



DEAG Deutsche Entertainment AG

Interim Report
January to March 2008

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Imprint

1. Preface by the Chief Executive Officer

Dear shareholders,

DEAG has had a promising start into the new business year. Again we were able to increase sales and EBIT compared to the previous year quarter and we further diversified the sales mix: Apart from classical music and Rock/Pop there were sales contributions from the show and sponsoring business lines.

We reached a further milestone for the strategic development of DEAG: Through acquisition of 75,1% in shares of Britain's largest classical music promoter Raymond Gubbay Limited we are now European market leader. We anticipate that through the course of the fiscal year we will enter the Swiss, Austrian, French and Dutch markets either through own companies or partnerships. By combining our artist roster with local markets we create plenty of new business. DEAG is now able to offer its classical music artists to perform in Europe on a "one-stop" basis.

Our Rock/Pop business line sports a strong artist roster including the likes of Kylie Minogue, Alicia Keys, Katie Melua, Foo Fighters, Neil Young and many others. The Schlager business line also sees DEAG at the top position: Sold out venues of Howard Carpendale, Udo Lindenberg and Peter Maffay (2009 tour) show that we are well set up in this genre too.

In Switzerland our market leader Good News outperformed its previous year quarter too. On top the quarters to come promise good progress: The Madonna open air at Dübendorf airfield sold out with in two days.

With our partners Anschutz Entertainment, the second largest live entertainment group worldwide as well as world ticketing market leader, we have strong companions at our side on our growth path.

Now we are hoping that the DEAG share price development will join this positive trend. By all means we will work hard on taking DEAG further.

Best regards

Yours,

Peter L.H. Schwenkow

2. DEAG at capital market

The DEAG share featured an outperformance via-à-vis the respective bench marks in Q1 2008. At the same time analysts certified the share a price potential between a conservative 15 and 75%. Q1 2008 was affected at stock exchanges worldwide and in Germany by significantly sinking share prices. The second-tier stock index SDAX slumped by around 13.5% until March 31, the Prime Media index lost 11.5 % in value and the German DAX standards decreased on an average of even 19%. The DEAG share too suffered from this poor stock exchange form, but the loss was significantly smaller. After a 2007 closing price of EUR 1.70 the share was listed at EUR 1.52 in March 31, 2008. Through this the share was able to recover from the all-time low of EUR 1.28.

It can be noted positively that the downward move of the DEAG share took place at low volumes. On average during Q1 17.360 shares were traded per day. In 2007 the daily turnover at solid share prices was notably higher at 60.000 shares.

On the basis of a very good operative development the company continued the dialogue with the capital market intensively. Straight after the close of the quarter analysts at SES Research increased their upside share target to EUR 2.90, it was previously at EUR 2.80. The vote continues to be „Buy“. The preliminary Q1 figures, who totally corresponded with the final figures, too outreached analysts' expectations and hence were commented on positively.

Apart from the SES Research coverage the contact to DZ Bank was intensified during Q1. DZ Bank have also now published a study on DEAG and will continue to watch the share. The comprehensive study certifies DEAG an „interesting upside potential“ and recommend to buy the share. The fair value in the Discounted Cash Flow model is seen at EUR 2.61 per share.

DEAG also continued talking to the finance and business press during the quarter. Publishing the preliminary figures resulted in positive press and a number of buy recommendations in various media, e.g. Euro am Sonntag, Betafaktor and Prior Börse.

DEAG will carry on its dialogue with the finance community and regards – along with the continuing positive development of the operative business – this as an accompanying measure in order to communicate „the new DEAG“ to investors, analysts and media and stimulate the share price development.

3. Business development

Fiscal 2008 took off well for DEAG Deutsche Entertainment AG. In the first quarter - traditionally weak in sales – DEAG managed to improve both sales and EBIT considerably. Q1 2008 sales were EUR 14.6 million (Q1/2007: EUR 11.8 million) which means an increase of 24% vis-à-vis the prior year period. EBITDA gained 20% compared to the previous year quarter and is now at EUR 0.9 million. EBIT climbed by 40% to EUR 0.7 million (previous year: EUR 0.5 million). A positive quarterly result after minority interests of EUR 0.2 million was achieved, while the result in the previous year quarter was just about balanced.

In the Live Touring segment in particular the dance show Riverdance and the classical music tours of star tenor Rolando Villazón and miracle violinist David Garrett contributed to sales and results. Furthermore the sponsoring area performed strongly.

In the Entertainment Services segment in particular our Swiss subsidiary Good News managed to outperform its sales and profit figures of the previous year quarter.

Sales and profit contributions of the acquired shares in Raymond Gubbay Limited, the largest classical music promoter in the UK, will start to be part of the consolidated financial statements in Q2.

At EUR 33.6 million equity remained nearly unchanged vis-à-vis 31.12.2007 (EUR 34.0 million), compared with 31.03.2007 an increase of EUR 1.4 million was recorded. The equity ratio fell slightly due to the higher balance sheet total (44% at 31.03.2008 compared to 48% at 31.12.2007). The balance sheet expansion can mainly be traced back to the increasing business: Funds received from advance bookings for upcoming events (sales accruals and deferrals) climbed by EUR 1.6 million compared to 31.03.2007 and even by EUR 6.9 million compared to 31.12.2007 to now EUR 20.2 million. On the assets side artist fee and production cost deposits for upcoming events (inventories) increased by EUR 3.2 million to EUR 6.9 million vis-à-vis 31.12.2007. Trade receivables climbed by EUR 1.7 million to EUR 8.2 million.

Compared to 31.12.2007 liquid funds gained EUR 0.5 million and now stand at EUR 14.7 million.

4. Development of the segments

DEAG has been reporting in an unchanged 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), 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) and River Concerts and Elbklassik (Hamburg).

We comment on the segment development as follows:

Live Touring

Sales in this division rose by EUR 1.1 million EUR to EUR 6.1 million compared to the previous year quarter. EBIT decreased by EUR 0.3 million to EUR 0.5 million.

The first quarter saw classical music tours by star tenors Rolando Villazón and Jonas Kaufmann as well as miracle violonist David Garrett. Furthermore the second leg of the Irish dance show Riverdance was staged. In the Rock/Pop business line shows by Alicia Keys and Neil Young were promoted. The strong segment result of the previous year period could not be achieved.

Entertainment Services

Sales climbed by EUR 2.0 million compared to the previous year quarter. EBIT rose by EUR 0.5 million to EUR 1.1 million.

Sales mainly came from Swiss activities. The Good News group managed to improve both sales and results compared to the previous year quarter. The Cure, Smashing Pumpkins, Chris Rea, James Blunt and Alicia Keys all performed at the Zurich Hallenstadion.

in Mio. EUR	Interim Report	Interim Report	Absolute Variation
	I/2008 01.01.2008 -31.03.2008	I/2007 01.01.2007 -31.03.2007	
Live Touring segment			
Sales	6,1	5,0	1,1
EBIT	0,5	0,8	-0,3
Entertainment Services segment			
Sales	9,3	7,3	2,0
EBIT	1,1	0,6	0,5

5. Outlook

The company acts on the assumption of a strong Q2, which will see the Howard Carpendale tour as well as the massive classical music events in Vienna (inter alia the opera star summit with Anna Netrebko, Rolando Villazón and Plácido Domingo) take place.

The season at Berlin's Waldbühne took off earlier than scheduled on May 24 with the three combined Berliner Philharmoniker concerts under the special direction of Claudia Abbado.

Furthermore the results of Raymond Gubbay Limited will be part of the consolidated financial statements for the first time.

The company continues to anticipate that fiscal 2008 will see rising sales and results compared to 2007.

6. Supplementary report

Effective April 1, 2008, DEAG acquired 75,1 % of Raymond Gubbay Ltd. (RGL), the largest and most renowned Classical music promoter in the UK. RGL, founded in 1966, presents around 400 opera, ballet and concert events in Great Britain, Europe, Asia and Australia. Through this DEAG has broken into the – behind Germany – second most important classical music market in Europe and is now Europe's largest classical music promoter.

7. 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 2007 consolidated accounts.

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

This report is not audited.

Berlin, May 28, 2008

DEAG Deutsche Entertainment AG

The Management Board

Peter L.H. Schwenkow

Dr. Ingo Stein

Christian Diekmann

CONSOLIDATED BALANCE SHEET (IFRS)	Interim Report	Annual Report	Interim Report
	Q1 - 2008	2007	Q1 - 2007
	31.03.2008	31.12.2007	31.03.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Assets			
Current assets			
Liquid funds	14.673	14.129	14.900
Short-term investments/marketable securities	155	155	198
Trade receivables	8.160	6.505	2.719
Inventories	6.910	3.690	7.946
Other current assets and deferred items	2.204	1.982	4.798
Other assets directly related to operation, which are to be discontinued	-	-	1.559
Current assets	32.102	26.461	32.120
Goodwill	24.459	24.459	23.754
Other intangible assets	7.119	7.001	3.426
Tangible fixed assets	898	897	708
Investment properties	8.200	8.200	7.798
Participations	717	712	726
Loans to participations	250	250	750
Shares in affiliated companies	24	21	25
Other long-term assets	2.104	2.104	-
Deferred tax assets	-	-	-
Long-term assets	43.771	43.644	37.187
Total assets	75.873	70.105	69.307
	Interim Report	Annual Report	Interim Report
	Q1 - 2008	2007	Q1 - 2007
Liabilities and equity	31.03.2008	31.12.2007	31.03.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Bank loans payable	3.266	2.739	1.148
Trade accounts payable	3.473	4.211	1.900
Accruals	5.184	5.315	4.566
Sales accruals and deferrals	20.203	13.281	18.592
Other current liabilities	4.929	5.262	7.321
Accounts payable to associated companies with operations which are to be discontinued	-	-	391
Accruals and liabilities directly related to operations which are to be discontinued	-	-	1.175
Current liabilities	37.055	30.808	35.093
Accruals	90	90	62
Other long-term liabilities	3.645	3.669	163
Deferred taxes	1.517	1.551	1.811
Long-term liabilities	5.252	5.310	2.036
Share capital	23.088	23.088	23.088
Capital reserve	64.568	64.568	64.568
Accumulated deficit	-56.392	-56.566	-57.674
Accumulated other income / loss	-294	-374	-24
Equity before minority interests	30.970	30.716	29.958
Minority interests	2.596	3.271	2.220
Equity	33.566	33.987	32.178

CONSOLIDATED STATEMENT OF INCOME	Interim Report	Interim Report
	I/2008	I/2007
	01.01.2008 31.03.2008	01.01.2007 31.03.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>
Revenues	14.617	11.821
Cost of revenues	-10.000	-8.018
Gross profit	4.617	3.803
Distribution costs	-1.716	-1.209
Administration costs	-2.108	-2.089
Other operating income / expenses	77	219
Operating result before depreciation (EBITDA)	870	724
Scheduled depreciation	-206	-252
Operating result (EBIT)	664	472
Interest income and expenses	-165	6
Result from investments and participations	-	-
Earnings from affiliated companies	3	2
Foreign currency exchange gains / losses	-29	-1
Financial result	-191	7
Result before taxes	473	479
Income taxes	-81	-154
Result after taxes from continued operations	392	325
Result after taxes from discontinued operations	-10	-16
Group result	382	309
thereof minority interests	208	284
thereof due to DEAG shareholders	174	25
Earnings per share in EUR (undiluted)		
from continued operations	0,01	0,00
from continued and discontinued operations	0,01	0,00
Earnings per share in EUR (diluted)		
from continued operations	0,01	0,00
from continued and discontinued operations	0,01	0,00
Average no. of shares outstanding (undiluted)	23.087.582	23.087.582
Average no. of shares outstanding (diluted)	23.087.582	23.087.582

CONSOLIDATED CASH FLOW STATEMENT

	Interim Report	Interim Report
	01.01.2008 -31.03.2008	01.01.2007 -31.03.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>
Result from continued operations	392	325
Depreciation and amortisation	206	252
Change in accruals	-131	-174
Changes not affecting payments	-35	-82
Deferred taxes (net)	-34	-54
Result from valuation of affiliated companies	-3	-2
Cash flow	395	265
Net interest income	165	-6
Change in working capital	754	77
Net cash from operating activities from continued operations	1.314	336
Net cash from operating activities from discontinued operations	-10	-190
Net cash from operating activities (total)	1.304	146
Net cash from investment activities from continued operations	-270	52
Net cash from financial activities (total)	-615	292
Change in cash and cash equivalents	419	494
Effects of exchange rates	125	26
Cash and cash equivalents at beginning of Period	14.129	14.796 ⁽¹⁾
Cash and cash equivalents at end of period	14.673	15.316 ⁽²⁾

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

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

Changes in equity

	31.12.2006	01.01.2007- 31.03.2007	31.03.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</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
Equity before minorities	29.907	51	29.958
Minority interests	2.002	218	2.220
Equity	<u>31.909</u>	<u>269</u>	<u>32.178</u>

Changes in equity

	31.12.2007	01.01.2008- 31.03.2008	31.03.2008
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Share capital	23.088	-	23.088
Capital reserve	64.568	-	64.568
Accumulated deficit	- 56.566	174	- 56.392
Accumulated other income / loss	- 374	80	- 294
Equity before minorities	30.716	254	30.970
Minority interests	3.271	- 675	2.596
Equity	<u>33.987</u>	<u>421</u>	<u>33.566</u>

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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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