



DEAG Deutsche Entertainment AG

Interim Report as at June 30, 2008

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Imprint

## 1. Foreword by the Chief Executive Officer

Dear shareholders,

Our second quarter has kept its promises: a 28 percent growth in sales revenues, a 30 percent growth in EBITDA, a 19 percent growth in EBIT. And the program for the past quarter impressively shows that DEAG is well positioned in all the segments of Live Entertainment:

- The European Classics highlight with the open air performance of the currently leading European opera stars Anna Netrebko, Rolando Villazón and Plácido Domingo, which enthused thousands of spectators in front of Schönbrunn Castle in Vienna and millions of television viewers.
- Top Rock/pop acts with tours of Kylie Minogue, Foo Fighters, Katie Melua and many others.
- The successful comeback of Schlager legend Howard Carpendale.
- Open air tour with star pianist Lang Lang.

We are beginning to reap the fruits of our efforts. And we still have a lot in the pipeline! The results of the market leader for classical music events in the UK, Raymond Gubbay Ltd., are included for the first time in this quarter. The fourth quarter will be its strongest. Furthermore, we must further expand our leading position in European classical music through the integration of our classical music activities in Europe. We will work hard to reach this goal. To be consistent, we will also enter the classical music gala and event business.

With the tours of the major German-speaking artists Howard Carpendale, Udo Lindenberg (October 2008) and Peter Maffay (2009) we have developed into an established player in this segment, too. Our Swiss subsidiary, Good News, will stage the large open air concert with Madonna during the third quarter – the 65,000 tickets were sold out within half a day. In Germany, the tours of Neil Young, Leonard Cohen, Alicia Keys, Deep Purple, Alice Cooper and Whitesnake will take place, amongst others, during the second half-year. In the classical music segment we will have tours of Hilary Hahn and Gabriela Montero. We anticipate, more particularly, a strong fourth quarter and continue to assume that we will improve all of our essential ratios in 2008 versus 2007.

The general share price development in the Small Cap segment is unpleasant. Regrettably it has left its mark on DEAG, too. We will consistently continue on our way, step up the development of DEAG and communicate intensely with the capital market.

Best regards

Yours,

Peter Schwenkow

## **2. Business development**

### **Income position**

DEAG Deutsche Entertainment AG was again able to increase its sales revenues and earnings. During the first half-year sales revenues amounted to EUR 53.8 million; this corresponded to a 26 percent rise versus the first half-year 2007 (EUR 42.6 million). During Q2 2008 sales revenues increased by 27 percent versus Q2 2007 (EUR 30.7 million) to EUR 39.2 million.

The growth in sales revenues is attributable, more particularly, to the Rock/Pop tours in Germany as well as our classics open air concerts. The second quarter clearly underlined the broad positioning of DEAG: the highlight of the European classical music season with the open air concert of opera stars Anna Netrebko, Rolando Villazón and Plácido Domingo in front of Schönbrunn Castle in Vienna, the open air tour of star pianist Lang Lang, concerts with the star violinist David Garrett, the spectacular comeback of German Schlager legend Howard Carpendale in 15 largely sold out concerts in large arenas, performances of top Rock/pop acts such as Kylie Minogue, Katie Melua and the Foo Fighters as well as concerts by The Police and Céline Dion at the Zurich Hallenstadion.

The earnings before interest, taxes, depreciation and amortization (EBITDA) rose during the first half-year by 27 percent to EUR 3.7 million. In this connection gross income followed the rise in sales revenues and went 27 percent up to EUR 12.8 million. Distribution and administration costs increased, more particularly, as a result of the expansion of the scope of consolidation and due to the business level which rose by a total EUR 2.0 million to EUR 10.1 million.

Earnings before interest and taxes (EBIT) of the first half-year 2008 grew by 23 percent to EUR 3.1 million on a year-on-year comparison basis (prior year: EUR 2.5 million).

Net interest expense of the first half-year increased by EUR 0.8 million compared to the prior year period. This was mainly attributable to the raising of mezzanine loans during Q4 2007 for the financing of acquisitions.

Earnings after tax amounted to EUR 2.2 million during the first half-year 2008 and were hence on prior year level. Minority shareholdings amount to EUR 1.2 million versus EUR 0.8 million during the prior year period. The higher level is due to the earnings contribution of companies with minority shareholdings within the Group, which were higher during the first six months of 2008 versus 2007.

The half-year result after minority shareholdings amounts to EUR 1.1 million (EUR 1.4 million during the first half-year 2007). The variation versus prior year was mainly attributable to higher interest expenses and higher minority shareholdings.

Earnings per share for the past half-year period were 5 cents versus 6 cents during the prior year period.

EBITDA of the second quarter 2008 increased by 30 percent versus the prior year period to EUR 2.8 million: EBIT rose by 19 percent to EUR 2.4 million. The net income for the quarter before minority shareholdings amounts to EUR 1.8 million and is hence likewise on prior year level. After the deduction of minority shareholdings of EUR 0.9 million, the net income for the quarter amounts to EUR 0.9 million (prior year: EUR 1.3 million).

### **Assets position**

Balance sheet total went up versus December 31, 2007 by 31 percent to EUR 91.8 million. The rise is attributable, more particularly, to the increase in liquid assets, inventories, goodwill as well as intangible assets.

The rise in liquid assets by EUR 5.3 million to EUR 19.4 million goes hand in hand with the increase in sales revenue deferrals (advance booking monies received) by EUR 7.4 million to EUR 20.6 million. Together with the rise in inventories (artist fees and production costs of forthcoming events) by EUR 6.1 million to EUR 9.8 million, this illustrates the growth in business activities during the quarters to come.

The rise in goodwill by EUR 7.2 million to EUR 31.7 million and other intangible assets by 2.9 million to EUR 9.9 million is due to the acquisition of 75,1 percent of the shares in Raymond Gubbay Limited in 2008 as well as the associated purchase price allocation to the two balance sheet items.

The increase in other non-current liabilities by EUR 5.6 million to EUR 9.3 million is attributable to the raising of mezzanine loans for the financing of acquisitions. Equity rose as a result of the capital increase through contributions in kind in connection with the acquisition of Raymond Gubbay Ltd. and the positive half-year result by EUR 4.1 million to EUR 38.1 million. Given the strong increase in the balance sheet total, the equity ratio decreased despite the rise in equity to 42 percent (48 percent).

## **Financial position**

Operative cash flow of the first half-year 2008 amounted to EUR 2.5 million and resulted from the positive period result. Cash inflow from current business activities at EUR 6.0 million corresponded with increased sales revenue deferrals (advance booking monies received) at EUR 7.3 million and a rise in creditor financing at EUR 2.4 million amongst others a build up of inventories (artist fees and production costs of forthcoming events) at EUR 6.1 million. Cash outflow from investments includes the acquisition of 75 percent in shares of Raymond Gubbay Limited. Cash inflow from financing activities at EUR 3.0 million is mainly due to the raising of mezzanine loans for the financing of acquisitions. Overall liquid funds climbed EUR 5.2 million.

## **Risk report**

As far as the risk report is concerned, reference is made to the Annual Report 2007.

### **3. Development by 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), ct creative talent (Berlin) and Raymond Gubbay Limited (UK).
- 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 (both Hamburg).

Changes in the scope of consolidation:

As a result of an amendment to the bylaws, ct creative talent has been fully consolidated in the consolidated financial statements (previously proportional consolidation) since the beginning of the second quarter. The results of Raymond Gubbay Limited., UK, have been included in the scope of consolidation for the first time at the beginning of the second quarter. Major contributions to the result by Raymond Gubbay Limited are above all expected during the fourth quarter.

We comment on the segment development during Q2 as follows:

### Live Touring

Sales revenues in this segment rose by EUR 9.9 million to EUR 24.8 million compared to the prior year quarter. EBIT climbed by EUR 1.4 million to EUR 2.3 million.

Out of all the tours in the second quarter shows, more particularly, by Kylie Minogue, Katie Melua, Foo Fighters and Scooter outperformed. The open air concert of the opera stars Anna Netrebko, Rolando Villazón and Plácido Domingo in front of Schönbrunn Castle in Vienna was one of the highlights of this year's European classical music season and delighted – apart from thousands of visitors – millions of television viewers all over the world. Furthermore tours by star pianist Lang Lang and star violinist David Garrett were staged. Highlights in the Schlager area were – apart from the Peter Kraus tour – the successful comeback of Howard Carpendale. In the comedy sector Rüdiger Hoffmann and Guido Cantz continued their tours.

### Entertainment Services

The segment sales revenues of the second quarter were EUR 3.0 million below the prior year quarter. Unlike in fiscal 2007, there was no open air concert in Switzerland during the reporting period. However, there will be an open air concert during the third quarter: Madonna will perform on August 30 at the Dübendorf airfield near Zurich. EBIT for the quarter was EUR 1.3 million below the prior year quarter.

The main sales revenue driver continued to be the activities of our Swiss subsidiaries. The Police, Céline Dion, Kastelruther Spatzen, Zucchero, Backstreet Boys and Jean Michel Jarre were among those who performed at the Zurich Hallenstadion. Moreover, two open air concerts were staged with the Berlin Philharmonics at the Berlin Waldbühne.

in million EUR	Interim Report II/2008 01.04.2008 -30.06.2008	Interim Report II/2007 01.04.2007 -30.06.2007	Variation absolute
<b>Live Touring</b>			
Sales	24,8	14,9	9,9
EBIT	2,3	0,9	1,4
<b>Entertainment Services</b>			
Sales	15,2	18,2	-3,0
EBIT	1,0	2,3	-1,3

### 3. Outlook

Against the backdrop of the good results of the second quarter and the anticipation of a further positive development, more particularly, during the fourth quarter, we continue to assume that we will improve all key ratios in 2008 versus 2007.

#### 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 consolidated interim financial statements do not include all the data and information as presented in full annual financial statements. It is recommended to read the interim report together with the consolidated financial statements 2007.

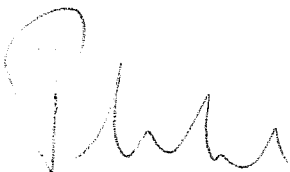
The accounting and valuation methods applied in the consolidated financial statements as at December 31, 2007 remained unchanged.

This report is not audited.

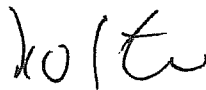
#### 5. Management Board Statement

The undersigned, in their capacity as statutory representatives of DEAG Deutsche Entertainment AG, Berlin, hereby affirm that, to the best of their knowledge, the interim consolidated financial statements as at June 30, 2008 give a true and fair view of the Group's asset, financial and earnings position in accordance with the generally accepted accounting principles for interim financial statements and that in the interim group management report as at June 30, 2008 the business development including the business result and the situation of the Group during the reporting period are presented in such a way that its real fair view is given and that the essential opportunities and risks of the probable development of the Group during the remaining fiscal year are described.

Berlin, August 28, 2008



Peter L. H. Schwenkow



Dr. Ingo Stein



Christian Diekmann

CONSOLIDATED BALANCE SHEET (IFRS)	6 Month Report	Annual Report	6 Month Report
	2008	2007	2007
	per/ as at 30.06.2008	per/ as at 31.12.2007	per/ as at 30.06.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
<b>Assets</b>			
<b>Current assets</b>			
Liquid funds	19.391	14.129	13.651
Short-term investments/marketable securities	155	155	198
Trade receivables	6.067	6.505	5.053
Inventories	9.779	3.690	4.021
Other current assets and deferred items	2.490	1.982	4.198
<b>Current assets</b>	<b>37.882</b>	<b>26.461</b>	<b>27.121</b>
Goodwill	31.683	24.459	24.095
Other intangible assets	9.927	7.001	3.330
Tangible fixed assets	973	897	686
Investment properties	8.200	8.200	7.798
Participations	715	712	725
Loans to participations	250	250	750
Shares in affiliated companies	28	21	17
Deferred tax assets	2.156	2.104	-
Deferred tax assets	-	-	-
<b>Long-term assets</b>	<b>53.932</b>	<b>43.644</b>	<b>37.401</b>
<b>Total assets</b>	<b>91.814</b>	<b>70.105</b>	<b>64.522</b>
	<b>6 Month Report</b>	<b>Annual Report</b>	<b>6 Month Report</b>
	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>per/ as at</b>	<b>per/ as at</b>	<b>per/ as at</b>
	<b>30.06.2008</b>	<b>31.12.2007</b>	<b>30.06.2007</b>
	<u><b>in EUR '000</b></u>	<u><b>in EUR '000</b></u>	<u><b>in EUR '000</b></u>
<b>Liabilities and equity</b>			
Bank loans payable	3.327	2.739	843
Trade accounts payable	6.641	4.211	4.872
Accruals	6.114	5.315	6.123
Sales accruals and deferrals	20.634	13.281	9.193
Other current liabilities	5.612	5.262	8.231
<b>Current liabilities</b>	<b>42.328</b>	<b>30.808</b>	<b>29.262</b>
Accruals	90	90	62
Other long-term liabilities	9.271	3.669	163
Deferred taxes	2.008	1.551	1.945
<b>Long-term liabilities</b>	<b>11.369</b>	<b>5.310</b>	<b>2.170</b>
Share capital	24.777	23.088	23.088
Capital reserve	65.196	64.568	64.568
Accumulated deficit	-55.513	-56.566	-56.333
Accumulated other income / loss	-315	-374	-35
<b>Equity before minority interests</b>	<b>34.145</b>	<b>30.716</b>	<b>31.288</b>
Minority interests	3.972	3.271	1.802
<b>Equity</b>	<b>38.117</b>	<b>33.987</b>	<b>33.090</b>
<b>Total liabilities and equity</b>	<b>91.814</b>	<b>70.105</b>	<b>64.522</b>

CONSOLIDATED STATEMENT OF INCOME	Interim Report	Interim Report	6 Month Report	6 Month Report
	II/2008	II/2007		
	01.04.2008	01.04.2007	01.01.2008	01.01.2007
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	in EUR '000	in EUR '000	in EUR '000	in EUR '000
Revenues	39.191	30.745	53.808	42.566
Cost of revenues	-30.961	-24.331	-40.961	-32.349
<b>Gross profit</b>	<b>8.230</b>	<b>6.414</b>	<b>12.847</b>	<b>10.217</b>
Distribution costs	-3.604	-2.408	-5.320	-3.617
Administration costs	-2.677	-2.322	-4.785	-4.411
Other operating income / expenses	892	509	969	728
<b>Operating result before depreciation (EBITDA)</b>	<b>2.841</b>	<b>2.193</b>	<b>3.711</b>	<b>2.917</b>
Scheduled depreciation	-419	-162	-625	-414
<b>Operating result (EBIT)</b>	<b>2.422</b>	<b>2.031</b>	<b>3.086</b>	<b>2.503</b>
Interest income and expenses	-654	23	-819	29
Result from investments and participations	-	120	-	120
Earnings from affiliated companies	4	3	7	5
Foreign currency exchange gains / losses	86	8	58	7
<b>Financial result</b>	<b>-564</b>	<b>154</b>	<b>-754</b>	<b>161</b>
<b>Result before taxes</b>	<b>1.858</b>	<b>2.185</b>	<b>2.332</b>	<b>2.664</b>
Income taxes	-51	-404	-133	-558
<b>Result after taxes from continued operations</b>	<b>1.807</b>	<b>1.781</b>	<b>2.199</b>	<b>2.106</b>
<b>Result after taxes from discontinued operations</b>	<b>14</b>	<b>88</b>	<b>4</b>	<b>72</b>
<b>Group result</b>	<b>1.821</b>	<b>1.869</b>	<b>2.203</b>	<b>2.178</b>
thereof minority interests	942	528	1.150	812
<b>thereof due to DEAG shareholders</b>	<b>879</b>	<b>1.341</b>	<b>1.053</b>	<b>1.366</b>
Earnings per share in EUR (undiluted)				
from continued operations	0,04	0,05	0,05	0,06
from continued and discontinued operations	0,04	0,06	0,05	0,06
Earnings per share in EUR (diluted)				
from continued operations	0,04	0,05	0,05	0,06
from continued and discontinued operations	0,04	0,06	0,05	0,06
Average no. of shares outstanding (undiluted)	23.087.582	23.087.582	23.087.582	23.087.582
Average no. of shares outstanding (diluted)	23.087.582	23.087.582	23.087.582	23.087.582

CONSOLIDATED CASH FLOW STATEMENT	6 Month Report	6 Month Report
	01.01.2008 -30.06.2008	01.01.2007 -30.06.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>
<b>Result from continued operations</b>	<b>2.199</b>	<b>2.106</b>
Depreciation and amortisation	419	414
Change in accruals	903	1.383
Changes not affecting payments	-152	-401
Deferred taxes (net)	-505	80
Result from valuation of affiliated companies	-7	3
<b>Cash flow</b>	<b>2.857</b>	<b>3.585</b>
Net interest income	819	-28
Change in working capital	5.184	-3.189
<b>Net cash from operating activities from continued operations</b>	<b>8.860</b>	<b>368</b>
Net cash from operating activities from discontinued operations	4	-190
<b>Net cash from operating activities (total)</b>	<b>8.864</b>	<b>178</b>
<b>Net cash from investment activities from continued operations</b>	<b>-6.728</b>	<b>-198</b>
<b>Net cash from financial activities (total)</b>	<b>3.042</b>	<b>-1.140</b>
<b>Change in cash and cash equivalents</b>	<b>5.178</b>	<b>-1.160</b>
<b>Effects of exchange rates</b>	<b>84</b>	<b>15</b>
<b>Cash and cash equivalents at beginning of Period</b>	<b>14.129</b>	<b>14.796</b> <sup>(1)</sup>
<b>Cash and cash equivalents at end of period</b>	<b>19.391</b>	<b>13.651</b>

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

<b>Changes in equity</b>	<b>Balance as at 31.12.2006 <u>TEUR</u></b>	<b>Variation 01.01.2007- 30.06.2007 <u>TEUR</u></b>	<b>Balance as at 30.06.2007 <u>TEUR</u></b>
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>

<b>Changes in equity</b>	<b>As at 31.12.2007 <u>TEUR</u></b>	<b>Variation 01.01.2008 - 30.06.2008 <u>TEUR</u></b>	<b>As at 30.06.2008 <u>TEUR</u></b>
Share capital	23.088	1.689	24.777
Capital reserve	64.568	628	65.196
Accumulated deficit	- 56.566	1.053	- 55.513
Accumulated other income / loss	- 374	59	- 315
Minority interests	3.271	701	3.972
<b>Equity</b>	<b><u>33.987</u></b>	<b><u>4.130</u></b>	<b><u>38.117</u></b>

## IMPRINT

### **Editing and Coordination**

DEAG Deutsche Entertainment AG  
edicto GmbH

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The Interim Report and current information on DEAG are posted on the internet at  
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