



DEAG Deutsche Entertainment AG

Interim Report
January to March 2007



Interim report by DEAG Deutsche Entertainment AG per 31.03.2007

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Imprint

1. Business development

During the traditionally weaker first quarter of fiscal 2007 DEAG Deutsche Entertainment AG was able to generate sales revenues on the prior year level of EUR 11.8 million (Q1/2006: EUR 11.8 million) and to more than triple its operating income of EUR 0.5 million (comparative period 2006: EUR 0.1 million). The gross margin amounts to 32% (prior year: 25%). The EBITDA rose by more than the double from EUR 0.3 million to EUR 0.7 million. The Group result was balanced during the first quarter compared to a loss of EUR 0.7 million in fiscal 2006. The Group result reflects the significantly lower cost of capital compared to previous years. During the prior year period they still amounted to EUR 0.5 million whereas the interest result was balanced during the first three months of this year. In 2006 the company had reduced a double-digit million amount of liabilities.

During the first quarter the sales revenues in the Rock/Pop area were mainly driven by tours of Snoop Dogg/P.Diddy and Manowar in the Live Touring segment as well as concerts by Shakira and Bryan Adams staged by our Swiss subsidiary, Good News. Events of DEAG Classics will make high contributions more particularly during the second and third quarters.

Equity rose by EUR 8.5 million to EUR 32.2 million. This corresponds to an equity ratio of 46% (prior year: 25%). Short-term liabilities decreased by EUR 27.7 million to EUR 35.1 million. EUR 18.6 million concern advance booking funds received (sales revenue deferrals). Long-term liabilities dropped by EUR 6.5 million to EUR 2.0 million. The decreases were essentially attributable to the reduction of liabilities from the securities repurchase agreement, the convertible bond and the repayment of bank loans and tax liabilities.

As a result the inflow of cash and cash equivalents amounted to EUR 0.5 million versus December 31, 2006.

Goodwill declined by EUR 10.4 million to EUR 23.8 million more particularly following the divestiture of Marshall Arts and the sale of shares in the Swiss subsidiary Good News within the framework of the repayment of the securities repurchasing transaction. The decline in liquid assets from EUR 27.9 million to EUR 14.9 million is attributable to the reduction of short-term liabilities and the deconsolidation of the shareholding in Marshall Arts.

Please note: The prior year figures were restated following the integration of the findings of the German Financial Reporting Enforcement Panel (FREP). As far as detailed explanations are concerned, we refer to the Annual Report 2006.

2. Development of the segments

Since the beginning of fiscal 2006 DEAG has been reporting in a new 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), Marshall Arts (United Kingdom, only for the purpose of comparison with prior year, deconsolidated effective October 13, 2006), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Munich), Music Pool Europe (Hamburg), Balou Entertainment Künstleragentur (Cologne) and creative talent (Berlin).
- The Entertainment Services segment ("stationary business") reports on the regional as well as on the entire services business and includes activities by Good News (Switzerland), Global Concerts (Munich), Jahrhunderthalle Kultur (Frankfurt), Concert Concept (Berlin), Friedrichsbau Varieté (Stuttgart), River Concerts (Hamburg, as of 2007) and our record label and music publisher DEAG Music (Berlin).
- The activities of the Varieté Wintergarten (Berlin), which has since been sold, are reported as discontinued operations. The divestiture of Wintergarten within the framework of the new orientation of the business portfolio did not have any impact on the balance sheet charges in the consolidated financial statements.

We comment on the segment development as follows:

Live Touring

Sales in this division rose by EUR 0.6 million EUR to EUR 5.0 million compared to the previous year quarter. EBIT increased by EUR 0.3 million to EUR 0.8 million.

The first quarter saw a tours by Manowar, Snoop Dogg/P. Diddy, Nigel Kennedy and Rolando Villazón in the Classical Music section.

Entertainment Services

Sales fell slightly by EUR 0.1 million to EUR 7.3 million compared to the previous year quarter. Profits dropped by EUR 1.3 million to EUR 0.6 million.

Sales mainly came from Swiss activities, which included shows by Shakira, André Rieu, Tiziano Ferro as well as Bryan Adams in the Zurich Hallenstadion.

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

in Mio. EUR	I/2007 01.01.2007 -31.03.07	I/2006 01.01.2006 -31.03.06	Absolute Variation
Live Touring segment			
Sales	5,0	4,4	0,6
EBIT	0,8	0,5	0,3
Entertainment Services segment			
Sales	7,3	7,4	-0,1
EBIT	0,6	1,9	-1,3

3. Outlook

The results for the first quarter confirm the trend for 2007. During the second quarter positive contributions to results will be originating, *inter alia*, from tours of The Who, Justin Timberlake and Beyoncé as well as the open air events with the exceptional piano player Lang Lang. During the following quarters results will be driven, *inter alia*, by the almost sold-out events with Anna Netrebko and Rolando Villazón as well as the open air events in Switzerland. For that reason, the Management Board reconfirms its result forecast for fiscal 2007, i.e. a significant increase in sales revenues to more than EUR 100 million with a doubling of the EBIT.

4. Supplementary report

Effective January 1, 2007, the Wintergarten Varieté Theater Betriebs GmbH Berlin was sold. Effective January 1, 2007, the remaining 25% of Music Pool Europe GmbH were acquired.

5. Further explanations in accordance with IAS 34

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

The following consolidated interim financial statements does not contain all information presented in complete year-end accounts. It is advisable to read this interim report along with the 2006 consolidated accounts.

The accounting and valuation methods applied in the consolidated financial statements as at December 31, 2006 remained unchanged.

The impact of the application of changed and new accounting principles continues to be limited to the new Standard IFRS 5. It introduced special reporting requirements concerning non-current assets held for sale and 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 measured at the lower of carrying amount and fair value less costs to sell.

In order to increase the transparency and comparability of our reporting, mainly continued operations are presented. Information on discontinued operations is summarized and reported under separate items in the statement of income, balance sheet and cash flow statement.

Most notably the information on pages 19-23 of our Annual Report 2006 regarding the adjustments to the year-end accounts at December 31, 2005 required amendments to prior year figures in this interim report per March 31, 2007.

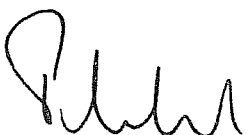
This report is not audited.

6. Management Board Statement

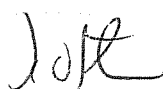
The undersigned, in their capacity as legal representatives of DEAG Deutsche Entertainment AG, Berlin, hereby affirm that to the best of their knowledge and in conformity with the applied principles of orderly consolidated interim reporting the interim financial statements for the first quarter of fiscal 2007 give a true and fair view of the Group's asset, financial and income position and that the consolidated interim management report relating to the first quarter of fiscal 2007 presents the business development including the business result and the situation of the Group during the reporting period in such a way that a true and fair view is given and that the essential opportunities and risks of the business development of the group are described.

Berlin, May 14, 2007

Peter L. H. Schwenkow



Dr. Ingo Stein



Christian Diekmann



CONSOLIDATED BALANCE SHEET (IFRS)	Interim Report	Annual Report	Interim Report
	Q1 - 2007	2006	Q1 - 2006
Assets	31.03.2007	31.12.2006	31.03.2006
	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Current assets			
Liquid funds	14.900	14.190	27.905
Short-term investments/marketable securities	198	198	393
Trade receivables	2.719	2.886	4.317
Inventories	7.946	5.526	8.620
Other current assets and deferred items	4.798	7.709	7.975
Other assets directly related to operation, which are to be discontinued	1.559	1.735	-
Current assets	32.120	32.244	49.210
Goodwill	23.754	23.754	34.185
Other intangible assets	3.426	3.634	1.943
Tangible fixed assets	708	738	987
Investment properties	7.798	7.798	7.798
Participations	726	727	124
Loans to participations	750	750	750
Shares in affiliated companies	25	23	18
Long-term assets	37.187	37.424	45.805
Total assets	69.307	69.668	95.015
	710		
	Quartalsbericht	Jahresabschluss	Quartalsbericht
	Q1 - 2007	2006	Q1 - 2006
Liabilities and equity	31.03.2007	31.12.2006	31.03.2006
	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Bank loans payable	1.148	860	3.564
Trade accounts payable	1.900	3.434	3.938
Accruals	4.566	4.740	5.691
Sales accruals and deferrals	18.592	14.944	22.920
Other current liabilities	7.321	10.000	26.694
Accounts payable to associated companies with operations which are to be discontinued	391	352	-
Accruals and liabilities directly related to operations which are to be discontinued	1.175	1.339	-
Current liabilities	35.093	35.669	62.807
Accruals	62	62	72
Convertible bond	0	0	6.216
Other long-term liabilities	163	163	150
Deferred taxes	1.811	1.865	2.053
Long-term liabilities	2.036	2.090	8.491
Share capital	23.088	23.088	18.558
Capital reserve	64.568	64.568	62.396
Accumulated deficit	-57.674	-57.699	-58.065
Accumulated other income / loss	-24	-50	-78
Equity before minority interests	29.958	29.907	22.811
Minority interests	2.220	2.002	906
Equity	32.178	31.909	23.717
Total liabilities and equity	69.307	69.668	95.015

CONSOLIDATED STATEMENT OF INCOME
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	I/2007	I/2006
	01.01.2007 31.03.2007	01.01.2006 31.03.2006
	TEUR	TEUR
Revenues	11.821	11.780
Cost of revenues	-8.018	-8.863
Gross profit	3.803	2.917
Distribution costs	-1.209	-997
Administration costs	-2.089	-2.206
Other operating income / expenses	219	572
Operating result before depreciation (EBITDA)	724	286
Scheduled depreciation	-252	-158
Operating result (EBIT)	472	128
Interest income and expenses	6	-470
Result from investments and participations	0	0
Earnings from affiliated companies	2	5
Foreign currency exchange gains / losses	-1	4
Financial result	7	-461
Result before taxes	479	-333
Income taxes	-154	-218
Result after taxes from continued operations	325	-551
Result after taxes from discontinued operations	-16	-125
Result after taxes	309	-676
Minority interests	284	55
Group result	25	-731
Earnings per share in EUR (undiluted)		
from continued operations	0,00	-0,03
from continued and discontinued operations	0,00	-0,04
Earnings per share in EUR (diluted)		
from continued operations	0,00	-0,02
from continued and discontinued operations	0,00	-0,03
Average no. of shares outstanding (undiluted)	23.087.582	18.557.552
Average no. of shares outstanding (diluted)	23.087.582	23.139.902

(1) Previous year's figures were adjusted.

CONSOLIDATED CASH FLOW STATEMENT

	Quartalsbericht / Interim Report	Quartalsbericht / (1) Interim Report
	01.01.2007 -31.03.2007	01.01.2006 -31.03.2006
	<u>TEUR</u>	<u>TEUR</u>
Result from continued operations	325	-551
Depreciation and amortisation	252	158
Change in accruals	-174	-933
Changes not affecting payments	-82	-146
Deferred taxes (net)	-54	-43
Result from valuation of affiliated companies	2	5
Cash flow	269	-1.510
Net interest income	-6	470
Change in working capital	77	2.583
Net cash from operating activities from continued operations	340	1.543
Net cash from operating activities from discontinued operations	-190	116
Net cash from operating activities (total)	150	1.659
Net cash from investment activities from continued operations	52	-11
Net cash from financial activities (total)	292	-563
Change in cash and cash equivalents	494	1.085
Effects of exchange rates	26	-47
Cash and cash equivalents at beginning of Period	14.796 (2)	26.867
Cash and cash equivalents at end of period	15.316 (3)	27.905

(1) Previous years's figures were adjusted

(2) Thereof kEUR 606 to be associated with discontinued operations.

(3) Thereof kEUR 416 to be associated with discontinued operations.

Changes in equity	Stand am		Veränderungen		Stand am	
	31.12.2005		01.01.2006- 31.03.2006		31.03.2006	
	<u>TEUR</u>		<u>TEUR</u>		<u>TEUR</u>	
Share capital		18.558		-		18.558
Capital reserve		62.396		-		62.396
Accumulated deficit	-	57.334	-	731	-	58.065
Accumulated other income / loss	-	38	-	40	-	78
Minority interests		858		48		906
Equity		<u>24.440</u>	-	<u>723</u>		<u>23.717</u>

Changes in equity	Stand am		Veränderungen		Stand am	
	31.12.2006		01.01.2007- 31.03.2007		31.03.2007	
	<u>TEUR</u>		<u>TEUR</u>		<u>TEUR</u>	
Share capital		23.088		-		23.088
Capital reserve		64.568		-		64.568
Accumulated deficit	-	57.699		25	-	57.674
Accumulated other income / loss	-	50		26	-	24
Minority interests		2.002		218		2.220
Equity		<u>31.909</u>		<u>269</u>		<u>32.178</u>

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

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