



DEAG Deutsche Entertainment AG

Interim Report as at September 30, 2008

Table of Contents

1. Business Development	3
2. Development by Segment	4
3. Outlook	5
4. Explanations in accordance with IAS 34	6
5. Consolidated Balance Sheet	7
6. Consolidated Statement of Income	8
7. Consolidated Cash Flow Statement	9
8. Development of Equity within the Group	10

Imprint

1. Business development

Income position

DEAG Deutsche Entertainment AG (ISIN DE 005513907) achieved Q3 sales of EUR 27.0 million (Previous year quarter 24.1 million Euro). Nine month sales climbed by EUR 14.1 million (+21%) to EUR 80.8 million. The company acts on the assumption of generating an overall turnover for 2008 of more than EUR 110 million.

According to plan the Q3 operative result was negative and is solely traced back to the different distribution of shows in comparison to 2007. EBITDA was EUR -0.6 million (previous year quarter EUR 2.2 million) and the EBIT before extraordinary amortization was EUR -0.9 million (previous year quarter EUR 2.0 million). The main business focus for 2008 will be Q4 at sales of more than EUR 30 million. The first nine months resulted in an EBITDA of EUR 3.1 million (Previous year period EUR 5.1 million) and an EBIT before extraordinary amortization of EUR 2.2 million (EUR 4.5 million).

In order to position itself in view of the significant economic slump and a possible further deterioration of the overall economy, DEAG will increasingly focus its business activities on the strong margins of the Classical and Crossover music as well as on domestic artists. These segments will be extended significantly in the future. Plans are to expand the European Classical Music business – partly through joint ventures – and to increase the number of the so called 360° artist contracts. DEAG's own record and publishing activities, DEAG Music, with approx. a dozen artists signed, will contribute a high six digit profit and reconfirm the 360° strategy introduced by DEAG three years ago.

Due to the increasing pressure on margins in the international Rock/Pop business, which will be further boosted by the rising US Dollar exchange rate, DEAG will act more selective in future and focus solely on projects with a reasonable risk/return relation. For this reason the company will conduct a precautionary goodwill and intangible assets amortization of EUR 5.0 million in this segment. This amortization will not have any impact on cash flow and relieve the balance sheet in future.

After extraordinary amortisation business in the first nine months resulted in earnings before interest and taxes (EBIT) of EUR -2.8 million. Financial result amounted to EUR -1.0 million (Previous year EUR 0.1 million) and was in particular influenced by the drawdown of mezzanine loans for acquisition financing. Minority interests at EUR 1.3 million were slightly lower than the previous year amount of EUR 1.4 million. A nine month result after minority interests of EUR -5.2 million (EUR 2.5 million) was achieved.

Furthermore, a program to increase profitability will be implemented over the next few weeks, which will see a further cut in overhead expenses as well as a more performance based executive board remuneration. By implementation of these measures the profitable business will be strengthened and the group considers itself well positioned even in a difficult economic environment.

Assets position

The balance sheet total went up by 16.7 percent to EUR 81.8 million versus December 31, 2007. The rise during the nine-month period is attributable, more particularly, to the increase in liquid assets, inventories, goodwill as well as intangible assets.

The rise in liquid assets by EUR 3.7 million to EUR 17.8 million goes hand in hand above all with the increase in sales revenue deferrals (advance booking monies received) by EUR 4.3 million to EUR 17.6 million. Together with the rise in inventories (artist fees and production costs of forthcoming events) by EUR 3.5 million to EUR 7.2 million, this illustrates the growth in business activities during the quarters to come. Goodwill and intangible assets mainly reported in the balance sheet by purchase price allocation rose by EUR 2.7 million. The increase in these items following the acquisition of Raymond Gubbay Ltd.

during the second quarter contrasted with a decrease following the unscheduled depreciations as at the balance sheet date.

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 decreased mainly as a result of the extraordinary depreciations by EUR 2.0 million to EUR 32.0 million. In conjunction with the increase in the balance sheet total, the equity ratio decreased to 39 percent (48 percent on December 31, 2007).

Financial position

The cash flow of EUR 2.1 million during the nine-month period results from the positive earnings before depreciation and amortization. More particularly as a result of an increase in advance booking monies received (sales revenue deferrals), there was an inflow of funds from current operations in the amount of EUR 6.4 million. Cash outflows in the investment area in the amount of EUR 6.7 million resulted mainly from the acquisition of 75.1 percent of the shares in Raymond Gubbay Ltd.. In the financing area an increase in short- and long-term credits for growth and acquisition financing contrasted with outflows for interest and dividends for minority shareholders. (EUR 3.9 million). Overall, cash and cash equivalents increased during the nine-month reporting period in terms of cash items by EUR 3.6 million. Liquid assets amounted to EUR 17.8 million on December 31, 2008.

Risk report

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

2. Development by segment

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. Contributions to the result by Raymond Gubbay Limited will be generated nearly solely during the fourth quarter.

We comment on the segment development during Q3 as follows:

Live Touring

Sales revenues in this segment dropped versus the same prior year quarter by EUR 5.7 million to EUR 4.7 million. The decrease reflects the lower number of concerts compared to Q3/2007. The focus will be on the fourth quarter when the activities of our British subsidiary Raymond Gubby Ltd. will contribute to our sales revenues and result. The EBIT decreased, more particularly, due to the extraordinary depreciations by EUR 7.1 million to EUR -4.8 million.

The highlights during the third quarter included, more particularly, the tours of Neil Young, the Stray Cats, Chris de Burgh as well as the Waldbühne concert of the West Eastern Divan Orchestra conducted by Daniel Barenboim in the Classical Music area.

Entertainment Services

The segment sales of the third quarter amounted to EUR 23.7 million and were EUR 14.4 million above the prior year quarter. The largest share in sales was contributed by our Swiss subsidiary Good News. It staged, amongst other things, the open air concert with Madonna which was sold out with an audience of 60,000. The Zurich Hallenstadion, too, mainly reported sold-out concerts including those by REM, Eric Clapton, Neil Young, Bryan Adams and Coldplay

The EBIT dropped, mainly due to the extraordinary depreciations, by EUR 0.8 million to EURO -0.2 million.

in million EUR	Interim Report III/2008 01.07.2008 -30.09.2008	Interim Report III/2007 01.07.2007 -30.09.2007	Variation absolute
Live Touring			
Sales	4,7	10,4	-5,7
EBIT	-4,8	2,3	-7,1
Entertainment Services			
Sales	23,7	14,4	9,3
EBIT	-0,2	0,6	-0,8

3. Outlook

During the fourth quarter we anticipate sales of more than EUR 30 million as well as a positive operating income. Although the full year 2008 is burdened by the extraordinary depreciations, they will result in a higher profitability following the implemented focusing.

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.

Berlin, November 28, 2008

DEAG Deutsche Entertainment AG

The Management Board

Peter L.H. Schwenkow

Dr. Ingo Stein

Christian Diekmann

CONSOLIDATED BALANCE SHEET (IFRS)	9 Month Report	Annual Report	9 Month Report
	2008	2007	2007
	per/ as at 30.09.2008	per/ as at 31.12.2007	per/ as at 30.09.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Assets			
Current assets			
Liquid funds	17.849	14.129	17.191
Short-term investments/marketable securities	155	155	198
Trade receivables	5.085	6.505	3.296
Inventories	7.191	3.690	3.309
Other current assets and deferred items	2.910	1.982	3.826
Current assets	33.190	26.461	27.820
Goodwill	27.483	24.459	25.389
Other intangible assets	8.861	7.001	5.088
Tangible fixed assets	915	897	738
Investment properties	8.200	8.200	7.798
Participations	717	712	724
Loans to participations	250	250	750
Shares in affiliated companies	29	21	20
Deferred tax assets	2.191	2.104	-
Deferred tax assets	-	-	-
Long-term assets	48.646	43.644	40.507
Total assets	81.836	70.105	68.327
	9 Month Report	Annual Report	9 Month Report
	2008	2007	2007
	per/ as at	per/ as at	per/ as at
Liabilities and equity	30.09.2008	31.12.2007	30.09.2007
	<u>in EUR '000</u>	<u>in EUR '000</u>	<u>in EUR '000</u>
Bank loans payable	4.415	2.739	2.882
Trade accounts payable	5.988	4.211	4.814
Accruals	6.252	5.315	6.587
Sales accruals and deferrals	17.597	13.281	9.174
Other current liabilities	4.191	5.262	7.263
Current liabilities	38.443	30.808	30.720
Accruals	150	90	62
Other long-term liabilities	9.314	3.669	163
Deferred taxes	1.949	1.551	2.381
Long-term liabilities	11.413	5.310	2.606
Share capital	24.777	23.088	23.088
Capital reserve	65.196	64.568	64.568
Accumulated deficit	-61.813	-56.566	-55.154
Accumulated other income / loss	-277	-374	-40
Equity before minority interests	27.883	30.716	32.462
Minority interests	4.097	3.271	2.539
Equity	31.980	33.987	35.001
Total liabilities and equity	81.836	70.105	68.327

CONSOLIDATED STATEMENT OF INCOME	Interim Report	Interim Report	6 Month Report	6 Month Report
	III/2008	III/2007		
	01.07.2008	01.07.2007	01.01.2008	01.01.2007
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	in EUR '000	in EUR '000	in EUR '000	in EUR '000
Revenues	26.971	24.104	80.779	66.670
Cost of revenues	-22.277	-18.095	-63.238	-50.444
Gross profit	4.694	6.009	17.541	16.226
Distribution costs	-3.113	-2.055	-8.433	-5.672
Administration costs	-2.785	-2.532	-7.570	-6.943
Other operating income / expenses	633	795	1.601	1.523
Operating result before depreciation (EBITDA)	-571	2.217	3.139	5.134
Scheduled depreciation	-5.341	-221	-5.966	-635
Operating result (EBIT)	-5.912	1.996	-2.827	4.499
Interest income and expenses	-217	-126	-1.036	-97
Result from investments and participations	-	50	0	170
Earnings from affiliated companies	2	2	9	7
Foreign currency exchange gains / losses	11	-9	69	-2
Financial result	-204	-83	-958	78
Result before taxes	-6.116	1.913	-3.785	4.577
Income taxes	-35	-52	-169	-610
Result after taxes from continued operations	-6.151	1.861	-3.954	3.967
Result after taxes from discontinued operations		-104	4	-32
Group result	-6.151	1.757	-3.950	3.935
thereof minority interests	149	578	1.297	1.390
thereof due to DEAG shareholders	-6.300	1.179	-5.247	2.545
Earnings per share in EUR (undiluted)				
from continued operations	-0,25	0,06	-0,22	0,11
from continued and discontinued operations	-0,25	0,05	-0,22	0,11
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)	24.776.736	23.087.582	23.674.452	23.087.582
Average no. of shares outstanding (diluted)	24.776.736	23.087.582	236.744.452	23.087.582

CONSOLIDATED CASH FLOW STATEMENT
6 Month Report
6 Month Report
01.01.2008
01.01.2007
-30.09.2008
-30.09.2007
in EUR '000
in EUR '000

Result from continued operations	-3.954	2.106
Depreciation and amortisation	5.966	635
Change in accruals	997	1.847
Changes not affecting payments	-303	-2.533
Deferred taxes (net)	-564	516
Result from valuation of affiliated companies	-7	3
Cash flow	2.135	2.574
Net interest income	1.036	-97
Change in working capital	3.188	-1.793
Net cash from operating activities from continued operations	6.359	684
Net cash from operating activities from discontinued operations	4	-190
Net cash from operating activities (total)	6.363	2.355
Net cash from investment activities from continued operations	-6.709	-669
Net cash from financial activities (total)	3.914	699
Change in cash and cash equivalents	3.568	2.385
Effects of exchange rates	152	10
Cash and cash equivalents at beginning of Period	14.129	14.796
Cash and cash equivalents at end of period	17.849	17.191

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

Changes in equity	Balance as at 31.12.2006 <u>TEUR</u>	Variation 01.01.2007- 30.09.2007 <u>TEUR</u>	Balance as at 30.09.2007 <u>TEUR</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>

Changes in equity	As at 31.12.2007 <u>TEUR</u>	Variation 01.01.2008 - 30.09.2008 <u>TEUR</u>	As at 30.09.2008 <u>TEUR</u>
Share capital	23.088	1.689	24.777
Capital reserve	64.568	628	65.196
Accumulated deficit	- 56.566	- 5.247	- 61.813
Accumulated other income / loss	- 374	97	- 277
Minority interests	3.271	826	4.097
Equity	<u>33.987</u>	<u>- 2.007</u>	<u>31.980</u>

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Editing and Coordination

DEAG Deutsche Entertainment AG
edicto GmbH

Further information for analysts and investors:

Investor Relations: deag@edicto.de

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

edicto GmbH
Im Gründchen 18a
61389 Schmitten
Germany

Telephone: +49 6084 948590
Telefax: +49 6084 948592
www.edicto.de

DEAG Deutsche Entertainment Aktiengesellschaft

Potsdamer Straße 85
10785 Berlin
Germany

Telephone: +49 30 81075-0
Telefax: +49 30 81075-519
info@deag.de
www.deag.de