



DEAG Deutsche Entertainment AG

Interim Report  
April to June 2007



## Interim report by DEAG Deutsche Entertainment AG per 30.06.2007

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Imprint

## 1. Business development

DEAG Deutsche Entertainment AG considerably expanded its Q2 sales compared to the prior year quarter. At EUR 30.7 million sales were up 20% vis-à-vis Q2 2006 (EUR 25.6 million). Midyear sales were EUR 42.6 million up 14% compared to the prior year period (EUR 37.4 million). Compared to the previous year figure adjusted by the turnover of affiliate Marshall Arts (an investment sold in October of last year) and Friedrichsbau Varieté (reported under discontinued operations last year) midyear sales were up 35%.

The midyear operating result before interest (EBIT) was EUR 2.5 million. The prior year period EBIT of EUR 2.8 million was marked by high other operating income of EUR 2.2 million generated by the discharge of the repurchase agreement. Adjusted by this effect, midyear EBIT quadrupled compared to prior year quarter.

Midyear group result amounted to EUR 1.4 million and was up EUR 0.6 million vis-à-vis the prior year result. The group result mirrors the considerably improved interest result compared to previous years. In the prior year period it amounted to EUR –0.9 million whereas it was balanced midyear due to a massive reduction in liabilities during 2006. Midyear earnings per share were six Cent (Previous year: four Cent per share).

During Q2 rock/pop tours by Beyoncé, Justin Timberlake, The Who and Barbra Streisand's Waldbühne show and performances by Anna Netrebko and Rolando Villazón along the tour by the exceptional Chinese pianist Lang Lang provided good contributions for the Live Touring segment. The Entertainment Services segment was marked by contributions of Swiss subsidiary Good News. Apart from the Genesis stadium show Beyoncé, Bob Dylan and Lionel Richie played the Zurich Hallenstadion.

Compared to 30.06.2006 equity rose by EUR 6.8 million to EUR 33.1 million. This corresponds to an equity ratio of 51% (prior year: 31%). Short-term liabilities decreased by EUR 21.6 million, long-term liabilities were down by EUR 6.5 million vis-à-vis 30.06.2006. Compared to 30.06.2006 goodwill dropped by EUR 1.6 million to EUR 24.1 million mainly following the divestiture in Marshall Arts. The decrease in liquid funds from EUR 25.7 million to EUR 13.7 million can predominantly be traced back 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 ct 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 1.5 million EUR to EUR 14.9 million compared to the prior year quarter. EBIT increased by EUR 1.0 million to EUR 0.9 million.

The first quarter saw rock/pop tours by The Who, Beyoncé, Justin Timberlake, Pet Shop Boys and Al Jarreau/George Benson. Furthermore Barbra Streisand played Berlin's Waldbühne in Q2.

#### Entertainment Services

Sales were up by EUR 5.8 million to EUR 18.2 million. Profit dropped by EUR 0.1 million to EUR 2.3 million. In this segment the previous year quarter saw a high other operating income *generated by the discharge of the repurchase agreement*

Sales mainly came from Swiss activities, which included shows by Genesis at Bern's Stade de Suisse, performances by Beyoncé, Deep Purple, Tokio Hotel, Lionel Richie, Bob Dylan and Il Divo in the Zurich Hallenstadion.

in Mio. EUR	Interim Report II/2007 01.04.2007 -30.06.2007	Interim Report II/2006 01.04.2006 -30.06.2006	Variation absolute
<b>Live Touring</b>			
Sales	14,9	13,4	1,5
EBIT	0,9	-0,1	1,0
<b>Entertainment Services</b>			
Sales	18,2	12,4	5,8
EBIT	2,3	2,2	0,1

### 3. Outlook

The midyear result and the earnings per share up by 50% in particular confirm group expectations in full. Q3 will see classical music tours and Swiss open air events amongst others. For that reason, the company continues to act on the assumption of positive contributions to operating income in the two quarters to come, since these are traditionally strong in sales and results.

### 4. 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.

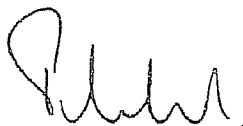
Most notably the information on pages 19-23 of our Annual Report 2006 regarding the adjustments to the year-end accounts at December 31, 2005 required amendments to prior year figures in this interim report per June 30, 2007.

This report is not audited.


## 5. 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 second 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 second 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 in the remaining fiscal year are described.

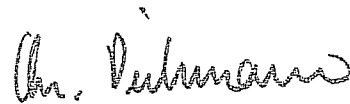
Berlin, August 13, 2007



Peter L. H. Schwenkow



Dr. Ingo Stein



Christian Diekmann

**CONSOLIDATED BALANCE SHEET (IFRS)**

	6 Month Report	Annual Report	6 Month Report
	2007	2006	2006
	as at	as at	as at
Assets	30.06.2007	31.12.2006	30.06.2006
	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>
<b>Current assets</b>			
Liquid funds	13.651	14.190	25.696
Short-term investments/marketable securities	198	198	393
Trade receivables	5.053	2.886	4.315
Accounts receivable due from associated persons and companies	-	-	34
Inventories	4.021	5.526	10.206
Other current assets and deferred items	4.198	7.709	7.244
Other assets directly related to operation, which are to be discontinued	-	1.735	-
<b>Current assets</b>	<b>27.121</b>	<b>32.244</b>	<b>47.888</b>
Goodwill	24.095	23.754	25.745
Other intangible assets	3.330	3.634	1.841
Tangible fixed assets	686	738	1.008
Investment properties	7.798	7.798	7.798
Participations	725	727	725
Loans to participations	750	750	750
Shares in affiliated companies	17	23	19
<b>Long-term assets</b>	<b>37.401</b>	<b>37.424</b>	<b>37.886</b>
<b>Total assets</b>	<b>64.522</b>	<b>69.668</b>	<b>85.774</b>
	6 Month Report	Annual Report	6 Month Report
	2007	2006	2006
	as at	as at	as at
Liabilities and equity	30.06.2007	31.12.2006	30.06.2006
	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Bank loans payable	843	860	3.026
Trade accounts payable	4.872	3.434	4.735
Accruals	6.123	4.740	7.113
Sales accruals and deferrals	9.193	14.944	21.388
Other current liabilities	8.231	10.000	14.575
Accounts payable to associated companies with operations which are to be discontinued	-	352	-
Accruals and liabilities directly related to operations which are to be discontinued	-	1.339	-
<b>Current liabilities</b>	<b>29.262</b>	<b>35.669</b>	<b>50.837</b>
Accruals	62	62	88
Convertible bond	-	-	6.422
Other long-term liabilities	163	163	150
Deferred taxes	1.945	1.865	2.013
<b>Long-term liabilities</b>	<b>2.170</b>	<b>2.090</b>	<b>8.673</b>
Share capital	23.088	23.088	18.558
Capital reserve	64.568	64.568	62.396
Accumulated deficit	-56.333	-57.699	-56.599
Accumulated other income / loss	-35	-50	-48
<b>Equity before minority interests</b>	<b>31.288</b>	<b>29.907</b>	<b>24.307</b>
Minority interests	1.802	2.002	1.957

**CONSOLIDATED STATEMENT OF INCOME**

	Interim Report II/2007	Interim Report II/2006	6 Month Report	6 Month Report
	01.04.2007 30.06.2007	01.04.2006 <sup>(1)</sup> 30.06.2006	01.01.2007 30.06.2007	01.01.2006 <sup>(1)</sup> 30.06.2006
	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>
Revenues	30.745	25.610	42.566	37.390
Cost of revenues	-24.331	-20.920	-32.349	-29.783
<b>Gross profit</b>	<b>6.414</b>	<b>4.690</b>	<b>10.217</b>	<b>7.607</b>
Distribution costs	-2.408	-1.968	-3.617	-2.965
Administration costs	-2.322	-2.486	-4.411	-4.692
Other operating income / expenses	509	2.578	728	3.150
<b>Operating result before depreciation (EBITDA)</b>	<b>2.193</b>	<b>2.814</b>	<b>2.917</b>	<b>3.100</b>
Scheduled depreciation	-162	-157	-414	-315
<b>Operating result (EBIT)</b>	<b>2.031</b>	<b>2.657</b>	<b>2.503</b>	<b>2.785</b>
Interest income and expenses	23	-432	29	-902
Result from investments and participations	120	0	120	0
Earnings from affiliated companies	3	1	5	6
Foreign currency exchange gains / losses	8	-5	7	-1
<b>Financial result</b>	<b>154</b>	<b>-436</b>	<b>161</b>	<b>-897</b>
<b>Result before taxes</b>	<b>2.185</b>	<b>2.221</b>	<b>2.664</b>	<b>1.888</b>
Income taxes	-404	-378	-558	-596
<b>Result after taxes from continued operations</b>	<b>1.781</b>	<b>1.843</b>	<b>2.106</b>	<b>1.292</b>
<b>Result after taxes from discontinued operations</b>	<b>88</b>	<b>-262</b>	<b>72</b>	<b>-387</b>
<b>Result after taxes</b>	<b>1.869</b>	<b>1.581</b>	<b>2.178</b>	<b>905</b>
Minority interests	528	115	812	170
<b>Group result</b>	<b>1.341</b>	<b>1.466</b>	<b>1.366</b>	<b>735</b>
Earnings per share in EUR (undiluted)				
from continued operations	0,05	0,09	0,06	0,06
from continued and discontinued operations	0,06	0,08	0,06	0,04
Earnings per share in EUR (diluted)				
from continued operations	0,05	0,09	0,06	0,06
from continued and discontinued operations	0,06	0,08 *	0,06	0,04 *
Average no. of shares outstanding (undiluted)	23.087.582	18.557.552	23.087.582	18.557.552
Average no. of shares outstanding (diluted)	23.087.582	23.139.902	23.087.582	23.139.002

(1) Prior year figures had to be adjusted following FREP findings

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

CONSOLIDATED CASH FLOW STATEMENT

(1)

	Interim Report	Interim Report
	01.01.2007	01.01.2006
	-30.06.2007	-30.06.2006
	<u>kEUR</u>	<u>kEUR</u>
<b>Result from continued operations</b>	<b>2.106</b>	<b>1.292</b>
Depreciation and amortisation	414	315
Change in accruals	1.383	540
Changes not affecting payments	-401	-1.908
Deferred taxes (net)	80	-
Result from valuation of affiliated companies	3	6
<b>Cash flow</b>	<b>3.585</b>	<b>245</b>
Net interest income	-28	902
Change in working capital	-3.189	-136
<b>Net cash from operating activities from continued operations</b>	<b>368</b>	<b>1.011</b>
Net cash from operating activities from discontinued operations	-190	-172
<b>Net cash from operating activities (total)</b>	<b>178</b>	<b>839</b>
<b>Net cash from investment activities from continued operations</b>	<b>-198</b>	<b>-525</b>
<b>Net cash from financial activities (total)</b>	<b>-1.140</b>	<b>-1.466</b>
<b>Change in cash and cash equivalents</b>	<b>-1.160</b>	<b>-1.152</b>
<b>Effects of exchange rates</b>	<b>15</b>	<b>-19</b>
<b>Cash and cash equivalents at beginning of Period</b>	<b>14.796</b> (2)	<b>26.867</b>
<b>Cash and cash equivalents at end of period</b>	<b>13.651</b>	<b>25.696</b>

(1) Prior year figures were adjusted

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

**Changes in equity**

	Balance as at 31.12.2005	Changes 01.01.2006- 30.06.2006	Balance as at 30.06.2006
	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>
Share capital	18.558	-	18.558
Capital reserve	62.396	-	62.396
Accumulated deficit	- 57.334	735	- 56.599
Accumulated other income / loss	- 38	- 10	- 48
Minority interests	858	1.099	1.957
<b>Equity</b>	<b><u>24.440</u></b>	<b><u>1.824</u></b>	<b><u>26.264</u></b>

**Changes in equity**

	Balance as at 31.12.2006	Changes 01.01.2007- 30.06.2007	Balance as at 30.06.2007
	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>
Share capital	23.088	-	23.088
Capital reserve	64.568	-	64.568
Accumulated deficit	- 57.699	1.366	- 56.333
Accumulated other income / loss	- 50	15	- 35
Minority interests	2.002	- 200	1.802
<b>Equity</b>	<b><u>31.909</u></b>	<b><u>1.181</u></b>	<b><u>33.090</u></b>

## **IMPRINT**

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