at cost of acquisition in view of its 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 value-adjusted subsidiaries was reversed for the purpose of consolidation. Interim gains and losses from intra-group sales of equity holdings were reversed. The differential amounts included in the values reported for holdings in joint ventures and associated companies are established by the same principles.

The asset-side variations arising from capital consolidation were recorded as goodwill in the consolidated balance sheet, after exposure of hidden reserves or charges at the acquired company (revaluation). In the case of indirect participations, goodwill is ascertained in the context of step-by-step consolidation.

Receivables, liabilities and accruals, as well as expenses and income between consolidated companies were consolidated. Any intermediate results of intra-group deliveries and services were eliminated. Any depreciation or value adjustments of intra-group receivables in the individual financial statements were reversed in favour of the group result.

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

Shareholdings in associated companies valued by the equity method were reported at the relevant equity percentage in accordance.

In the context of pro rata consolidation, the respective assets and liabilities were included in the consolidated financial statements in line with the proportion of capital held by the parent company.

On the balance sheet date, along with the parent company DEAG the following companies were fully consolidated.

<u>Segmente</u>	<u>Company</u>	<u>Shareholding</u>
Live Touring	DEAG Classics AG, Berlin	100 %
	DEAG Concerts GmbH, Berlin	100 %
	coco tours Veranstaltungen GmbH, Berlin	100 %
	Raymond Gubbay Ltd., London (Großbritannien)	75,1 %
	Raymond Gubbay Productions Ltd., London (Großbritannien)	75,1 %
	Manchester Chamber Orchestra Ltd., Manchester (Großbritannien)	75,1 %
	KBK Konzert- und Künstleragentur GmbH, München	51,0 %
	ACE Entertainment GmbH, Hamburg	51,0 %
	ct creative talent GmbH, Berlin	50,0 %

Notes to the Consolidated Financial Statements

Entertainment Services	Concert Concept Veranstaltungen-GmbH, Berlin	100 %
	Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt a.M.	100 %
	Global Concerts GmbH, München	100 %
	Elbklassik Konzerte Hamburg GmbH, Hamburg (ehemals: Musicland Concerts GmbH, München)	100 %
	Friedrichsbau Varieté Betriebs- und Verwaltungs GmbH, Stuttgart	100 %
	Broadway Varieté Management GmbH, Berlin	100 %
	Unicorn Entertainment Services GmbH, Berlin	100 %
	River Concerts GmbH, Hamburg	100 %
	DEAG Music GmbH, Berlin	78,95 %
	Good News Productions AG, Glattbrugg-Opfikon (Schweiz)	52 %
	B+R Event AG, Glattbrugg-Opfikon (Schweiz)	52 %
	EM Event Marketing AG, Wangen bei Olten (Schweiz)	52 %
Fortissimo AG, Glattbrugg-Opfikon (Schweiz)	52 %	
Discontinued operations	MPE Music Pool Europe GmbH, Hamburg	100 %
	BALOU ENTERTAINMENT Konzertagentur GmbH & Co. KG, Köln	100 %
	Entertainment One AG, Altendorf (Schweiz); Company was liquidated on April 15, 2008 and deleted from the canton Schwyz register of companies on October 23, 2008	100 %

At Good News DEAG holds only 40 percent of the voting rights. By virtue of an agreement among shareholders and an organisational rules of procedure it has, however, the right to appoint or dismiss the Management board as well as to approve the annual budget. This meets the requirements of the control concept according to IAS 27.13 (c).

Although DEAG is entitled to the majority of voting rights at DEAG Music, the appointment and dismissal of the managing directors requires a majority of more than 75 percent in accordance with the Memorandum and Articles of Association. The control of this company is ensured through a voting rights agreement effective since September 30, 2008, which justifies full consolidation as at October 1, 2008. Until September 30, 2008 DEAG Music was reported as an associated company. By virtue of the purchase and sale contract of December 19, 2008, DEAG acquired further shares of 3.95%.

ct creative talent GmbH is included effective April 1, 2008 as a fully consolidated company into the Group due to the amended articles of association. Until March 31, 2008 the company was consolidated proportionately.

The following companies are run as joint ventures and are consolidated with the respective share of capital owned directly or indirectly by DEAG Deutsche Entertainment Aktiengesellschaft in line with pro rata consolidation regulations:

Segment	Company	Shareholding
Entertainment Services	Anschutz DEAG Entertainment GmbH, Berlin	50 %

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

Segment	Company	Shareholding
DEAG Holding	EIB Entertainment Insurance Brokers GmbH, Hamburg	50 %

Palast Management and Veranstaltungen GmbH (shareholding 100%), was not consolidated for lack operations and on grounds of immateriality.

The scope of consolidation of the DEAG Group has changed as follows:

Notes to the Consolidated Financial Statements

Segment	Company	Divestiture
Live Touring	Raymond Gubbay Ltd., London (Großbritannien) - Erwerb	01.04.2008
	Raymond Gubbay Productions Ltd., London (Großbritannien)	01.04.2008
	Manchester Chamber Orchestra Ltd., Manchester (Großbritannien)	01.04.2008
Entertainment Services	DEAG Music GmbH, Berlin – according to voting rights	01.10.2008

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. 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 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 at the cash price valid on the day of business transaction into the functional currency. 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 differences are recognised income statement-related. Non-monetary items, who were valued 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, who were valued at their present value in a foreign currency, were exchanged using the rate valid at the date of the determination of the present value.

The assets and liabilities of othe 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 recognised as a seperate 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 us changed as follows:

	Closing rate in EUR		Average rate in EUR	
	2008	2007	2008	2007
1 Pfund Sterling	1,0498	1,3636	1,2376 *	-
1 Schweizer Franken	0,6734	0,6043	0,6305	0,6083

* Average rate April-December 2008

5. Balance Sheet Accounting and Valuation Principles

Notes on the Balance Sheet

Intangible assets purchased are capitalised at cost of acquisition and depreciated in a straight line over an anticipated useful life of three to ten years. Goodwill obtained in connection with acquisitions is capitalised in accordance with IFRS 3 (Business Combinations). Such goodwill on the basis of cash generating units are subject to annual impairment tests and, if necessary, unscheduled depreciation. In accordance with IAS 36.124 an impairment loss recognized for goodwill may not be reserved in subsequent periods.

Notes to the Consolidated Financial Statements

Fixed assets are valued 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. Financing costs are not capitalised. Depreciation is in a straight line over the expected useful life.

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

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

Real property held as financial investment is measured on the basis of the fair value in accordance with IAS 40.30/40.33.

Shares in non-consolidated companies are reported in the balance sheet at market or acquisition cost in accordance with IAS 39. Shares in associated companies are reported at equity in accordance with IAS 28. Differential amounts resulting from initial consolidation are allocated following the same principles as for full consolidation.

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

Liquid assets include cash and cash equivalents, cash accounts and short-term cash investments with banks and are measured on the basis of amortized costs.

Marketable securities are recognized at the lower of cost of acquisition and fair value.

All advance payments for fees are accounted for under inventories, as are individually attributable costs for events taking place after the balance sheet date.

Receivables and other assets are recognized at nominal value minus necessary specific valuation allowances.

Deferred expenses and deferred income are built 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 concerts and theatre or variety performances after the balance sheet date is reported as deferred revenue from prepaid ticket sales.

Reserves are valued at the amount sound business judgement deems necessary on the balance sheet date to cover future payment obligations, discernible risks and uncertain commitments.

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 offsettable deferred tax liabilities exist. Deferred tax assets and deferred tax liabilities are shown as balances in the balance sheet to the extent that there is offsetability with the same tax authorities.

Interest bearing liabilities are reported at the net inflow amount using the effective rate of interest method.

Notes to the Consolidated Financial Statements

Embedded derivatives are recorded separately and carried forward affecting net income.

Derivative financial transactions are carried out for the hedging of interest risks. The valuation of these hedging transactions considers all risks identifiable on the balance sheet date.

In accordance with IAS 1, liabilities and accruals due within one year are reported as current items.

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 IAS 14, 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.

In order to increase the comparability and transparency of segment reporting, the continuing operations are presented. Segment reporting does not include the discontinued operations. The latter are presented separately in Note 29 - Discontinued Operations.

Notes on the Segments

DEAG Group subdivides its continued operations into two segments, which are described in the Management Report.

Segment data

in EUR'000	Live Touring		Entertainment Services		Total Segments	
	2008	2007	2008	2007	2008	2007
Revenues	52,621	29,737	60,107	52,176	112,728	81,913
Other income	401	1,172	1,362	2,013	1,763	3,185
- thereof internal income	2,962	2,438	292	743	3,254	3,181
Total earnings	53,022	30,909	61,469	54,189	114,491	85,098
Depreciations and amortisation						
-of goodwill, non-scheduled	450	-	1,897	-	2,347	-
-of other fixed assets	4,227	873	215	169	4,442	1,042
Segment result (EBIT) (1)	-1,252	4,583	1922	4,928	670	9,511
Book value of segment assets	39,048	30750	39967	32,922	79,015	63,672
Investments	12,294	4,329	200	290	12,494	4,619
External funding of segments	27,016	16,942	38859	27,886	65,875	44,828
Full-time employees as at 31.12.	36	18	76	76	112	94
Return on sales	-2,4%	15,4%	3,2%	9,4%	0,6%	11,6%
Net return on assets	-10,4%	33,2%	173,5%	97,9%	5,1%	50,5%

(1) EBIT of the continued operations; previous year figures were adjusted accordingly

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.

Notes to the Consolidated Financial Statements

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. The return on net assets is derived from the segment result (EBIT) divided by the net assets.

Reconciliation from Segment to Group Data

in EUR'000	Total of segments		Consolidation (incl. Holding)		Group	
	2008	2007 (1)	2008	2007 (1)	2008	2007 (1)
Revenues *	112,728	81,913	-3,277	-3,176	109,451	78,737
Other Income	1,763	3,185	362	272	2,125	3,457
- thereof internal income*	3,254	3,181	-3,254	-3181	-	-
Total earnings	114,491	85,098	-2,915	-2,904	111,576	82,194
Segment result (EBIT)					670	9,511
Unallocated expenditure and income (incl. DEAG Holding and consolidation effects)					-3,802	-3,936
Operating result (EBIT)					-3,132	5,575
result from associated companies					-205	-1,054
other financial result					-1,230	-396
Result before taxes and minority interests					-4,567	4,125
Taxes on income and earnings					-391	-637
Result after tax from continued operations					-4,958	3,488
Result after tax from discontinued operations					-5,159	-950
Group result					-10,117	2,538
thereof Minority interests					1,021	1,405
thereof due to DEAG AG shareholders					-11,138	1,133

(1) Previous year figures were adjusted (IFRS 5)

The result of associated companies of kEUR -222 relates to the Entertainment Services segment (Book value EUR 0.00) and DEAG Holding (kEUR 17).

Notes to the Consolidated Financial Statements

Other information

in EUR'000	Group	
	2008	2007
Book value of segment assets	79,015	63,672
Real estate held as financial investment property	8,200	8,200
Shares in affiliated companies	21	21
Unallocated assets incl. Consolidation transactions (1), (2)	-5,227	-1,788
Consolidated assets	82,009	70,105
External funding of assets	65,875	44,828
Unallocated external funding of segments incl. Consolidation transactions (1), (3)	-7,860	-8,710
Consolidated external funds	58,015	36,118
Net assets (incl. Minority interests)	23,994	33,987
Full-time employees at 31.12.	133	113
Return on Sales	-2,9%	7,1%
Net return on sales	-13,1%	16,4%

- (1) concerns DEAG Holding at kEUR 31,972 (previous year: kEUR 21,012) and consolidation transactions (mainly debt and capital consolidation at kEUR -27.682 (previous year: kEUR -22.800) between segments and segments and between segments and DEAG Holding respectively)
- (2) including discontinued operations (assets: kEUR 1,048, debts kEUR 1,237)
- (3) concerns DEAG Holding at kEUR 18,005 (previous year: 12,539 TEUR) and consolidation transactions (mainly debt consolidation) between segments and segments and DEAG Holding as well as accrual of deferred taxes kEUR 2,022

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

The Group's return on net assets is derived from the operating result (EBIT divided by consolidated net assets (including minority interests)).

The breakdown of segment data by regional subdivision is shown below. The Group companies concerned are Good News Group in Switzerland and Raymond Gubbay Ltd. In Great Britain.

in EUR'000	Group	
	2008	2007
Live Touring Segment Sales	52,621	29,737
thereof		
Raymond Gubbay Ltd. (UK)*	11,057	-
Entertainment Services Segment Sales	60,107	52,176
thereof		
Good News-Group (Switzerland)	41,373	35,527
Book value of Live Touring	39,048	30,750
thereof:		
Raymond Gubbay Ltd. (UK)	14,768	-
Book value of Entertainment Services Segment Assets	39,967	32,922
thereof		
Good News-Group (Switzerland)	18,833	11,564
Investments of Entertainment Services Segment	200	290
thereof		
Good News-Group (Switzerland)	82	6

Since 01.04.2008 (date of first consolidation)

Notes to the Consolidated Financial Statements

7. Liquid Funds

Cash in hand and credit balances at banks are shown as liquid funds. DEAG cannot dispose of liquid funds of kEUR 15,022 in an unlimited way and mainly depends on dividend payments.

8. Marketable Securities

The item concerns the stock of marketable securities valued below acquisition costs at fair value, after a writedown due to the decreased stock exchange price, of kEUR 61.

9. Trade Receivables

Trade receivables comprise of the following:

in EUR'000	31.12.2008	31.12.2007
accounts receivables	7,161	6,736
adjustment accounts receivables	-514	-231
Accounts Receivables	6,647	6,505

Trade receivables include receivables with a maturity of more than one year of kEUR 186 (previous year: kEUR 135).

The increase in trade receivables in the fiscal year is mainly due to the enlarged scope of consolidation.

Provisions changed predominantly through inward flow (kEUR -327) and consumption (kEUR 44).

The following non value debased trade receivables were overdue at balance sheet date:

<u>Amount in kEUR</u>	less than 3 months	3 to 6 months	> 6 months
31.12.2008	167	10	467
31.12.2007	682	136	-

10. Inventories

This item is made up as follows:

in EUR'000	31.12.2008	31.12.2007
Advance payments	6,432	3,663
Finished product	79	27
Inventories	6,511	3,690

Notes to the Consolidated Financial Statements

11. Other Current Assets

The Other current assets consist of the following:

in EUR'000	31.12.2008	31.12.2007
Tax Claims (1)	452	527
Loans	597	483
Accruals and deferrals	423	74
Others	1,510	898
Other long-term assets	2,982	1,982

(1) thereof ceded artists withholding tax kEUR 229 (previous year kEUR 229)

The following non value debased Other Current Assets were overdue at balance sheet date:

in kEUR	less than 3 months	3 to 6 months	>6 months
31.12.2008	–	192	350
31.12.2007	17	15	127

12. Acquisitions

Acquisitions are reported within the meaning of IFRS 3 (Business Combinations) in accordance with the purchase method. The acquisition costs of the business combinations are determined at the issue of equity instruments by the value of the consideration on the transaction date, i.e. the stock exchange price.

Raymond Gubbay Limited, London (Großbritannien)

Percentage of shares and votes	75,1%
Date of first consolidation	01.04.2008
Acquisition cost (kEUR)	
Cash purchase price (for 53,6%)	6.380
Incidental acquisition cost	279
	<hr/>
	6.659
Issue of own shares (for 21,5%)	
Transaction Day	28.05.2008
Shares (Pieces)	1.689.154
Shares Prices	1,41
Acquisition cost (kEUR) incl. incidental acquisition cost	2.394

Notes to the Consolidated Financial Statements

Assets and liabilities acquired

<u>in kEUR</u>	Book value at acquisition date	Adjustment amount	
Assets			
Goodwill	-	5.741	5.741
Long-term intangible assets	-	5.792	5.792
Deferred Taxes on the assets side	1	-	1
Fixed assets	109	-	109
Liquid funds	3.856	-	3.856
Short-term assets	2.299	-	2.299
	<u>6.265</u>	<u>11.533</u>	<u>17.798</u>
Liabilities			
Current liabilities	5.938	-	5.938
Deferred Taxes on the liabilities side	-	1.709	1.709
	<u>5.938</u>	<u>1.709</u>	<u>7.647</u>
Net Assets	327	9.824	10.151
Minority interests			1.098

* The adjustment amount takes into account the differences between the reported residual book value of the assets and liabilities prior to their take-over and the fair value at the time of acquisition at the purchaser.

Since the date of first-time consolidation Raymond Gubbay Ltd. contributed kEUR 11,057 to sales revenues, kEUR 353 to the EBIT as well as kEUR 212 to the consolidated result.

In the capital flow statement the acquisition of Raymond Gubbay Ltd. leads to an outflow of liquid assets in the amount of kEUR 2,815 (purchase price of kEUR 6,671 minus liquid assets taken over in the amount of kEUR 3,856).

DEAG Music

Assets and liabilities assumed on October 1, 2008

<u>in kEUR</u>	Book value at 01.10.2008
Assets	
Goodwill	0
Long-term intangible assets	0
Deferred Taxes on the assets side	
Fixed assets	3
Liquid funds	18
Short-term assets	271
	<u>292</u>
Liabilities	
Current liabilities	2.520
Deferred Taxes on the liabilities side	0
	<u>2.520</u>
Net Assets	-2.228
Minority interests	-557

The negative net assets assumed were settled against at a neutral result with the allowances and accruals previously recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

Since the date of first consolidation DEAG Music GmbH has contributed kEUR 2,468 in sales, kEUR 747 in EBIT and kEUR 551 in group result after minority interests. For the entire fiscal year the company has recorded sales of kEUR 3,268 and a result of kEUR 368.

The acquisition of 3.95 percent of the shares in DEAG Music GmbH on December 19, 2008 for an amount of kEUR 32 was directly set off against equity in an amount of kEUR -32.

ct creative talent GmbH

Effective April 1, 2008 DEAG incorporated the previously non-capitalised share of the minority share-

ct creative talent GmbH

Assets and liabilities assumed

in kEUR	Book value at 01.04.2008
Assets	
Goodwill	-
Long-term intangible assets	-
Deferred Taxes on the assets side	
Fixed assets	37
Liquid funds	169
Short-term assets	754
	<hr/>
	960
Liabilities	
Current liabilities	-1.230
Deferred Taxes on the liabilities side	0
	<hr/>
	-1.230
Minority interests	-270

holder in ct into the DEAG consolidated financial statements.

Overall ct creative talent GmbH contributed kEUR 6,518 in sales, kEUR 473 in EBIT as well as Group result after minority interests of kEUR 195, of which kEUR 212 in sales and kEUR -107 in EBIT relate to the period of pro-rata consolidation from Jan 1, 2008 to March 31, 2008.

Notes to the Consolidated Financial Statements

13. Goodwill and Other Intangible Assets

The development of this item during fiscal 2007 and 2008:

Acquisition or production costs in EUR'000	Goodwill	Orders at hand	Artist and agency relationships	other rights	Soft- ware	other intangible assets
January 1, 2007	38.067	290	1.737	2.341	306	4.674
Additions from first consolidation	705	766	3.438	-	-	4.204
Additions			92	104	2	198
Disposals		-	-	-	-	-
Change in scope of consolidation		-	-	-	-	-
December 31, 2007	38.772	1.056	5.267	2.445	308	9.076
Depreciation in EUR'000						
January 1, 2007	14.313	200	174	377	289	1.040
Additions	-	590	360	25	7	982
Disposals		-	-	-	-	-
Change in scope of consolidation		-	53	-	-	53
December 31, 2007	14.313	790	587	402	296	2.075
Balance sheet values 31.12.07	24.459	266	4.680	2.043	12	7.001
January 1, 2008	38.772	1.056	5.267	2.445	308	9.076
Restoring (discontinued operations)	- 2.153	-	-	1.001	-	- 1.002
Additions from first consolidation	5.741	-	5.913	-	2	5.915
Additions	-	-	184	-	3	187
Disposals	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-
Currency adjustments	- 944	-	-	973	-	- 973
December 31, 2008	41.416	1.056	9.390	2.445	312	13.203
Depreciation in EUR'000						
January 1, 2008	14.313	790	587	402	296	2.075
Restoring (discontinued operations)		-	-	200	-	- 1 201
Additions (discontinued operations)	850	-	-	-	-	-
Additions	2.347	266	2.866	1.060	8	4.200
Disposals		-	-	-	-	-
Zuschreibung	-				-	-
Change in scope of consolidation		-	96	-	1	97
Currency adjustments			72		-	72
December 31, 2008	17.510	1.056	3.277	1.462	304	6.099
Balance sheet values 31.12.08	23.906	-	6.113	983	8	7.104

14. Goodwill

Goodwill shown is accounted for by the Live Touring segment with group companies without external shareholder per December 31, 2008 at kEUR by kEUR 1.253 to KBK Konzert- und Künstleragentur GmbH, by kEUR 705 to ACE Entertainment GmbH. Accounted for by the Entertainment Services segment are kEUR 741 to the domestic companies of this segment and kEUR 11,560 to the Good News group and kEUR 4.797 to Raymond Gubbay Ltd. This break down also applies to the identification of cash generating units.

Additions from first consolidation relate to Raymond Gubbay Ltd.

Impairment tests were carried out for the goodwill of each cash-generating unit (CGU) which resulted in a need for write-downs in the Live Touring segment for ct creative talent GmbH of TEUR 450 and TEUR 1,897 for domestic companies in the Entertainment Services segment.

The basis for the impairment test was in each case the utility value of the CGUs whose calculation was derived from forecasted earnings in a three-year plan. At the determination of the budget numbers current and future probabilities, the expected economic development and other circumstances were taken into account. For the standard year (perpetuity) the budget numbers of the last budget year were used. A discount rate of 8.9 percent (after-tax interest rate) was used; a growth deduction of 1% was applied for the standard year.

15. Other Intangible Assets

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

The capitalization of the backlog of orders as well as of the artist and agent relations is based on business combinations. The additions from first-time consolidation concern primarily the company Raymond Gubbay Limited, which was added to scope of consolidation during the reporting year. The artist and agent relations are amortized on a straight-line basis over a period of 10 years. The backlog of orders was amortized after the end of the concert event.

The other rights include above all a first offering obligation of Anschutz for all Anschutz tours in Germany and a so-called first option last matching right for these tours by DEAG. On the basis of the previously expected utility inflow a scheduled amortization of kEUR 320 was made in the reporting year. Since the actual realised results from Anschutz artists events were behind expectations, an unscheduled amortization of kEUR 600 was made on the right which is now valued at kEUR 680 in the consolidated financial statements. DEAG expects a consistent distribution of the utility inflow during the next four years (contractual maturity).

16. Tangible Assets

Investments in fixed assets totalled EUR 0.2 million in 2008 (2007: EUR 0.3 million) and consist of the following:

in EUR '000	2008
Land and buildings	3
Technical plant and machinery	10
Other fixtures and fittings, tools and equipment	217
Summe	230

Notes to the Consolidated Financial Statements

The development of tangible fixed assets during fiscal 2007 and 2008 consists of the following:

Acquisition or production costs in EUR'000	Land and Buildings	Technical plant and machinery	Other fixtures and fittings, equipment	Total tangible assets
January 1, 2007	225	198	2.757	3.180
Additions from first consolidation	-	-	50	50
Additions	98	122	106	326
Disposals	-	-8	-59	-67
Currency adjustments	-	-	-6	-6
December 31, 2007	323	312	2.848	3.483
Depreciation in EUR'000				
January 1, 2007	60	35	2.347	2.442
Additions from first consolidation	-	-	10	10
Additions	14	29	160	203
Disposals	-	-8	-61	-69
Currency adjustments	-	-	-	0
December 31, 2007	74	56	2.456	2.586
Balance sheet values 31.12.07	249	256	392	897
January 1, 2008	323	312	2.848	3.483
Reposting (discontinued operations)	-	-	-14	-14
Additions from first consolidation	75	41	318	434
Additions	3	10	217	230
Disposals	-14	-96	-91	-201
Currency adjustments	-12	-7	-3	-22
Dezember 31, 2008	375	260	3.275	3.910
Depreciation in EUR'000				
January 1, 2008	74	56	2.456	2.586
Reposting (discontinued operations)	-	-	-6	-6
Additions from first consolidation	57	38	214	309
Additions	31	41	231	303
Disposals	-8	-54	-85	-147
Currency adjustments	-11	-6	-10	-27
December 31, 2008	143	75	2.800	3.018
Balance sheet values 31.12.08	232	185	475	892

17. Real Property Held as Financial Investment

Already in 2001 DEAG valued the plots of land held as financial investment and not used within the DEAG Group in accordance with the fair value model on the basis of sufficiently objectifiable market prices, and a corresponding write-up was made.

An appointed surveyor has reached an unchanged value indication of EUR 8.2 million for the plots of land around Jahrhunderthalle, including safety margins deducted on grounds of non-secured development capacity. The company has adopted the value in the surveyor's report within the framework of the fair value appraisal. The appraisal was based on the available guideline land values.

During fiscal 2008 operating expenses in the amount of kEUR 49 were incurred which were directly attributable to the real property; no rental income was generated.

The investment property was pledged against Other long-term liabilities.

Notes to the Consolidated Financial Statements

18. Financial Assets

The investments include essentially the minority interest in Ticketmaster Deutschland GmbH of kEUR 605 TEUR and minority interests in Switzerland of kEUR 88.

Loans to investees include a loan bearing 4% interest to an atypical dormant holding.

The item associates concerns our 50 percent shareholding in EIB Entertainment Insurance Brokers GmbH, Hamburg. A breakdown of assets and liabilities as well as expenditure and income (IAS 28.37) is not made on grounds of immateriality. The profit for the year amounted to kEUR 17.

Furthermore, DEAG Music GmbH is reported as an associate in fiscal 2008 – until the changeover to full consolidation by virtue of a changed voting right situation as at October 1, 2008. The proportionate result of the company until September 30, 2008 was reported with an amount of TEUR -222 in the result from associated companies.

19. Other Non-Current Receivables

Other long-term assets have a maturity of more than one year and comprise of the following:

in EUR'000	31.12.2008	31.12.2007
Loans	1,185	1,124
Others	400	980
Other long-term assets	1,585	2,104

The loan granted with a maximum maturity in 2015 of TEUR 1,185 (prior year: TEUR 1,063) is collateralized by a capital life assurance.

The other receivables include advance payments from long-term cooperation agreements in the amount of TEUR 400 with a maturity of up to 4 years.

20. Deferred Taxes

The deferred tax assets concern in the amount of EUR 2.0 million (2007: EUR 2.1 million) mainly deferred taxes on losses carried forward against deferred tax liabilities of EUR 2.0 million (same tax authority).

21. Liabilities to Banks

Liabilities to banks essentially relate to the availment of operating lines of credit. TEUR 248 thereof are reported with a term of more than one year in non-current liabilities.

22. Trade Accounts Payable

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

Notes to the Consolidated Financial Statements

23. Accruals

This item has developed as shown below:

in EUR'000	as at 01.01.08	Re- posting (1)	Changes in scope of consolidation (2)	Use	Dis- posal	Addition	Cur- rency dif- ference	as at 31.12.08
Taxes for reporting period	-	-	268	-	-	409	- 42	635
Taxes for previous years	817	- 35	12	116	18	1	4	665
Outstanding invoices	2.287	- 11	992	2.814	37	4.180	47	4.644
Personnel obligations	571	- 31	58	583	9	433	14	453
Consulting and audit costs	363	- 10	-	321	2	191	3	224
Other accruals	1.367	- 9	-	733	107	363	-	881
TOTAL	5.405	- 96	1.330	4.567	173	5.577	26	7.502

in EUR'000	as at 01.01.07	Use	Dis- posal	Addi- tion	Currency dif- ference	as at 31.12.07
Taxes for reporting period	-	-	-	236	-	236
Taxes for previous years	691	50	589	530	- 1	581
Outstanding invoices	2.770	2.218	267	2.064	- 62	2.287
Personnel obligations	486	459	17	566	- 5	571
Consulting and audit costs	195	174	-	343	- 1	363
Other accruals	660	59	1	767	-	1.367
TOTAL	4.802	2.960	874	4.506	- 69	5.405

(1) Accruals of discontinued operations

(2) Raymond Gubbay Ltd. (31.03.08), DEAG Music GmbH (30.09.08) and ct creative talent GmbH (31.03.08)

Except for kEUR 61 (Previous year: kEUR 72) in personnel obligations as well as other accruals from current operation of kEUR 18 - these liabilities are in principle payable within one year.

For the purpose of hedging the interest risk in connection with a variable-interest long-term loan, DEAG entered into an interest rate swap during the reporting period. As a result of this interest rate swap, the variable quarterly due cash flows under the loan agreement are swapped for fixed payments. The fair value of this interest rate swap amounts to kEUR -160 on December 31, 2008 and is disclosed in the other accruals. The variation in fair value of the derivative between the time of its acquisition and the balance sheet date was recognized in equity after deduction of the deferred taxes (kEUR 48) with no effect on income in accordance with IAS 39.95.

24. Accrued and Deferred Revenues

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

25. Other Current Liabilities

Other current liabilities are as follows:

Notes to the Consolidated Financial Statements

in EUR '000	31.12.2008	31.12.2007
Tax liabilities	3.011	3.807
Finance liabilities	534	173
Accruals and deferrals	333	93
Social security liabilities	639	394
Miscellaneous	728	795
Sonstige kurzfristige Verbindlichkeiten	5.245	5.262

Tax liabilities include liabilities in respect of artist withholding tax which contrasts with receivables under assigned claims in the amount of TEUR 229 (see Note 11).

These liabilities are payable within one year.

26. Other Con-Current Liabilities

This item includes a long-term loan with a maturity up to 3 years and 9 months and is broken down as follows:

in EUR'000	31.12.2008
Loan (nominal)	4.000
less transaction costs	-301
less embedded derivative	-288
Principle debt at first inclusion	3.411
Increase in 2008	5.500
Principle debt at first inclusion	8.911
Addition of accrued interest (thereof 2008: 92 kEUR)	121
Principle debt at balance sheet date	9.032
Change in Fair Value embedded Derivative (thereof 2008: -82 kEUR)	-141
Fair Value embedded Derivative	147
Other long-term liabilities	9.179

27. Collateralization

To secure other short-term liabilities totalling kEUR 9,179 a not yet due payment of kEUR 5,850 for the sale of commercial land adjoining the Jahrhunderthalle in Frankfurt has been ceded. Furthermore a subordinate land charge of kEUR 7,000 plus interest and incidentals on the Jahrhunderthalle site set aside for commercial development has been granted and shares in DEAG Concerts GmbH have been pledged. Moreover, the creditor was provided with collaterals of the affiliated companies DEAG Classics AG, Concert Concept Veranstaltungs-GmbH as well as Global Concerts GmbH if DEAG and DEAG Concerts as the borrowers do not compensate a due claim of the creditor by repayment.

To secure liabilities to financial institutions (kEUR 2.515) a land charge at the amount of kEUR 3,000 on the Jahrhunderthalle of Concert Concept Veranstaltungs-GmbH has been registered.

Loans to invested-in companies (kEUR 250) collateralise liabilities from a tour financing.

Notes to the Consolidated Financial Statements

A bank account, which was reported at December 31, 2008 as part of liquid funds at kEUR 1.670, was pledged for a guaranteed facility agreement of kEUR 1,900.

28. Equity

The Company's capital stock amounts to EUR 24,777,966.00 (previous year: EUR 23,088,812.00) less EUR 1,230.00 own shares. It is divided into 24,777,966 ordinary registered shares in the form of no-par-value individual share certificates each with a book share of EUR 1 in capital stock.

On April 8, 2008 the Executive Board decided, with the approval of the Supervisory Board of April 11, 2008, to increase the nominal capital of the company from EUR 23,088,812.00 by EUR 1,689,154.00 to EUR 24,777,966.00 by issuing 1,689,154 no par value bearer shares with an arithmetic share in the nominal capital of EUR 1.00 per share. The issuing price per share amounted to EUR 1.41. The new shares were issued to the full extent against a contribution in kind of 6,866 shares in Raymond Gubbay Limited, London (21.46% of the shares).

The nominal capital of the company is fully paid.

The capital reserve contains the additional funds raised from DEAG's share issue less the capital increase from company funds to adjust subscribed capital following the change-over to the Euro.

The balance sheet loss includes past results of companies included in the consolidated financial statements and consolidated net earnings for the current financial year.

Earnings per share are calculated by dividing group profit by the weighted number of shares outstanding.

Diluted and undiluted earnings per share are calculated according to IAS 33 on the basis of 24,776,736 shares (24,777,966 shares issued less 1,230 own shares). Weighted average of shares for 2008 amounted to 23,965,476.

Conditional Capital

The company's capital stock was increased, as resolved by the General Meeting of Shareholders on 17 June 2003, by a remaining amount of EUR 52,460.00 and, as resolved by the General Meeting of Shareholders on 17 June 2004, by up to a further EUR 2,291,675.00 (Conditional Capital 2004/II).

2003/I

The company made full use of Conditional Capital 2003/1 with the 2003/2006 convertible bond issue on the basis of the 17 June 2003 General Meeting resolution by issuing 4,583,350 convertible bonds with a total nominal value of up to EUR 6,783,358 entitling the holders to convert them into up to 4,583,350 shares in the company. This conditional capital increase was fully conducted following the expiration of the convertible bond 2003/2006 except for a residue of EUR 52,460.00

The remainder of the conditional capital in the amount of EUR 52,460.00 matured following the expiration of the according authorisation of the General Meeting of May 31, 2008.

2004/II

A capital increase under the Contingent Capital 2004/II of EUR 2,291,675.00 may only be carried if based on the authorization of the Executive Board of June 17, 2004 option or conversion rights, e.g. in the form of a convertible bond, are issued. This was not the case in fiscal 2008. The authorization to issue options or conversion rights adopted by the General Meeting in 2004 is limited until June 16, 2009. The Contingent Capital II will, therefore, probably remain unused and become forfeited.

Notes to the Consolidated Financial Statements

Authorized Capital 2006/I

The ordinary General Meeting created on June 16, 2006 new authorized capital after the revocation of the previously authorized unused capital. The Executive Board was authorized to increase, with the approval of the Supervisory Board, the nominal amount by June 15, 2011 once or several times by a total of up to EUR 9,289,391,00 EUR (Authorized Capital 2006/I). Furthermore, the Executive Board was authorized to exclude the subscription right of the shareholders in the following cases:

- a) as compensation for fractions
- b) to issue shares as employee shares to company staff
- c) recovery of investments in kind, most particular in the form of companies or parts of companies or other assets
- d) if the issue amount of the new shares is not materially lower than the stock exchange price and the shares issued to the exclusion of the subscription right in accordance with § 186 para 3 sentence 4 AktG (German Stock Corporation Act) do not exceed a total of 10 percent of the current share capital. Shares which were issued or have to be issued to service bonds with warrants or convertible bonds, insofar as the bonds were issued by corresponding application of § 186 para 3 sentence 4 AktG to the exclusion of the subscription right and treasury shares which were acquired by virtue of an empowerment in accordance with § 71 para 1 no 8 AktG and were sold to the exclusion of the subscription right of the shareholders in accordance with § 186 para 3 sentence 4 AktG, must be counted towards this number;
- e) insofar as it is necessary to grant the holders of convertible bonds/bonds cum warrants, which were issued by the company, a subscription right in respect of new shares in the range that they would be entitled to after the exercise of their conversion and/or option right following the fulfilment of conversion obligations, but only insofar as the shares cannot already be granted by virtue of contingent capital. The authorized capital approved by the Annual General Meeting on June 16, 2006 was entered in the Commercial Register together with the corresponding amendments to the By-laws on September 5, 2006.

By partial utilization of this authorization the Executive Board resolved on April 8, 2008 to issue 1,689,154 new no par value bearer shares against contribution in kind of 21.46 percent of the shares in Raymond Gubbay Limited, with a simultaneous increase of the nominal capital of the company from EUR 23,088,812.00 by EUR 1,689,154.00 to EUR 24,777,966.00. The Supervisory Board approved this on April 11, 2008. The Authorized Capital 2006/I limited until June 15, 2011 decreased as a result of this partial use to EUR 7,600,237.00. The increase in nominal capital and the reduction of the Authorized Capital 2006/I were entered in the Commercial Register on June 4, 2008.

Purchase of Treasury Shares (§ 71 para 1 no. 8 AktG – German Stock Corporation Act)

As resolved by the General Meeting of Shareholders on July 3, 2008, Executive Board is authorised to purchase up to 10 % of the company's shares. It must do so by January 2, 2010 and only via the stock exchange or a public offer to buy from shareholders. As of December, 31 2008 the company held 1,230 own shares.

Minority Interests

Shares in the paid up and generated equity, which are held neither directly nor indirectly by DEAG, are reported as minority interests. They are disclosed within equity in accordance with IAS 27.33.

29. Discontinued Operations

IFRS 5 requires a component of a Group to be reported as discontinued operation if this operation is scheduled to be sold or abandoned. The discontinued operations must be measured at the lower of car-

Notes to the Consolidated Financial Statements

rying value and fair value less costs to sell. In the income statement, the balance sheet, the cash flow statement and in segment reporting the discontinued operations were to be disclosed and explained separately as such. In this connection the prior year numbers – with the exception of the balance sheet – have to be adjusted accordingly.

In December 2008 the Executive Board devised the plan to sell MPE Music Pool Europe GmbH, Hamburg, (MPE) and to discontinue the activities in the Comedy business line of Balou Entertainment Konzertagentur GmbH & Co. KG, Cologne, (Balou), which has then no longer any business operations. The Supervisory Board approved this plan on December 17, 2008.

Based on the application of IFRS 5, MPE has to be disclosed as non-current asset held for sale and Balou has to be reported as non-current asset to be abandoned.

The assets and liabilities of MPE held for sale break down as follows as at December 31, 2008:

Assets	TEUR
Liquid funds	160
Accounts receivable	6
Inventories	20
Other current assets	250
Receivables due from affiliated companies with respect to continued operations	607
Current assets	1,043
Goodwill	0
Fixed assets	5
Long-term assets	5
Other assets directly related to discontinued operations	1,048
Liabilities	TEUR
Accruals	140
Accounts payable	318
Sales accruals	321
Other current liabilities	458
Current liabilities	1,237
Accruals and liabilities directly related to discontinued operations	1,237

In detail, the result from discontinued operations breaks down as follows:

Notes to the Consolidated Financial Statements

in EUR'000	2008	2007
Revenues	5,970	10,857
Cost of sales	-6,092	-9,885
Gross Profit	-122	972
Distribution costs	-313	-636
Administration costs	-571	-953
Other operating income/expenses	-547	-337
Operating result before depreciation (EBITDA)	-1,553	-954
Scheduled depreciation	-806	-119
Amortisation of goodwill	-3,003	-
Operating income (EBIT)	-5,362	-1,073
Financial result	-37	-61
Result before taxes	-5,399	-1,134
Income taxes	240	184
Result after tax for discontinued operations	-5,159	-950

The result from discontinued operations is attributable to the Live Touring segment in an amount of TEUR -5,163. The changes in respect of prior year numbers with a result of TEUR -326 concern the mentioned segment.

The other numbers are attributable to Entertainment One AG wound up as at October 23, 2008.

By agreement dated April 21, 2009 MPE Music Pool Europe GmbH, Hamburg, was sold.

30. Information on Relationships with Related Parties in accordance with IAS 24

According to IAS 24, the Executive Board of DEAG Deutsche Entertainment AG, its shareholders and the Supervisory Board come into consideration as related parties.

In the reporting year legal relationships existed with Mr Peter Schwenkow within his employment contract (reimbursement of travel and entertainment expenses and other out-of-pocket expenses) and loans granted. In the business year he was granted a short-term loan of kEUR 20 at 6% interest with supervisory board approval. The loan was repaid at the date of balance.

Other related parties within the meaning of IAS 24.18 (g) included during the reporting period:

- two family members of Mr Herrn Peter Schwenkow, who work as employees for companies of the DEAG Group,
- a travel agency which is run by a family member of Mr Peter Schwenkow and from which DEAG sourced other services, and
- a company controlled by Mr Peter Schwenkow which provided consultancy services for DEAG during the reporting period.

A total of kEUR 129 was paid to these persons and companies in the reporting year.

Notes to the Consolidated Financial Statements

Annual emoluments received in 2008 by the members of the executive board totalled kEUR 1.032 (2007:kEUR 1,162).

Board Member	Fixed Compensation	Other Benefits	Total Emoluments
Peter L.H. Schwenkow	600	14	614
Dr. Ingo Stein	250	9	259
Christian Diekmann	134	25	159
Total	984	48	1,032

Variable emoluments were not granted for 2008.

In case Mr Peter L.H. Schwenkow resigns as a member of the Executive Board from the active service of DEAG, without any good and sufficient grounds caused by him, the compensation will continue to be paid on a prorated basis for a period of six months after the expiration of the month during which Mr Schwenkow has resigned from the service of DEAG. If a compensation for restraint of competition is paid to Mr Schwenkow during that period, it will be offset against the continued payment. Furthermore, it has been agreed that DEAG pays Mr Schwenkow for the duration of the restraint of competition of 24 months after the end of the employment relationship compensation in the amount 50 percent of the last paid compensation. The offsetting of income from any other gainful employment is based on the principles of § 74c HGB (German Commercial Code). No other commitments have been made if the activity as a member of the Executive Board is discontinued.

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 totalled kEUR 57 (2007: kEUR 60). The Company also reimbursed travel costs of kEUR 1 incurred in connection with Supervisory Board meetings (2007: kEUR 2).

Remuneration Agreement with Hogan Hartson & Raue

Between the Company and the law firm of Hogan Hartson & Raue LLP, Berlin, of which the Chairman of the Supervisory Board is a partner, a remuneration agreement has been concluded, which is applied when legal services are provided by that law firm. DEAG Group is not obliged to actually make use of the consulting services offered. In the financial year 2008 kEUR 218 (2007: kEUR 97) were invoiced for consulting services rendered.

31. Sales Revenues

The segment account 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 hire and rental charges and other material costs incurred to achieve sales revenue are booked as cost of sales.

33. Distribution Costs

Notes to the Consolidated Financial Statements

Distribution costs include personnel expenses, advertising and travel costs, cost of premises and other distribution-related material costs.

34. Administration Costs

Administration costs include personnel expenses, legal and consulting costs, cost of premises and other administration-related material costs.

35. Other Operating Income

Other operating income consists primarily of the following:

in EUR'000	2008	2007
Rental income	403	392
Damages	295	90
Income from release of provisions	155	771
Insurance compensations	105	502
Income from written-off liabilities and receipt of written-off receivables	42	63
Asset disposals	32	1
Income from other accounting periods	15	66
One-time-effect from Fair Value Evaluation (IAS 40)	-	402
Consulting services	-	200
Other	1,078	970
TOTAL	2,125	3,457

36. Other Operating Expenses

Other operating expenditure consists of the following:

in EUR'000	2008	2007
Specific provision/ Provision for risks	352	185
Damages	133	46
Other taxes	110	99
Losses from fixed asset disposals	4	1
Other	362	295
Total	961	626

37. Depreciations/Amortizations

Notes to the Consolidated Financial Statements

The depreciations/amortizations relate to:

in EUR'000	2008	2007
Amortisation of consolidation-related goodwill (unscheduled)	2,347	0
Depreciation of other intangibles	4,200	880
Depreciation of fixed assets	303	199
Total depreciations	6,850	1,079

The amortizations of other intangible assets include TEUR 2,065 of unscheduled amortizations of artist and agent relations as well as TEUR 600 of unscheduled amortizations of other rights.

38. Interest Income

Interest income breaks down as follows:

in EUR'000	2008	2007
Other interest and similar income	538	393
Other interest and similar expenditure	-1,596	-634
Net interest income	-1,058	-241

Interest expenses include interest paid in the amount of TEUR 896 for non-current liabilities as well as non cash-based interest expenses in the amount of TEUR 253.

39. Income from Investments

The income from investments concerns the write-down of a minority interest.

40. Income Taxes

Actual tax liabilities for the current financial 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 that were valid on the balance sheet date.

in EUR'000	2008	2007
Tax expenditure:		
reporting period	-1,037	-710
previous years	-	-471
Tax refund previous years	-	67
Deferred tax revenue		
Temporary differences	886	373
Changing tax rate	-	288
Tax expenditure:	-151	-453
Thereof from discontinued operations	240	184

Notes to the Consolidated Financial Statements

Income tax includes all income tax paid or payable in the respective countries and all deferred taxes. Income tax includes corporate income tax, trade tax on earnings, solidarity surcharge and 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 as at December 31, 2008. 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 29.5 % in Great Britain.

Tax expenses resulting from application of the DEAG tax rate can be translated into actual tax expenses as follows:

in EUR'000	2008	2007
Result before taxes on income and minority interests	-9,966	2,991
Tax expenditure / income at the DEAG Holding's tax rate	2,990	-1,196
Tax expenditure / income as per profit and loss statement including discontinued operations	-151	-453
Carryover figure	3,141	-743
Amortisation of goodwill	1,605	-
Changing tax rate	-	-288
Taxes previous years	-	404
Tax-free earnings and non-deductible expenses	250	-22
Different tax rates	-286	-572
Write-up / value adjustment of tax accruals	1,569	-279
Others	3	14
	3,141	-743

Deferred tax assets are made up as follows:

in EUR'000	2008	2007
Tax accruals on losses carried forward and temporary variances	2,024	2,155
Deferred tax assets that can be set off against deferred tax liabilities	-2,024	-2,155
Deferred tax assets (net)	-	-

Deferred tax assets were only applied to the extent that they can be settled against deferred taxes on the liabilities side.

DEAG's tax losses carried forward amounted to around EUR 55 million per December 31, 2008.

Notes to the Consolidated Financial Statements

The calculation of net tax claims is based on the level, offsetting is possible with the same tax authority.

Deferred tax assets and liabilities are made up as follows:

in EUR'000	2008	2007
Deferred income from the value write-up on the Jahrhunderthalle Frankfurt	2,300	2,315
Deferred income on intangible assets	1,569	1,276
Other temporary variances	177	115
Deferred taxes on the liabilities side	4,046	3,706
To be settled against deferred tax assets	-2,024	-2,155
Balance Shown	2,022	1,551

41. Personnel Expenses

in TEUR	2008	2007
Salaries and wages	9.699	8.186
Social security contribution	1.358	1.116
Total personnel expenses	11.057	9.302

42. 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 9.95 percent. The ongoing payments of contributions are disclosed as social contributions in personnel expenses and amount to TEUR 481 in fiscal 2008 (prior year: TEUR 320).

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. The pension scheme has not made any valuation of the scheme based on IAS 19. For that reason DEAG has no sufficient information available in order to report this pension scheme as a defined benefit plan. It is reported in the same way as a defined contribution plan.

The contributions of the DEAG companies to the above-mentioned collective foundation amounted in 2008 to kEUR 135 (prior year: kEUR 106). The collective foundation has a coverage ratio of 95.1% (prior year: 107.2%) as at December 31, 2008. This coverage ratio was determined in accordance with Article 44 BVV2.

For the employees of Raymond Gubbay 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. Since Raymond Gubbay Ltd joined the Group, the company has paid the pension insurance contributions in the amount of kGBP 43 (kEUR 53).

Notes to the Consolidated Financial Statements

43. Average Number of Employees During the Year

Head count	2008	2007
Live Touring	31	15
Entertainment Services	109	117
DEAG Holding	23	20
Total for continued operations	163	152
Discontinued operations	7	19
Total	170	171

On annual average the companies included pro rata employed 5 staff (previous year: 3 staff).

On December, 31 2007 the Group employed 178 (2007: 168) full-time staff in continued operations.

44. Off Balance Sheet Contingencies

On the balance sheet date the following contingencies relating to securities and guarantees provided for third parties exist:

Off balance sheet contingencies in EUR'000	2008	2007
Securities	-	150
Other guarantees	25	25
Total	25	175

DEAG has assumed liability for a company sold in the previous year for off-balance risks from the period before the sale of shareholdings.

In connection with current field tax audits and pending legal remedy proceedings there are contingent liabilities within the meaning of IAS 37 in the amount of kEUR 939 as at 31.12.2008; DEAG anticipates, however, a probability of occurrence of less than 50 % and has, therefore, not made any provisions.

45. Other Financial Commitments

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

in EUR'000	Artist Guarantees	Rent and Leasing	Other	Total
2009	11.629	789	778	13.196
2010-2013	-	1.264	1.167	2.431
Total	11.629	2.053	1.945	15.627

Other financial commitments mainly concern contractual consulting services in the amount of kEUR 1,738, of which kEUR 648 relate to fiscal 2009.

Notes to the Consolidated Financial Statements

46. Companies Included Pro Rata

According to IAS 31.47 companies that have been included pro rata are shown in the consolidated financial statements as follows:

in EUR'000	2008	2007
Assets:		
Short-term assets	99	437
Long-term assets	-	129
Total assets	99	566
Liabilities:		
Short-term debts	76	662
Long-term debts	-	18
Total liabilities	76	662
Statement of income:		
Revenues	441	1.404
Costs of revenues	-323	-1.298
	118	106
Other operating expenses	-252	-240
Result from interest	-	-
	-134	-134
Income tax	-	-
Annual result	-134	-134

47. Audit fees

The auditor's fees in the financial year 2008 are made up as follows:

in EUR'000	2008
Audit costs	284
Other services rendered	25
	309

48. Declaration of Conformity in accordance with § 161 AktG

The Management Board and Supervisory Board have issued a statement of conformity with the recommendations of the government commission on a German Corporate Governance Code § 285 no. 16 HGB in accordance with § 161 AktG on December 17, 2008 and made it permanently accessible to shareholders on the Internet at:

<http://www.deag.de/de/navi-bottom/investors/investor-relations/corporate-governance-codex.html>

49. Legal Disputes

Various DEAG Group companies are involved in legal or out-of-court disputes in respect of substantial claims. Adequate provision was made to cover all risks.

Notes to the Consolidated Financial Statements

At balance sheet date there were no eventual liabilities from legal disputes.

50. Capital Control and Risk Management

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 bylaws 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, EBITDA, net income for the year 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.

As far as its assets and liabilities as well as its operating business are concerned, DEAG is subject to interest, price, currency, credit standing and liquidity risks.

Parts of the interest payments in connection with the credits raised by DEAG are based on EURIBOR. The capital costs of DEAG are, therefore, partly subject to the interest rate risk. This risk was taken into account during the reporting period by an interest rate hedging transaction for parts of the interest payment. If EURIBOR increases (falls), interest payments for the non-hedged part will increase (decrease) by TEUR 65 in respect of this credit exposure. One of the financings includes an equity kicker whose basis is the DEAG share price.

Fee payments for artists, orchestras, show productions etc. are partly made on a USD basis and are, therefore, subject to a currency risk against the euro. The same applies to dividend payments of foreign subsidiaries, which are made in SFR and GBP. The company carries out sensitivity analyses on a regular basis in order to anticipate the impact of currency fluctuations and to assess whether rate-hedging transactions are advantageous. During the reporting period no currency hedging was carried out.

As far as receivables from business partners are concerned, DEAG depends on their continued existence as well as their credit standing and hence their solvency. During the reporting periods preventive measures were taken through specific valuation allowances for some of the receivables.

Possible liquidity risks are identified through short-term and medium-term planning. The task of finance management is to ensure the servicing of all liabilities in due time. Furthermore, compliance with the covenants vis-à-vis banks is monitored on an ongoing basis. The company has both long-term and short-term debtor/creditor relationships.

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 strictly taken into account.

51. Reporting on Financial Instruments

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 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 balance sheet 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.

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. The non-current financial liabilities are identified as present values of the payments related to the debts on the basis of the current interest parameters.

Notes to the Consolidated Financial Statements

The appreciation premium included in a non-current financing contract was recognized separately from the basic agreement as embedded derivative and was recognized as income at fair value. The fair value of the embedded derivative was determined in accordance with the binomial model taking into account the fair value and volatility of the underlying instrument, matching maturities in respect of the interest rate and the term of the agreement. The change in fair value between the date of first time recognition of the derivative and the balance sheet date results in a profit of kEUR 82 for the reporting period.

Financial Instruments

in EUR '000

Assets	Book value 31.12.2008	Valuation according to IAS 39		
		Continued book value	Affecting fair value	No valuation criteria as per IAS 39
Liquid funds (loans and receivables)	22,097	22,097	-	-
Stocks / marketable security (evaluated at fair value)	61	-	61	-
Trade receivables (loans and receivables)	6,647	6,647	-	-
Other current assets (loans and receivables)	2,982	2,982	-	-
Shareholdings (available for sale)	705	705	-	-
Loans to affiliated companies (loans and receivables)	250	250	-	-
Other long-term receivables (loans and receivables)	1,585	1,585	-	-
Other assets in convention with discontinued operations (loans and receivables)	1,048	1,048	-	-

Liabilities	Book value 31.12.2008	Valuation according to IAS 39		
		Continued book value	Fair value affecting	No valuation criteria as per IAS 39
Bank loans payable (Financial liabilities)	4,110	4,110	-	-
Trade accounts payable (Financial liabilities)	7,474	7,474	-	-
Accruals (Financial liabilities)	7,502	4,644	160	2,698
Other short-term liabilities (Financial liabilities)	5,254	5,254	-	-
Other long-term liabilities (Financial liabilities)	9,179	9,032	147	-
Liabilities to affiliated companies in discontinued operations (Financial liabilities)	607	607	-	-
Accruals and liabilities in convention with discontinued operations (Financial liabilities)	1,237	1,237	-	-

Notes to the Consolidated Financial Statements

<u>Aggregate as valuation categories IAS 39</u>	<u>Valuation according to IAS 39</u>		
	<u>Book value 31.12.2008</u>	<u>Continued book value</u>	<u>Fair Value affecting</u>
Financial assets			
loans and receivables	34,609	34,609	-
value to be attributed	61	-	61
available for sale	705	705	-
Financial liabilities	32,656	32,349	307

Financial Instruments

in EUR '000

<u>Assets</u>	<u>Valuation according to IAS 39</u>			
	<u>Book value 31.12.2007</u>	<u>Continued book value</u>	<u>Affecting fair value</u>	<u>No valuation criteria as per IAS 39</u>
Liquid funds (loans and receivables)	14,129	14,129	-	-
Stocks / marketable security (evaluated at fair value)	155	-	155	-
Trade receivables (loans and receivables)	6,505	6,505	-	-
Other current assets (loans and receivables)	1,982	1,982	-	-
Shareholdings (available for sale)	712	712	-	-
Loans to affiliated companies (loans and receivables)	250	250	-	-
Other long-term receivables (loans and receivables)	2,104	1,236	-	868

<u>Liabilities</u>	<u>Valuation according to IAS 39</u>			
	<u>Book value 31.12.2007</u>	<u>Continued book value</u>	<u>Fair value affecting</u>	<u>No valuation criteria as per 39</u>
Bank loans payable (Financial liabilities)	2,739	2,739	-	-
Trade accounts payable (Financial liabilities)	4,211	4,211	-	-
Accruals (Financial liabilities)	5,405	2,287	-	3,118
Other short-term liabilities (Financial liabilities)	5,262	5,262	-	-
Other long-term liabilities (Financial liabilities)	3,669	3,439	230	-

Notes to the Consolidated Financial Statements

Aggregate as valuation categories IAS 39	Valuation according to IAS 39		
	Book value 31.12.2007	Continued book value	Fair Value affecting
Financial assets			
loans and receivables	24,102	24,102	-
value to be attributed	155	-	155
available for sale	712	712	-
Financial liabilities	18,168	17,938	230

Expense, income, loss and profit from financial instruments can be allocated to the following categories:

in EUR'000	2008	2007
Financial assets		
loans and receivables	146	455
affecting Fair Value	-94	-43
Available for sale	-	89
Financial liabilities		
evaluated with book value	-1.435	-729
affecting Fair Value	-78	58
Total	-1.461	-170

52. Events after the Balance Sheet Date

By notarized purchase and sale contract dated April 21, 2009 DEAG Concerts GmbH sold 100 % of its shares in MPE Music Pool Europe GmbH, Hamburg. On the same date DEAG Deutsche Entertainment AG sold 50% of its shares in ct creative talent GmbH, Berlin. After the end of the spring tour of Rüdiger Hoffmann the activities of Balou Entertainment Konzertagentur GmbH & Co. KG are to end.

53. Exemption from Disclosure in accordance with § 264 HGB

The following companies avail themselves of the possibility of exemption from disclosure of their financial statements and management reports in accordance with § 264 HGB (German Commercial Code):

- DEAG Classics AG, Berlin
- DEAG Concerts GmbH, Berlin
- Concert Concept Veranstaltungs-GmbH, Berlin
- Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt am Main
- Friedrichsbau Varieté Betriebs- und Verwaltungs GmbH, Stuttgart

54. Notification in accordance with §§ 21, 26 WpHG

In 2008 and until the preparation of the financial statements the following notifications were made:

Mrs Heidrun Schwenkow, Berlin, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that her voting rights in DEAG Deutsche Entertainment AG exceeded the threshold of 5 % on October 5, 2004 and amounted to 9.616 %. 7.872 % are attributable to her in accordance with § 22 para 2 WpHG.

HSB Vermögensverwaltung GmbH & Co. KG, Berlin, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that its voting rights in DEAG Deutsche Entertainment AG fell short of the threshold of 10 % on October 5, 2004 and amounted to 9.616%. 1.744 % are attributable to HSB Vermögensverwaltung GmbH & Co. KG in accordance with § 22 para 2 WpHG. Furthermore, HSB Vermögensverwaltung GmbH & Co. KG notified the company that it withdraws its communication of December 23, 2005 published on December 29, 2005 in the electronic gazette *Bundesanzeiger* since its voting rights have been constantly between 5 % and 10% since December 5, 2004.

HSB Verwaltung GmbH, Berlin, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that its voting rights in DEAG Deutsche Entertainment AG exceeded the threshold of 5 % on December 16, 2003 and amounted to 22.54 %. The voting rights are attributable to HSB Verwaltung GmbH in accordance with § 22 para 1 no. 1 WpHG.

HSB Verwaltung GmbH, Berlin, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that its voting rights in DEAG Deutsche Entertainment AG fell short of the threshold of 10 % on October 5, 2004 and amounted to 9.616 %. 7.872 % are attributable to it in accordance with § 22 para 1 no. 1 WpHG and 1.744 % in accordance with § 22 para 2 WpHG.

IFOS Internationale Fonds Service AG, Aeulestrasse 6, 9490 Vaduz, Liechtenstein, notified the company in accordance with § 21 Abs. 1 WpHG on March 13, 2009 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Deutschland, ISIN: DE0005513907, WKN identification code: 551390, exceeded the threshold of 3 % of the voting rights on March 13, 2009 and amount to 3.03 % (corresponding to 750,000 voting rights) on that day.

Altira AG, Frankfurt am Main, notified the company on March 18, 2009 on behalf and by order of

- 1.) Heliad Equity Partners GmbH & Co. KGaA, Grüneburgweg 18, 60322 Frankfurt am Main,
 - 2.) Altira Heliad Management GmbH (formerly doing business as Sigma Capital Management GmbH), Grüneburgweg 18, 60322 Frankfurt am Main,
 - 3.) Altira Aktiengesellschaft, Grüneburgweg 18, 60322 Frankfurt am Main,
 - 4.) Angermayer, Brumm & Lange Unternehmensgruppe GmbH, Steinwaldstraße 11, 95676 Wiesau,
- in accordance with §§ 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, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 5.98% (corresponding to 1,481,000 voting rights).
2. the voting rights of Altira Heliad Management GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 5.98% (corresponding to 1,481,000 voting rights). These voting rights are attributable to Altira Heliad Management GmbH in accordance with § 22 para 1 sentence 1 no. 1 WpHG as personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA, in the amount of 5.98% (corresponding to 1,481,000 voting rights).

Notes to the Consolidated Financial Statements

3. the voting rights of Altira Aktiengesellschaft in DEAG Deutsche Entertainment AG, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 5.98% (corresponding to 1,481,000 voting rights). These voting rights are attributable to Altira Aktiengesellschaft in accordance with § 22 para 1 sentence 1 no. 1 WpHG through the subsidiary Altira Heliad Management GmbH controlled by it as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in the amount of 5.98% (corresponding to 1,481,000 voting rights).
4. The voting rights of Angermayer Brumm & Lange Unternehmensgruppe GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 8.97% (corresponding to 2,221,000 voting rights). These voting rights are attributable to Angermayer Brumm & Lange Unternehmensgruppe GmbH through its subsidiary Altira Aktiengesellschaft and the subsidiary Altira Heliad Management GmbH controlled by the latter as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in accordance with § 22 para 1 sentence 1 no 1 WpHG in the amount of 5.98% (corresponding to 1,481,000 voting rights).

The chain of controlled companies is as follows:

- Heliad Equity Partners GmbH & Co. KGaA holds directly in accordance with § 21 para 1 WpHG 5.98% in DEAG Deutsche Entertainment AG.
- Altira Heliad Management GmbH (previously doing business as Sigma Capital Management GmbH) is the personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA.
- Altira Heliad Management GmbH in turn is a subsidiary of Altira Aktiengesellschaft.
- Angermayer Brumm & Lange Unternehmensgruppe GmbH is the parent company of Altira Aktiengesellschaft.

IPConcept Fund Management S.A., Luxembourg, notified the company on March 20, 2009 in accordance with § 21 Abs. 1 WpHG that its voting rights in DEAG Deutsche Entertainment AG (securities identification number ISIN DE 0005513907) exceeded the threshold of 3 % on March 18, 2009 and amount on that date to 1,015,000 voting rights (corresponding to 4.1 %).

The voting rights fully attributable to IPConcept Fund Management S.A., Luxembourg, in accordance with § 22 para 1 sentence 1 no. 6 WpHG, are held by the legally independent investment fund Antaios German Deep Value Fund (1,015,000 voting rights – corresponding to 4.10 %) managed by IPConcept Fund Management S.A., Luxembourg.

IPConcept Fund Management S.A., Luxembourg, notified the company on March 25, 2009, by way of correction of its voting rights notification of March 20, 2009, in accordance with § 21 para 1 WpHG that its voting rights in DEAG Deutsche Entertainment AG (securities identification number ISIN DE 000 5513907) exceeded the threshold of 3 % on March 18, 2009 and amounts on that day to 1,015,000 voting rights (corresponding to 4.10%).

IFOS Internationale Fonds Service AG, Vaduz, Liechtenstein, notified the company on April 24, 2009 in accordance with § 21 para 1 WpHG that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Deutschland, ISIN: DE0005513907, securities identification number WKN: 551390 exceeded the threshold of 5 % of the voting rights on April 23, 2009 and amounts on that day to 5.2 % (corresponding to 1,290,000 voting rights).

IFOS Internationale Fonds Service AG, Vaduz, Liechtenstein, notified us correcting their voting rights notice of April 23, 2009 in accordance with § 21 para 1 WpHG on April 27, 2009 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Deutschland, ISIN: DE0005513907, securities identification number WKN: 551390 exceeded the threshold of 5 % of the voting rights and amounts on that day to 5.21 % (corresponding to 1,290,000 voting rights).

Notes to the Consolidated Financial Statements

The following companies submitted notifications in accordance with § 21 para 1 WpHG in 2008 and until the preparation of the financial statements:

Company	Actual share in voting rights	Date of publication	Threshold crossed or undercut
HSBC Holdings plc, London, UK	9,84%	01.12.2008	10%
HSBC Holdings plc, London, UK	4,41%	11.12.2008	5%
HSBC Holdings plc, London, UK	2,19%	12.12.2008	3%
IFOS International Fonds Service AG	3,03%	13.03.2009	3%
Heliad Equity Partners GmbH & Co. KGaA	5,98%	18.03.2009	5%
IP Concept Fund Management, S.A., Luxembourg	4,1%	18.03.2009	3%
IP Concept Fund Management, S.A., Luxembourg	4,10%	25.03.2009	3%
IFOS International Fonds Service AG	5,20%	24.04.2009	5%
IFOS International Fonds Service AG	5,21%	28.04.2009	5%

55: Personal data

Executive Board

Peter Schwenkow

Place of residence	Berlin
Profession	CEO, Businessman
Responsibility within the Group	Strategic Business Development and Operations, Sales, Marketing, Public Relations
Group retainers	Administrative Board Member of Good News Production AG, Glattbrugg-Opfikon (CH)
Shares held as at 31.12.2008	1,802,531

Dr. Ingo Stein

Place of residence	Berlin
Profession	Board Member, Businessman
Responsibility within the Group	Finance, Human Resources and Investor Relations
Group retainers	Member of the Supervisory Board of DEAG Classics AG, Berlin
Shares held as at 31.12.2008	-

Christian Diekmann

Place of residence	Berlin
Profession	Board Member, Businessman
Responsibility within the Group	Operations, Marketing, Sales, Human Resources
Group retainers	-
Shares held as at 31.12.2008	-

Notes to the Consolidated Financial Statements

Supervisory Board

Prof. Dr. Peter Raue

Place of residence	Berlin
Position on Supervisory Board	Chairman
Profession	Lawyer and Notary Public at Hogan Hartson & Raue LLP, Berlin
Retainers on other boards	Supervisory Board Member of Hebbel Theater GmbH, Berlin
Group retainers	-
Shares held as at 31.12.2008	-

Wolf-D. Gramatke

Place of residence	Hamburg
Position on Supervisory Board	Vice-Chairman
Profession	Freelance Media Consultant
Retainers on other boards	Supervisory Board Chairman of Pixelpark AG, Berlin Supervisory Board Vice-Chairman of Senator Entertainment AG, Berlin Other: Member of Supervisory Board of Jetix Europe N.V., Netherlands Member of the media business committee of the Hamburg Chamber of Commerce
Group retainers	Member of the Supervisory Board of DEAG Classics AG, Berlin
Shares held as at 31.12.2008	-

Christine Novakovic

Place of residence	Zurich (Switzerland)
Position of Supervisory Board	Supervisory board member
Profession	Arts Dealer, Executive Consultant
Retainers on other boards	Supervisory Board Member of SEB Group, Stockholm Other: Board member of: Earth Control, Geneva Scientific Advisory Board Member ZhdK, Zurich
Shares held as at 31.12.2008	-

Notes to the Consolidated Financial Statements

The consolidated financial statements were released by the Management Board for publication on April 30, 2009.

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 profit or loss of the group, and the 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, March 31/ April 29, 2009

DEAG Deutsche Entertainment Aktiengesellschaft

Executive Board

Peter L. H. Schwenkow

Dr. Ingo Stein

Christian Diekmann

Independent Auditor's Report

We have audited the consolidated financial statements, including the balance sheet, the statement of income, the statement of changes in shareholders' equity, the cash flow statement and the Notes as well as the management report and the Group management report for the fiscal year from January 1, 2008 to December 31, 2008 prepared by DEAG Deutsche Entertainment Aktiengesellschaft. The preparation of the consolidated financial statements and of the management report of the company and the Group in accordance with IFRS as applicable within the EC and, in addition, in accordance with the commercial law provisions to be applied pursuant to § 315a para 1 HGB (German Commercial Code) is the responsibility of the statutory representatives of the company. Our responsibility is to express an opinion on the basis of our audit of the consolidated financial statements and the management report and Group management report of the Company.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements adopted by the German Institute of Public Auditors (IDW). These require us to plan and perform the audit in such a way that we are able to judge with sufficient reliability whether the consolidated financial statements are free from misstatements that would have a material impact on the presentation of the assets, financial and income position of the company as provided by the consolidated financial statements of the company, prepared in conformity with the applicable generally accepted accounting principles and by the management report and the Group management report. The scope of the audit was defined taking into consideration information on the business activities as well as the economic and legal circumstances of the Group and the expectations regarding possible errors. Within the framework of the audit, evidence on the effectiveness of the internal financial controls and of the values reported and information given in the consolidated financial statements and in the management report and Group management report is assessed primarily on the basis of random checks. The audit includes assessing the financial statements of the entities included in the consolidated financial statements, the determination of the entities to be consolidated, the accounting and consolidation principles applied and material estimates made by the statutory representatives as well as the evaluation of the overall presentation of the consolidated financial statements and the management and Group management reports. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit has not resulted in any qualifications.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as applicable within the EU, as well as with the additional commercial law provisions to be applied pursuant to § 315a para 1 HGB (German Commercial Code) and give a true and fair view of the Group's asset, financial and income position in accordance with such provisions. Both the management report and the Group management report are in conformity with the consolidated financial statements, provide an accurate view of the Group's position and accurately describe the opportunities and risks of future developments.

Without restricting this evaluation, we refer in respect of the jeopardization of the continued existing of the company to the risks from financial obligations as described in the management and Group management report under "Risk Report, 4.5. Financial Obligations".

Berlin, April 29, 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wollank
Auditor

ppa. Nekhin
Auditor

DEAG Deutsche Entertainment Aktiengesellschaft

Balance Sheet Summary (according to HGB)

Assets in EUR'000	31.12.2008	31.12.2007
Intangible assets and tangible fixed assets	62	82
Financial assets	8.577	6.508
Fixed assets	8.639	6.590
Receivables and prepaid expenses	23.175	20.687
Cash, cash equivalents and securities	158	984
Total current assets	23.333	21.671
Total assets	31.972	28.261
Equity and liabilities in EUR'000	31.12.2008	31.12.2007
Share capital	24.778	23.089
Capital reserve	38.422	37.729
Reserve for own shares	1	1
Accumulated deficit	-49.234	-43.914
Shareholders' equity	13.967	16.905
Accruals	473	1.212
Accounts payable to financial institutions	3.942	2.739
Other accounts payable and deferred income	13.590	7.405
Total payables	17.532	10.144
Total equity and liabilities	31.972	28.261

DEAG Deutsche Entertainment Aktiengesellschaft

Consolidated Statement of Income (according to HGB)

in EUR'000	Financial statement 1.1. - 31.12.08	Financial statement 1.1. - 31.12.07
Distribution costs	-370	-319
General and administration costs	-3.836	-4.175
Other operating income and expenses	3.144	701
Interest income/ expenses and other financial results	-447	-194
Depreciation of financial assets and marketable securities	-94	-43
Income from investments and participations	-3.715	3.737
Result of ordinary business activities	-5.318	-293
Income tax and other taxes	-2	-288
Net income/ loss	-5.320	-581
Loss carried forward	-43.914	-43.333
Accumulated deficit	-49.234	-43.914