



DEAG Deutsche Entertainment AG

Interim Report
January to March 2006



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Imprint

1. Business Development

DEAG Deutsche Entertainment AG (ISIN DE0005513907) has achieved sales of 11.8 million Euro in Q1 2006 and, thus, an increase by 132% compared to Q1 2005, where sales from continued operations amounted to 5.1 million Euro. The Zurich Hallenstadion – back in full use since August 2005 after a 12 month facelift break – led to a significant rise in sales compared to the same quarter in 2005. Furthermore mainly the rock and pop activities with successful tours by artists such as Katie Melua, Deep Purple, US5 and Bloodhound Gang contributed to the substantial increase. For this reason DEAG looks back on a strong first quarter despite the distinctive season curve.

The positive business development is also evident in the earnings before taxes and interest (EBIT). Q1 EBIT from continued operations was a positive 0.2 million Euro compared to a loss of 0.2 million Euro in the previous year quarter. The group result of – 0.7 million Euro (– 0.9 million Euro in the previous period) includes apart from the capital costs in connection with the convertible bond, the costs of the repurchase agreement with Ringier publishing house. As announced at the beginning of this week DEAG by redeeming this repurchase agreement will considerably lower its short term liabilities and capital costs in the second half of this year, which will have a positive effect on the net income for the year. The repurchasing agreement with Swiss publisher Ringier due on June 30th, 2006 will be replaced by Ringier purchasing a 38% stake in DEAG's affiliate Good News. In the future, Ringier Publishing will hold 43% of the shares in Good News. The agreement, which is still subject to board approval, will see the largest Swiss newspaper publisher join Good News as major shareholder and lead to a noticeable strategic impetus. Ringier will provide media space worth several millions in the next years.

The total result per share in Q1 increased from -0.07 Euro in Q1 2005 to -0.04 Euro in Q1 2006

The further growth of business in 2006 is also reflected in other balance sheet items. The accrued ticketing receipts for future performances increased by 66% to 14.2 million Euro compared to 22.7million Euro in Q1 2005. The equity ratio increased further to 34.2% compared to 33.5% last year.

DEAG Music, the DEAG label and music publishing arm, made a number of important artist and producer signings, most notably star producer DJ Tomekk ("Jump", "Gangsterville") and French artist Najoua Belyzel, whose French top 3 hit "Gabriel" has just seen a German release via DEAG Music. Ticketmaster Germany, where DEAG holds a minority stake, has by now signed about 500 box offices.

2. Segment Development

As of this quarter DEAG will report in a new segment structure, which reflects the group's strategic focus in a more precise and clear way.

- The Live Touring segment (mobile business) reports on the live touring business and includes the activities of DEAG Classics, Marshall Arts, DEAG Concerts, KBK, Music Pool and creative talent.
- The Entertainment Services segment (stationary business) reports on the regional as well as on the entire services business and includes activities by Global Concerts (Munich), Jahrhunderthalle (Frankfurt), Concert Concept (Berlin) our record label DEAG Music.

The „Theatres“ division will be continued outside the group. The rock and pop activities of Entertainment One were phased out and partly transferred to its subsidiary Global Concerts. Both "Theatres" and Entertainment One are accounted as „Discontinued Operations“ in our quarterly report.

We comment on the segment development as follows:

Live Touring

Sales in this division increased by 450% to 4.4 million Euro compared to Q1 2005. The EBIT has been 0.5 million Euro compared to a loss of 0,2 million Euro. Euro in Q1 2005.

The first quarter saw a number of shows and tours with highly renowned artists such as Deep Purple/Alice Cooper US5, Bloodhound Gang, Scooter and Kanye West in Germany and Katie Melua in the UK.

Entertainment Services

Sales of 7.4 million Euro were achieved. The increase in turnover was 68% compared to the same quarter last year. EBIT rose by 174,4% to 1.9 million Euro.

Sales came mainly from our Swiss activities. In Q1 the Hallenstadion, reopened in August of last year, hosted shows by James Blunt, Depeche Mode, Toto, Xavier Naidoo, Juanes and DJ Bobo.

| in EUR million | I/2006 | I/2005 | changes |
|---------------------------------------|---------------------------|---------------------------|---------|
| | 01.01.2006 -31.03.2006 | 01.01.2005 -31.03.2005 | |
| Segment Live/Touring | | | |
| Revenues | 4,4 | 0,8 | 3,6 |
| EBIT | 0,5 | -0,2 | 0,7 |
| Segment Entertainment Services | | | |
| Revenues | 7,4 | 4,4 | 3,0 |
| EBIT | 1,9 | 0,7 | 1,2 |

3. Outlook

DEAG sees its positive full year prospects confirmed by the positive Q1 figures and the recent strategic moves. The next quarters will see positive contributions from the classical sector (Jessye Norman, Netrebko/Villazón/Domingo, Classical Spectacular etc.) which will add to the contributions of the Rock/Pop tours (Eagles, Chris de Burgh, George Michael etc.). The release of the repurchase agreement will lead to a considerable decrease of short term liabilities and capital cost. We will work on a further reduction of capital costs in 2006. We continue to expect sales above 100 million Euro, positive operating results and an annual net profit.

4. Further Notes as per IAS 34

The following interim report, consisting of consolidated balance sheet, consolidated statement of income, consolidated cash flow statement and additional notes, complies with Deutsche Börse AG's requirements of structured quarterly reports.

The accounting and valuation methods used in the consolidated financial statements to 31 December 2005 have been retained.

Consequences of initial application of changed and new accounting regulations are essentially limited to the new standard IFRS 5. This standard introduced new requirements concerning reporting on the disposal of assets and liabilities as well as on discontinued operations.

This standard requires any group business area to be designated as discontinued operations if that business area is to be sold or closed down. Discontinued operations must be reported on book value or on value, whichever is the lower value, minus costs of disposal. On the consolidated statement of income, consolidated balance sheet, consolidated cash flow statement and in segment reporting discontinued operations must be marked out as such separately and appropriate notes provided. In doing so, the previous year's figures, except for those of the consolidated balance sheet, must be adjusted accordingly.

In order to increase transparency and comparability of our reporting, mainly continued operations are expanded on. Information on discontinued operations is summarised and reported on in the statement

of income, consolidated balance sheet and consolidated cash flow statement respectively in each case under separate items.

As a consequence of re-positioning of the business portfolio the segment Theatres as well as the business activities managed by the promoter Marcel Avram in the segment Artists & Tours had to be reported on in the section on discontinued operations in accordance with IFRS 5.

This report is not audited.

Berlin, 12 May 2006

DEAG Deutsche Entertainment Aktiengesellschaft
The Management Board

| KONZERNBILANZ (IFRS) | CONSOLIDATED BALANCE SHEET (IFRS) | Quartalsbericht/ Interim Report | Jahresabschluss/ Annual Report | Quartalsbericht/ Interim Report |
|---|---|---------------------------------------|-----------------------------------|---------------------------------------|
| | | Q1 - 2006 per/ as at 31.03.2006 | 2005 per/ as at 31.12.2005 | Q1 - 2005 per/ as at 31.03.2005 |
| Aktiva | Assets | <u>TEUR</u> | <u>TEUR</u> | <u>TEUR</u> |
| Kurzfristige Vermögenswerte | Current assets | | | |
| Liquide Mittel | Liquid funds | 27.001 | 25.897 | 20.974 |
| Wertpapiere des Umlaufvermögens | Short-term investments/marketable securities | 393 | 393 | - |
| Forderungen aus Lieferungen und Leistungen | Trade receivables | 4.046 | 2.835 | 4.141 |
| Forderungen gegen nahe stehende Personen und Unternehmen | Accounts receivable due from associated persons and companies | - | - | 60 |
| Vorräte | Inventories | 8.564 | 3.502 | 5.974 |
| Sonstige kurzfristige Vermögenswerte und Rechnungsabgrenzungsposten | Other current assets and deferred items | 14.294 | 13.543 | 9.278 |
| Forderungen gegen verbundene Unternehmen mit nicht fortzuführenden Bereichen | Receivables due from affiliates with operations to be discontinued | 1.231 | 1.215 | - |
| Sonstige Vermögenswerte in direktem Zusammenhang mit nicht fortzuführenden Bereichen | Other assets directly related to operation, which are to be discontinued | 3.279 | 3.506 | - |
| Kurzfristige Vermögenswerte | Current assets | <u>58.808</u> | <u>50.891</u> | <u>40.427</u> |
| | | | | |
| Immaterielle Vermögenswerte | Intangible assets | 19 | 19 | 22 |
| Geschäfts- oder Firmenwerte | Goodwill | 34.613 | 34.613 | 33.310 |
| Sachanlagevermögen | Tangible fixed assets | 742 | 761 | 1.997 |
| Beteiligungen | Participations | 124 | 126 | 127 |
| Ausleihungen an Beteiligungsgesellschaften | Loans to participations | 750 | 750 | 750 |
| Anteile an assoziierten Unternehmen | Shares in affiliated companies | 18 | 13 | 10 |
| Sonstige langfristige Vermögenswerte | Other long-term assets | 5.398 | 5.398 | 5.826 |
| Latente Steuern | Deferred tax assets | 12.335 | 12.335 | 10.652 |
| Langfristige Vermögenswerte | Long-term assets | <u>53.999</u> | <u>54.015</u> | <u>52.694</u> |
| Aktiva | Total assets | <u>112.807</u> | <u>104.906</u> | <u>93.121</u> |
| | | | | |
| | | Quartalsbericht/ Interim Report | Jahresabschluss/ Annual Report | Quartalsbericht/ Interim Report |
| | | Q1 - 2006 per/ as at 31.03.2006 | 2005 per/ as at 31.12.2005 | Q1 - 2005 per/ as at 31.03.2005 |
| Passiva | Liabilities and equity | <u>TEUR</u> | <u>TEUR</u> | <u>TEUR</u> |
| | | | | |
| Verbindlichkeiten gegenüber Kreditinstituten | Bank loans payable | 3.564 | 4.005 | 4.000 |
| Verbindlichkeiten aus Lieferungen und Leistungen | Trade accounts payable | 3.344 | 3.495 | 2.635 |
| Verbindlichkeiten gegenüber nahe stehenden Personen und Unternehmen | Accounts payable to associated persons and companies | - | - | 12 |
| Rückstellungen | Accruals | 4.951 | 5.868 | 5.920 |
| Umsatzabgrenzungsposten | Sales accruals and deferrals | 22.703 | 12.841 | 14.194 |
| Rechnungsabgrenzungsposten und sonstige kurzfristige Verbindlichkeiten | Other current liabilities | 26.347 | 26.163 | 13.064 |
| Verbindlichkeiten gegenüber verbundenen Unternehmen in nicht fortzuführenden Bereichen | Accounts payable to associated companies with operations which are to be discontinued | 1.252 | 1.364 | - |
| Rückstellungen und Verbindlichkeiten in direktem Zusammenhang mit nicht fortzuführenden Bereichen | Accruals and liabilities directly related to operations which are to be discontinued | 3.129 | 3.174 | - |
| Kurzfristige Verbindlichkeiten | Current liabilities | <u>65.290</u> | <u>56.910</u> | <u>39.825</u> |
| | | | | |
| Rückstellungen | Accruals | 72 | 88 | 572 |
| Wandelschuldverschreibung | Convertible bond | 6.216 | 6.016 | 5.456 |
| Sonstige langfristige Verbindlichkeiten | Other long-term liabilities | 150 | 150 | 13.289 |
| Latente Steuern | Deferred taxes | 1.940 | 1.942 | 2.065 |
| Langfristige Verbindlichkeiten | Long-term liabilities | <u>8.378</u> | <u>8.196</u> | <u>21.382</u> |
| | | | | |
| Gezeichnetes Kapital | Share capital | 18.558 | 18.558 | 13.749 |
| Kapitalrücklage | Capital reserve | 62.396 | 62.396 | 56.175 |
| Bilanzverlust | Accumulated deficit | -42.251 | -41.555 | -38.727 |
| Kumuliertes sonstiges Ergebnis | Accumulated other income / loss | -78 | -38 | -4 |
| Eigenkapital vor Minderheitenanteilen | Equity before minority interests | <u>38.625</u> | <u>39.361</u> | <u>31.193</u> |
| Minderheitenanteile | Minority interests | 514 | 439 | 721 |
| Eigenkapital | Equity | <u>39.139</u> | <u>39.800</u> | <u>31.914</u> |
| Passiva | Total liabilities and equity | <u>112.807</u> | <u>104.906</u> | <u>93.121</u> |

| KONZERN-GEWINN UND -VERLUSTRECHNUNG | CONSOLIDATED STATEMENT OF INCOME | Quartalsbericht / Interim Report | |
|--|--|-------------------------------------|--------------------------|
| | | I/2006 | I/2005 |
| | | 01.01.2006 31.03.2006 | 01.01.2005 31.03.2005 |
| | | TEUR | TEUR |
| Umsatzerlöse | Revenues | 11.780 | 5.076 |
| Umsatzkosten | Cost of revenues | -8.863 | -3.255 |
| Bruttoergebnis vom Umsatz | Gross profit | 2.917 | 1.821 |
| Vertriebskosten | Distribution costs | 0,248 | 0,3587 |
| Verwaltungskosten | Administration costs | -997 | -624 |
| Sonstige betriebliche Erträge / Aufwendungen | Other operating income / expenses | -2.206 | -1.577 |
| Betriebsergebnis vor Abschreibungen (EBITDA) | Operating result before depreciation (EBITDA) | 572 | 265 |
| Abschreibungen Firmenwerte | Amortisation of goodwill | 0 | 0 |
| Planmäßige Abschreibungen | Scheduled depreciation | -55 | -68 |
| Betriebsergebnis (EBIT) | Operating result (EBIT) | 231 | -183 |
| Zinserträge / -aufwendungen | Interest income and expenses | -470 | -491 |
| Beteiligungsergebnis | Result from investments and participations | 0 | 109 |
| Ergebnis aus assoziierten Unternehmen | Earnings from affiliated companies | 5 | 0 |
| Währungsgewinne / -verluste | Foreign currency exchange gains / losses | 4 | 7 |
| Sonstige Erträge / Aufwendungen | Other income / expenses | 0 | 0 |
| Finanzergebnis | Financial result | -461 | -375 |
| Ergebnis vor Steuern | Result before taxes | -230 | -558 |
| Steuern vom Einkommen und Ertrag | Income taxes | -259 | -42 |
| Ergebnis nach Steuern aus fortgeführtem Bereich | Result after taxes from continued operations | -489 | -600 |
| Ergebnis nach Steuern aus nicht fortgeführten Bereichen | Result after taxes from discontinued operations | -125 | -281 |
| Ergebnis nach Steuern | Result after taxes | -614 | -881 |
| Minderheitenanteile | Minority interests | 82 | 65 |
| Konzernergebnis | Group result | -696 | -946 |
| Ergebnis je Aktie in EUR (unverwässert) aus fortgeführtem Bereich | Earnings per share in EUR (undiluted) from continued operations | -0,03 | -0,05 |
| aus fortgeführtem und nicht fortzuführenden Bereichen | from continued and discontinued operations | -0,04 | -0,07 |
| Ergebnis je Aktie in EUR (verwässert) aus fortgeführtem Bereich | Earnings per share in EUR (diluted) from continued operations | -0,02 | -0,05 |
| aus fortgeführtem und nicht fortzuführenden Bereichen | from continued and discontinued operations | -0,02 | -0,07 |
| Durchschnittlich im Umlauf befindliche Aktien (unverwässert) | Average no. of shares outstanding (undiluted) | 18.557.552 | 13.748.820 |
| Durchschnittlich im Umlauf befindliche Aktien (verwässert) | Average no. of shares outstanding (diluted) | 23.139.902 | 18.332.170 |

(1) Die Vorjahreszahlen wurden wegen Anwendung IFRS 5 angepasst.

(1) Previous year's figures were adjusted because of IFRS 5.

* Die potenziellen neuen Aktien sind bei rechnerischer Verminderung eines Verlustes/ Erhöhung eines Gewinns pro Aktie als nicht verwässernd zu behandeln.

* Potentially new shares must be treated as undiluted in case of book value decrease in losses or increase in profits per share.

| KONZERN-KAPITALFLUSSRECHNUNG | CONSOLIDATED CASH FLOW STATEMENT | Quartalsbericht / | Quartalsbericht / (1) |
|---|--|-------------------|-----------------------|
| | | Interim Report | Interim Report |
| | | I/2006 | I/2005 |
| | | 01.01.2006 | 01.01.2005 |
| | | 31.03.2006 | 31.03.2005 |
| | | <u>TEUR</u> | <u>TEUR</u> |
| Ergebnis aus dem fortgeführten Bereich | Result from continued operations | -489 | -600 |
| Abschreibungen | Depreciation and amortisation | 55 | 68 |
| Veränderung der Rückstellungen | Change in accruals | -933 | -1.575 |
| Nicht zahlungswirksame Veränderungen | Changes not affecting payments | -228 | -260 |
| Latente Steuerabgrenzung | Deferred taxes (net) | -2 | -7 |
| Veränderung der Anteile in Fremdbesitz | Change in minority interests | 82 | 38 |
| Ergebnis aus assoziierten Unternehmen | Result from valuation of affiliated companies | 5 | 1 |
| Cashflow | Cash flow | -1.510 | -2.335 |
| Zinsergebnis | Net interest income | 470 | 491 |
| Veränderung des working capital | Change in working capital | 2.583 | 2.089 |
| Mittelzu-/abfluss aus der laufenden Geschäftstätigkeit im fortgeführten Bereich | Net cash from operating activities from continued operations | 1.543 | 245 |
| Mittelzu-/abfluss aus der laufenden Geschäftstätigkeit in nicht fortzuführenden Bereichen | Net cash from operating activities from discontinued operations | 116 | -317 |
| Mittelzu-/abfluss aus der laufenden Geschäftstätigkeit (Gesamt) | Net cash from operating activities (total) | 1.659 | -72 |
| Mittelabfluss aus der Investitionstätigkeit im fortgeführten Bereich | Net cash from investment activities from continued operations | -11 | -17 |
| Mittelabfluss aus der Finanzierungstätigkeit (Gesamt) | Net cash from financial activities (total) | -563 | -216 |
| Zahlungswirksame Veränderung des Finanzmittelbestands | Change in cash and cash equivalents | 1.085 | -305 |
| Wechselkurseffekte | Effects of exchange rates | -47 | 13 |
| Finanzmittelbestand am Anfang der Periode | Cash and cash equivalents at beginning of Period | 26.867 (2) | 21.266 |
| Finanzmittelbestand am Ende der Periode | Cash and cash equivalents at end of period | 27.905 (3) | 20.974 |

(1) Die Vorjahreszahlen wurden wegen IFRS 5 angepasst.

(1) Previous year's figures were adjusted on the basis of IFRS 5.

(2) Davon sind 970 TEUR den nicht fortzuführenden Bereichen zuzuordnen.

(2) Thereof kEUR 970 to be associated with discontinued operations.

(3) Davon sind 904 TEUR den nicht fortzuführenden Bereichen zuzuordnen.

(3) Thereof kEUR 904 to be associated with discontinued operations.

| Entwicklung des Eigenkapitals | Changes in equity | Stand am/ Balance as at | Veränderungen/ Changes | Stand am/ Balance as at |
|--------------------------------|---------------------------------|----------------------------|---------------------------|----------------------------|
| | | 31.12.2004 | 01.01.2005- 31.03.2005 | 31.03.2005 |
| | | <u>TEUR</u> | <u>TEUR</u> | <u>TEUR</u> |
| Gezeichnetes Kapital | Share capital | 13.749 | 0 | 13.749 |
| Kapitalrücklage | Capital reserve | 56.175 | 0 | 56.175 |
| Bilanzverlust | Accumulated deficit | -37.781 | -946 | -38.727 |
| Kumuliertes sonstiges Ergebnis | Accumulated other income / loss | -18 | 14 | -4 |
| Minderheitenanteile | Minority interests | 657 | 64 | 721 |
| Eigenkapital | Equity | <u>32.782</u> | <u>-868</u> | <u>31.914</u> |

| Entwicklung des Eigenkapitals | Changes in equity | Stand am/ Balance as at | Veränderungen/ Changes | Stand am/ Balance as at |
|--------------------------------|---------------------------------|----------------------------|---------------------------|----------------------------|
| | | 31.12.2005 | 01.01.2006- 31.03.2006 | 31.03.2006 |
| | | <u>TEUR</u> | <u>TEUR</u> | <u>TEUR</u> |
| Gezeichnetes Kapital | Share capital | 18.558 | - | 18.558 |
| Kapitalrücklage | Capital reserve | 62.396 | - | 62.396 |
| Bilanzverlust | Accumulated deficit | -41.555 | -696 | -42.251 |
| Kumuliertes sonstiges Ergebnis | Accumulated other income / loss | -38 | -47 | -85 |
| Minderheitenanteile | Minority interests | 439 | 82 | 521 |
| Eigenkapital | Equity | <u>39.800</u> | <u>-661</u> | <u>39.139</u> |

IMPRINT

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The Annual Report and current information on DEAG
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