



DEAG Deutsche Entertainment AG

Interim Report
April to June 2006



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Imprint

1. Business Development

DEAG Deutsche Entertainment AG (ISIN DE0005513907) increased its Q2 sales and profits considerably compared to the same quarter in 2005. The group managed to improve on nearly all of the important key figures. Furthermore the other current liabilities could be reduced by 12.0 million Euro to almost half of its amount during the reporting period by discharging of the repurchase agreement with the Swiss Ringier Group. By entering into a cooperation agreement with Anschutz Entertainment Group the second largest worldwide entertainment group was gained as an important ally.

Sales in the reporting period were 25.6 million Euro from continued operations. This means an increase of 29% compared to the same quarter in 2005 and confirms the group's upward trend. Main contributions came from the activities of Swiss affiliate Good News, who had complete access again to a fully usable Zurich Hallenstadion, as well as national and international Rock/Pop tours from artists such as Elton John, Deep Purple, 50 Cent, Christina Stürmer and The Eagles.

Earnings before taxes and interest (EBIT) of 2.8 million Euro rose by 67% compared to Q2 2005 (1.7 million Euro). This was mainly due to an increase in Rock/Pop business activities. Other operating income includes revenue from rent and lease as well as from the result of discharging of the repurchase agreement with Ringier publishers.

A net profit (after tax) of 1.9 million Euro continued activities stands at about 90% above the 1.0 million Euro in the previous year's quarter. Since its 2005 annual accounts DEAG reports its theatres business managed outside the group and E-One's suspended Rock/Pop activities as "discontinued operations" according to IFRS 5. The group result from continued and discontinued operations is notably positive in both Q2 (1.5 million Euro, 2005: 0.0 million Euro) and the first half of 2006 (0.8 million Euro, 2005: -0.9 million Euro), despite a financial result (Q2: -0.4 million Euro, Half year: -0.9 million Euro) shaped by high cost of capital.

DEAG sold 38% of Swiss affiliate Good News shares to Ringier Publishers in the reporting period. DEAG now holds 52% of the shares in Good News and therefore managed to strengthen its ties to Switzerland's largest magazine and newspaper publisher, who will provide marketing and advertising services worth several million Swiss Francs to the company over the coming years.

As part of this transaction DEAG does no longer have a repurchase agreement commitment vis-à-vis Ringier. This sees the other current liabilities in the group balance sheet drop to almost half of its amount, resulting in a highly improved capital structure and a significant reduction in cost of capital. DEAG aims at a further cost of capital decrease for the second half of 2006.

Compared to the figure at December 31, 2005, equity ratio rose from 38% to 40% mainly due to the repurchase agreement liability discharge. Goodwill was reduced by 8.4 million Euro to now 26.2 million Euro, its share of balance sheet total dropped from 33% to 25%. Other current liabilities fell by 45% and 11.9 million Euro respectively.

The growing business activities reflect in inventories (down payments on artist fees, production costs etc.) and sales accruals and deferrals (box office monies received): Compared to December 31, 2005 inventories rose by 6.7 million Euro, box office monies received by 8.4 million Euro.

Current operations in the first half year generated a cash inflow of 0.8 million Euro. The 1.5 million outflow from financing activities can mainly be traced back to loan repayments.

A further event in the reporting period saw the conclusion of negotiations in regard to a joint venture with Los Angeles based Anschutz Entertainment Group, the world's second largest live entertainment company, and agreeing upon a strengthened cooperation in the touring business. The joint company aims at booking Berlin's "O² World" and Waldbühne venues, the Frankfurt Jahrhunderthalle as well as managing further arenas throughout Germany.

As part of this agreement DEAG will sell its 50% stake in Marshall Arts to the company effective July 1, 2006. The sales revenue will be – as outlined in the terms to the 2003 convertible bond - deposited as security with the trustees. Anschutz Entertainment Group intends to take a 49% stake in Marshall Arts. DEAG will be preferred promoter for all tours brought to Germany by Anschutz. The company expects a significant rise in its “Live/Touring” segment business activities from this collaboration.

2. Segment Development

As of the beginning of its financial year 2006 DEAG reports 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) and our record label and music publisher DEAG Music.

The „Theatres“ division will be continued outside the group. The Rock/Pop activities of Entertainment One were phased out and partly transferred to its subsidiary Global Concerts.

We comment on the segment development as follows:

Live Touring

Sales in this division were 13.4 million Euro and stand at 40% above the sales in the previous year’s quarter. Segment result was 0.1 million Euro.

The first quarter saw a number of shows and tours with highly renowned artists such as 50 Cent, The Eagles, Deep Purple and Christina Stürmer in Germany and Elton John, Bon Jovi and others in the UK.

Entertainment Services

Sales of 12.4 million Euro were achieved in this segment and stand at 20% above the sales in the previous year’s quarter.

Sales mainly came from Swiss activities: Good News promoted shows by Eros Ramazzotti, Santana, Bon Jovi and Mark Knopfler among others. Segment result was 2.2 million Euro.

3. Outlook

Development by segment (Continued operations)

Revenues and earnings before interest and taxes (EBIT) developed by segment as follows year on year:

in Mio. EUR	Interim Report 01.04.2006 -30.06.06	Interim Report 01.04.2005 -30.06.2005	6 Month Report 01.01.2006 -30.06.2006	6 Month Report 01.01.2005 -30.06.2005
Live Touring				
Revenues	13,4	9,6	17,8	10,4
EBIT	0,1	0,4	0,6	0,2
Entertainment Services				
Revenues	12,4	10,3	19,8	14,7
EBIT	2,2	2,2	4,1	2,9

The second half of the year will see classical music activities contributing heavily to sales and results, e.g. the Waldbühne concert by the three star tenors Netrebko/Domingo/Villazón in Q3 and "The Royal Philharmonic Orchestra's Last Night Of The Proms" and "Classical Spectacular" in Q4. Furthermore Rock/Pop tours by Chris de Burgh, Manowar and Pet Shop Boys are imminent. The repurchase agreement-induced cost of capital will no longer apply in the second half of the year. We continue to expect positive operating results in the second half of the year and an annual net profit for the financial year 2006.

For its future business development the group will have access to partnerships with, amongst others, Ticketmaster, the world's leading ticketing system provider, Anschutz Entertainment Group, the world's second largest live entertainment group, Ringier, the biggest Swiss publisher, and the Warner Music Group.

To support its growth path DEAG has strengthened its management by appointing Christian Diekmann (33) to Chief Operating Officer (COO) effective August 1, 2006.

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 continues to be reported on in the section on discontinued operations in accordance with IFRS 5.

The number of shares held by Mr. Peter Schwenkow on June 30, 2006 amounts to 618.919.

This report is not audited.

Berlin, 11 August 2006

DEAG Deutsche Entertainment Aktiengesellschaft
The Management Board

KONZERNBILANZ (IFRS)	CONSOLIDATED BALANCE SHEET (IFRS)	6-Monatsbericht / 6 Month Report	Jahresabschluss/ Annual Report	6-Monatsbericht / 6 Month Report
		2006 per/ as at 30.06.2006	2005 per/ as at 31.12.2005	2005 per/ as at 30.06.005
Aktiva	Assets	TEUR	TEUR	TEUR
Kurzfristige Vermögenswerte	Current assets			
Liquide Mittel	Liquid funds	25.100	25.897	22.083
Wertpapiere des Umlaufvermögens	Short-term investments/marketable securities	393	393	-
Forderungen aus Lieferungen und Leistungen	Trade receivables	4.110	2.835	4.696
Forderungen gegen nahe stehende Personen und Unternehmen	Accounts receivable due from associated persons and companies	34	-	60
Vorräte	Inventories	10.121	3.502	5.927
Sonstige kurzfristige Vermögenswerte und Rechnungsabgrenzungsposten	Other current assets and deferred items	13.635	13.543	9.198
Forderungen gegen verbundene Unternehmen mit nicht fortzuführenden Bereichen	Receivables due from affiliates with operations to be discontinued	1.288	1.215	-
Sonstige Vermögenswerte in direktem Zusammenhang mit nicht fortzuführenden Bereichen	Other assets directly related to operation, which are to be discontinued	2.828	3.506	-
Kurzfristige Vermögenswerte	Current assets	57.509	50.891	41.964
Immaterielle Vermögenswerte	Intangible assets	21	19	21
Geschäfts- oder Firmenwerte	Goodwill	26.173	34.613	33.310
Sachanlagevermögen	Tangible fixed assets	730	761	1.886
Beteiligungen	Participations	725	126	127
Ausleihungen an Beteiligungsgesellschaften	Loans to participations	750	750	750
Anteile an assoziierten Unternehmen	Shares in affiliated companies	19	13	2
Sonstige langfristige Vermögenswerte	Other long-term assets	5.398	5.398	5.826
Latente Steuern	Deferred tax assets	12.335	12.335	10.704
Langfristige Vermögenswerte	Long-term assets	46.151	54.015	52.626
Aktiva	Total assets	103.660	104.906	94.590
		6-Monatsbericht / 6 Month Report	Jahresabschluss/ Annual Report	6-Monatsbericht / 6 Month Report
		2006 per/ as at 30.06.2006	2005 per/ as at 31.12.2005	2005 per/ as at 30.06.005
Passiva	Liabilities and equity	TEUR	TEUR	TEUR
Verbindlichkeiten gegenüber Kreditinstituten	Bank loans payable	3.026	4.005	4.000
Verbindlichkeiten aus Lieferungen und Leistungen	Trade accounts payable	3.822	3.495	3.492
Verbindlichkeiten gegenüber nahe stehenden Personen und Unternehmen	Accounts payable to associated persons and companies	-	-	-
Rückstellungen	Accruals	6.408	5.868	6.898
Umsatzabgrenzungsposten	Sales accruals and deferrals	21.253	12.841	12.537
Rechnungsabgrenzungsposten und sonstige kurzfristige Verbindlichkeiten	Other current liabilities	14.307	26.163	12.417
Verbindlichkeiten gegenüber verbundenen Unternehmen in nicht fortzuführenden Bereichen	Accounts payable to associated companies with operations which are to be discontinued	1.185	1.364	-
Rückstellungen und Verbindlichkeiten in direktem Zusammenhang mit nicht fortzuführenden Bereichen	Accruals and liabilities directly related to operations which are to be discontinued	3.309	3.174	-
Kurzfristige Verbindlichkeiten	Current liabilities	53.310	56.910	39.344
Rückstellungen	Accruals	88	88	572
Wandelschuldverschreibung	Convertible bond	6.422	6.016	5.637
Sonstige langfristige Verbindlichkeiten	Other long-term liabilities	150	150	12.386
Latente Steuern	Deferred taxes	1.942	1.942	2.061
Langfristige Verbindlichkeiten	Long-term liabilities	8.602	8.196	20.656
Gezeichnetes Kapital	Share capital	18.558	18.558	15.124
Kapitalrücklage	Capital reserve	62.396	62.396	57.610
Bilanzverlust	Accumulated deficit	-40.750	-41.555	-38.686
Kumuliertes sonstiges Ergebnis	Accumulated other income / loss	-48	-38	15
Eigenkapital vor Minderheitenanteilen	Equity before minority interests	40.156	39.361	34.063
Minderheitenanteile	Minority interests	1.592	439	527
Eigenkapital	Equity	41.748	39.800	34.590
Passiva	Total liabilities and equity	103.660	104.906	94.590

KONZERN-GEWINN UND -VERLUSTRECHNUNG	CONSOLIDATED STATEMENT OF INCOME	Quartalsbericht /	Quartalsbericht /	6-Monatsbericht /	6-Monatsbericht /
		Interim Report	Interim Report	6 Month Report	6 Month Report
		II/2006	II/2005		
		01.04.2006	01.04.2005	01.01.2006	01.01.2005
		30.06.2006	30.06.2005	30.06.2006	30.06.2005
		TEUR	TEUR	TEUR	TEUR
Umsatzerlöse	Revenues	25.610	19.807	37.390	24.883
Umsatzkosten	Cost of revenues	-20.920	-15.355	-29.783	-18.610
Bruttoergebnis vom Umsatz	Gross profit	4.690	4.452	7.607	6.273
Vertriebskosten	Distribution costs	-1.968	-1.416	-2.965	-2.040
Verwaltungskosten	Administration costs	-2.486	-1.984	-4.692	-3.561
Sonstige betriebliche Erträge / Aufwendungen	Other operating income / expenses	2.578	635	3.150	900
Betriebsergebnis vor Abschreibungen (EBITDA)	Operating result before depreciation (EBITDA)	2.814	1.687	3.100	1.572
Abschreibungen Firmenwerte	Amortisation of goodwill	0	0	0	0
Planmäßige Abschreibungen	Scheduled depreciation	-53	-32	-108	-100
Betriebsergebnis (EBIT)	Operating result (EBIT)	2.761	1.655	2.992	1.472
Zinserträge / -aufwendungen	Interest income and expenses	-432	-372	-902	-863
Beteiligungsergebnis	Result from investments and participations	0	0	0	109
Ergebnis aus assoziierten Unternehmen	Earnings from affiliated companies	1	-7	6	-7
Währungsgewinne / -verluste	Foreign currency exchange gains / losses	-5	70	-1	77
Sonstige Erträge / Aufwendungen	Other income / expenses	0	0	0	0
Finanzergebnis	Financial result	-436	-309	-897	-684
Ergebnis vor Steuern	Result before taxes	2.325	1.346	2.095	788
Steuern vom Einkommen und Ertrag	Income taxes	-420	-341	-679	-383
Ergebnis nach Steuern aus fortgeführtem Bereich	Result after taxes from continued operations	1.905	1.005	1.416	405
Ergebnis nach Steuern aus nicht fortgeführten Bereichen	Result after taxes from discontinued operations	-262	-982	-387	-1.263
Ergebnis nach Steuern	Result after taxes	1.643	23	1.029	-858
Minderheitenanteile	Minority interests	142	-18	224	47
Konzernergebnis	Group result	1.501	41	805	-905
Ergebnis je Aktie in EUR (unverwässert)	Earnings per share in EUR (undiluted)				
aus fortgeführtem Bereich	from continued operations	0,10	0,07	0,06	0,03
aus fortgeführtem und nicht fortzuführenden Bereichen	from continued and discontinued operations	0,08	0,00	0,04	-0,06
Ergebnis je Aktie in EUR (verwässert)	Earnings per share in EUR (diluted)				
aus fortgeführtem Bereich	from continued operations	0,08	0,06	0,06	0,03
aus fortgeführtem und nicht fortzuführenden Bereichen	from continued and discontinued operations	0,07	0,00 *	0,04 *	-0,06 *
Durchschnittlich im Umlauf befindliche Aktien (unverwässert)	Average no. of shares outstanding (undiluted)	18.557.552	14.665.773 **	18.557.552	14.037.494
Durchschnittlich im Umlauf befindliche Aktien (verwässert)	Average no. of shares outstanding (diluted)	23.139.902	19.249.123 **	23.139.902	18.620.844

(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.

** Die Vorjahreszahlen wurden angepasst.

** Previous years's figures were adjusted.

KONZERN-KAPITALFLUSSRECHNUNG

CONSOLIDATED CASH FLOW STATEMENT

6-Monatsbericht /
6 Month Report6-Monatsbericht / (1)
6 Month Report

		01.01.2006 -30.06.2006	01.01.2005 -30.06.2005
		<u>TEUR</u>	<u>TEUR</u>
Ergebnis aus dem fortgeführten Bereich	Result from continued operations	1.416	405
Abschreibungen	Depreciation and amortisation	108	100
Veränderung der Rückstellungen	Change in accruals	540	-1.575
Nicht zahlungswirksame Veränderungen	Changes not affecting payments	-2.132	5
Latente Steuerabgrenzung	Deferred taxes (net)	0	-41
Veränderung der Anteile in Fremdbesitz	Change in minority interests	224	47
Ergebnis aus assoziierten Unternehmen	Result from valuation of affiliated companies	6	7
Cashflow	Cash flow	162	-1.052
Zinsergebnis	Net interest income	902	863
Veränderung des working capital	Change in working capital	-53	-218
Mittelzu-/abfluss aus der laufenden Geschäftstätigkeit im fortgeführten Bereich	Net cash from operating activities from continued operations	1.011	-407
Mittelzu-/abfluss aus der laufenden Geschäftstätigkeit in nicht fortzuführenden Bereichen	Net cash from operating activities from discontinued operations	-172	-1.292
Mittelzu-/abfluss aus der laufenden Geschäftstätigkeit (Gesamt)	Net cash from operating activities (total)	839	-1.699
Mittelab-/zufluss aus der Investitionstätigkeit im fortgeführten Bereich	Net cash from investment activities from continued operations	-525	119
Mittelab-/zufluss aus der Finanzierungstätigkeit (Gesamt)	Net cash from financial activities (total)	-1.466	2.372
Zahlungswirksame Veränderung des Finanzmittelbestands	Change in cash and cash equivalents	-1.152	792
Wechselkurseffekte	Effects of exchange rates	-19	25
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	25.696 (3)	22.083

(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 596 TEUR den nicht fortzuführenden Bereichen zuzuordnen.

(3) Thereof kEUR 596 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- 30.06.2005	30.06.2005
		<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Gezeichnetes Kapital	Share capital	13.749	1.375	15.124
Kapitalrücklage	Capital reserve	56.175	1.435	57.610
Bilanzverlust	Accumulated deficit	-37.781	-905	-38.686
Kumuliertes sonstiges Ergebnis	Accumulated other income / loss	-18	33	15
Minderheitenanteile	Minority interests	657	-130	527
Eigenkapital	Equity	<u>32.782</u>	<u>1.808</u>	<u>34.590</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- 30.06.2006	30.06.2006
		<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	805	-40.750
Kumuliertes sonstiges Ergebnis	Accumulated other income / loss	-38	-10	-48
Minderheitenanteile	Minority interests	439	1.153	1.592
Eigenkapital	Equity	<u>39.800</u>	<u>1.948</u>	<u>41.748</u>

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Editing and Coordination

DEAG Deutsche Entertainment AG
edicto GmbH

Further Information

For analysts and investors,
Investor Relations: deag@edicto.de

The Annual Report and current information on DEAG
are posted on the internet at www.deag.de/en/investors.htm

edicto GmbH
Im Gründchen 18a, 61389 Schmittchen, Germany
Telefon: +49 (0) 6084 948590
Telefax: +49 (0) 6084 948592
www.edicto.de

DEAG Deutsche Entertainment Aktiengesellschaft

Potsdamer Straße 58, 10785 Berlin, Germany
Telefon: +49 (0) 30 81075-0
Telefax: +49 (0) 30 81075-519
info@deag.de
www.deag.de