



DEAG Deutsche Entertainment AG

Interim Report
July to September 2007



Interim report by DEAG Deutsche Entertainment AG per 30.09.2007

Table of Contents

1. Business Development	2
2. Development by Segment	2-3
3. Outlook	3
4. Supplementary Report	3
5. Further Explanations in accordance with IAS 34	4
6. Consolidated Balance Sheet	5
7. Consolidated Statement of Income	6
8. Consolidated Cash Flow Statement	7
9. Development of Equity within the Group	8

Imprint

1. Business development

DEAG Deutsche Entertainment AG managed to improve its Q3 2007 operating result before interest and tax (EBIT) by 110% to 2.0 million Euro (1.0 million Euro in the previous year) at sales of 24.1 million Euro (Previous year 23.0 million Euro). EBITDA doubled from EUR 1.1 million to EUR 2.2 million. 9 month sales totalled EUR 66.7 million which means a rise of 29% compared to 2006 sales adjusted by revenues of Marshall Arts which was sold in late 2006. During the first nine months EBIT rose to 4.5 million up from 3.7 million Euro in the same period last year. 9 month EBIT rose from EUR 3.7 million to EUR 4.5 million. EBITDA increased from EUR 4.2 million to EUR 5.1 million.

The Q3 2007 group result amounted to EUR 1.2 million compared to a balanced figure in the same quarter in 2006. A group result of EUR 2.5 million was achieved during the first nine months of 2007. This corresponds with an increase of 250% compared to EUR 0.7 million in the previous year period. Nine month earnings per share (EPS) rose by 175% from 4 cent to 11 cent.

The Q3 live touring segment saw very good profit contributions generated by the open air shows starring soprano Anna Netrebko and tenors Rolando Villazón, José Cura and Ramon Vargas. Furthermore the Riverdance show production kicked off very successfully in a number of German towns. Open air shows in Locarno (Moon and Stars festival) and the Geneva concert by The Police all promoted by Good News were the main attractions in the entertainment services segment.

Compared to 30.09.2006 equity rose by EUR 8.4 million to EUR 35.0 million. This corresponds to an equity ratio of 51% (prior year: 33%). Short-term liabilities decreased by EUR 15.6 million, long-term liabilities were down by EUR 6.1 million vis-à-vis 30.09.2006 bringing the cost of financing down from 1.3 million EUR in the first nine months of last year to 0.1 million. Group liquid funds amounted to EUR 17.2 million. The lower level compared to 30.09.2006 (EUR 21.0 million) can predominantly be traced back to the deconsolidation of the shareholding in Marshall Arts. Compared to 31.12.2006 liquid funds rose by EUR 3.0 million. A positive cash flow of EUR 4.4 million was generated.

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), ACE Entertainment (Hamburg) 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) and our record label and music publisher DEAG Music (Berlin).

The activities of the Varieté Wintergarten (Berlin) sold on April 18, 2007 are reported as discontinued operations.

We comment on the segment development as follows:

Live Touring

Sales in this division rose by EUR 4.5 million EUR to EUR 10.4 million compared to the prior year quarter. EBIT increased by EUR 1.4 million to EUR 2.3 million.

The third quarter saw classical music open air shows, the Riverdance show production and the Zillertal open air festival celebrating the end of the Schürzenjäger tour.

Entertainment Services

Sales were down by EUR 3.0 million to EUR 14.4 million. Profit dropped by EUR 0.2 million to EUR 0.6 million.

Apart from their Zurich Hallenstadion activities Good News of Switzerland promoted a number of open air shows in Locarno (Moon and Stars Festival) with the likes of Pink and Peter Gabriel and The Police in Geneva. The high sales in comparison to the same period last year were marked by the Rolling Stones open air show.

in Mio. EUR	Interim Report III/2007 01.07.2007 -30.09.2007	Interim Report III/2006 01.07.2006 -30.09.2006	Variation absolute
Live Touring			
Sales	10.4	5.9	4.5
EBIT	2.3	0.9	1.4
Entertainment Services			
Sales	14.4	17.4	-3.0
EBIT	0.6	0.8	-0.2

3. Outlook

While 2006 nine months EBIT has been marked by special effects, the continuous increase this year and the operative force is viewed by DEAG board as a confirmation of its strategy to strengthen the profitable show and classical music segment in addition to the margin oriented growth in the rock/pop sector. This strategy will be resumed in the upcoming year. DEAG board continues to act on the assumption of a positive Q4 2007 contribution.

4. Supplementary Report

The longtime running cooperation with ACE Entertainment GmbH was finally sealed through the acquisition of 51% in ACE shares by DEAG.

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 September 30, 2007.

This report is not audited.

Berlin, November 16, 2007

DEAG Deutsche Entertainment AG
The board

CONSOLIDATED BALANCE SHEET (IFRS)

	9 Month Report	Annual Report	9 Month Report
	2007	2006	2006
	as at	as at	as at
Assets	30.09.2007	31.12.2006	30.09.2006
	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>
Current assets			
Liquid funds	17.191	14.190	21.018
Short-term investments/marketable securities	198	198	393
Trade receivables	3.296	2.886	3.618
Accounts receivable due from associated persons and companies	-	-	47
Inventories	3.309	5.526	10.868
Other current assets and deferred items	3.826	7.709	7.910
Other assets directly related to operation, which are to be discontinued	-	1.735	-
Current assets	27.820	32.244	43.854
Goodwill	25.389	23.754	25.745
Other intangible assets	5.088	3.634	1.736
Tangible fixed assets	738	738	982
Investment properties	7.798	7.798	7.798
Participations	724	727	729
Loans to participations	750	750	750
Shares in affiliated companies	20	23	20
Long-term assets	40.507	37.424	37.760
Total assets	68.327	69.668	81.614
	9 Month Report	Annual Report	9 Month Report
	2007	2006	2006
	as at	as at	as at
Liabilities and equity	30.09.2007	31.12.2006	30.09.2006
	<u>kEUR</u>	<u>kEUR</u>	<u>kEUR</u>
Bank loans payable	2.882	860	3.113
Trade accounts payable	4.814	3.434	4.296
Accruals	6.587	4.740	2.900
Sales accruals and deferrals	9.174	14.944	21.177
Other current liabilities	7.263	10.000	14.818
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	-
Current liabilities	30.720	35.669	46.304
Accruals	62	62	88
Convertible bond	-	-	6.488
Other long-term liabilities	163	163	150
Deferred taxes	2.381	1.865	1.941
Long-term liabilities	2.606	2.090	8.667
Share capital	23.088	23.088	18.655
Capital reserve	64.568	64.568	62.441
Accumulated deficit	-55.154	-57.699	-56.608
Accumulated other income / loss	-40	-50	-68
Equity before minority interests	32.462	29.907	24.420
Minority interests	2.539	2.002	2.223
Equity	35.001	31.909	26.643
Total liabilities and equity	68.327	69.668	81.614

CONSOLIDATED STATEMENT OF INCOME	Interim Report	Interim Report	6 Month Report	6 Month Report
	III/2007	III/2006		
	01.07.2007	01.07.2006 ⁽¹⁾	01.01.2007	01.01.2006 ⁽¹⁾
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
	kEUR	kEUR	kEUR	kEUR
Revenues	24.104	22.993	66.670	60.383
Cost of revenues	-18.095	-17.822	-50.444	-47.605
Gross profit	6.009	5.171	16.226	12.778
Distribution costs	-2.055	-1.789	-5.672	-4.754
Administration costs	-2.532	-2.101	-6.943	-6.793
Other operating income / expenses	795	-159	1.523	2.991
Operating result before depreciation (EBITDA)	2.217	1.122	5.134	4.222
Scheduled depreciation	-221	-172	-635	-487
Operating result (EBIT)	1.996	950	4.499	3.735
Interest income and expenses	-126	-360	-97	-1.262
Result from investments and participations	50	0	170	0
Earnings from affiliated companies	2	1	7	7
Foreign currency exchange gains / losses	-9	5	-2	4
Financial result	-83	-354	78	-1.251
Result before taxes	1.913	596	4.577	2.484
Income taxes	-52	-166	-610	-762
Result after taxes from continued operations	1.861	430	3.967	1.722
Result after taxes from discontinued operations	-104	-178	-32	-565
Result after taxes	1.757	252	3.935	1.157
Minority interests	578	261	1.390	431
Group result	1.179	-9	2.545	726
Earnings per share in EUR (undiluted)				
from continued operations	0,06	0,01	0,11	0,07
from continued and discontinued operations	0,05	0,00	0,11	0,04
Earnings per share in EUR (diluted)				
from continued operations	0,06	0,01	0,11	0,07
from continued and discontinued operations	0,05	0,00 *	0,11	0,04 *
Average no. of shares outstanding (undiluted)	23.087.582	18.590.466	23.087.582	18.590.466
Average no. of shares outstanding (diluted)	23.087.582	23.138.530	23.087.582	23.133.530

(1) Previous year figures had to be adjusted following the DPR findings

(2) 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

Interim Report

Interim Report (1)

	01.01.2007 -30.09.2007	01.01.2006 -30.09.2006
	<u>kEUR</u>	<u>kEUR</u>
Result from continued operations	3.967	1.722
Depreciation and amortisation	635	487
Change in accruals	1.847	-3.609
Changes not affecting payments	-2.533	-1.798
Deferred taxes (net)	516	-155
Result from valuation of affiliated companies	3	7
Cash flow	4.435	-3.346
Net interest income	-97	1.262
Change in working capital	-1.793	-1.333
Net cash from operating activities from continued operations	2.545	-3.417
Net cash from operating activities from discontinued operations	-190	-396
Net cash from operating activities (total)	2.355	-3.813
Net cash from investment activities from continued operations	-669	-531
Net cash from financial activities (total)	699	-1.466
Change in cash and cash equivalents	2.385	-5.810
Effects of exchange rates	10	-39
Cash and cash equivalents at beginning of Period	14.796 (2)	26.867
Cash and cash equivalents at end of period	17.191	21.018

(1) Previous year figures were adjusted

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

Changes in equity	Balance as at	Changes	Balance as at
	31.12.2005	01.01.2006- 30.09.2006	30.09.2006
	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Share capital	18.558	97	18.655
Capital reserve	62.396	45	62.441
Accumulated deficit	- 57.334	726	- 56.608
Accumulated other income / loss	- 38	- 30	- 68
Minority interests	858	1.365	2.223
Equity	<u>24.440</u>	<u>2.203</u>	<u>26.643</u>

Changes in equity	Balance as at	Changes	Balance as at
	31.12.2006	01.01.2007- 30.09.2007	30.09.2007
	<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	2.545	- 55.154
Accumulated other income / loss	- 50	10	- 40
Minority interests	2.002	537	2.539
Equity	<u>31.909</u>	<u>3.092</u>	<u>35.001</u>

IMPRINT

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

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