



DEAG Deutsche Entertainment AG

Interim Report as at September 30, 2009

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Imprint

## 1. DEAG on the capital market

The DEAG share was able to further advance during the third quarter of fiscal 2009 with a 15% rise in share price. During the first nine months of 2009 the value of the share improved by 144%. The DEAG share hence outperformed the overall market: the SDAX, which is considered as an indicator for Small Caps, increased during the first nine months of 2009 by 24%. During Q3/2009 the SDAX recorded a 20% plus.

Taking into account the capital decrease, the DEAG share climbed in the electronic trading system Xetra from EUR 1.70 on June 30, 2009 to EUR 1.95 on September 30, 2009. The bottom during Q3 was reached on July 1 with EUR 1.66. The DEAG share peaked on July 7 at EUR 2.80 after DEAG announced that Sony Music Entertainment has acquired a strategic shareholding in the Classical Music business of DEAG. After a broad positive response amongst the public at large, analysts and investors, the Sony transaction resulted in high trading volumes in the DEAG share. The average daily transaction at all German stock exchanges remained on a high level with 38,920 shares in the third quarter. Xetra with an average of 33,006 shares remained the most liquid trading platform.

The Ordinary General Meeting of DEAG Deutsche Entertainment AG approved all agenda items with a large majority of more than 94% of the voting rights on July 8, 2009. The capital reduction in a ratio of 2:1 adopted by the General Meeting was implemented on August 5 after close of market. This measure resulted in a reduction of the number of shares by half and arithmetically in a doubling of the share price at the stock exchange.

In Q3/2009 DEAG continued to communicate in a transparent and intense manner with the public and the capital market. Journalists, analysts and investors were informed in detail about the Sony deal within the framework of press conferences and conference calls. These were followed by numerous individual talks. Leading analysts rated the DEAG share positively: DZ Bank recommended buying of the share in both August and November with an upside target of EUR 2.90. The analysts of SES Research, too, continue to recommend buying the DEAG share.

During the third quarter comprehensive investor relations activities also included road shows with institutional investors in Germany and other European countries. In 2009 DEAG presented itself again to many analysts and investors at the German Equity Forum which was organized by Deutsche Börse AG and KfW in early November.

The DEAG share is quoted in the quality segment of Deutsche Börse AG, the Prime Standard. DEAG informs in detail about important events, depending on requirements, by way of an ad-hoc disclosure or press release. Communication takes place in German and English. The Investor Relations section on the website [www.deag.de/ir](http://www.deag.de/ir) provides investors with a comprehensive overview of current corporate developments. Moreover, interested shareholders have contact partners available on the phone (+49 69 9055055-2) or by email ([deag@edicto.de](mailto:deag@edicto.de)) at any time.

## 2. Business development

Income position:

During the third quarter 2009 DEAG Deutsche Entertainment AG generated sales revenues in the amount of EUR 24.2 million (prior year quarter: EUR 25.3 million). During the nine month period sales revenues rose by EUR 4.8 million to EUR 81.2 million.

As planned, the operating income was negative during the third quarter, as was the case last year. This is attributable to the different quarterly booking of the concerts during a year. EBITDA amounted to EUR 0.1 million (prior year quarter: EUR -0.4 million), EBIT was EUR -0.2 million (prior year quarter: EUR -5.8 million). In fiscal 2009 the focus of business activities will again be on the fourth quarter. For the

nine month period EBITDA amounts to EUR 3.2 million (prior year: EUR 3.4 million), with EBIT in the amount of EUR 2.3 million (prior year: EUR -2.4 million).

In order to position itself against the backdrop of the significant economic decline and a possible further deterioration of the general economic situation in 2010, DEAG will continue to concentrate its business activities on the high-margin Classical Music and Crossover business as well as domestic artists. Following the strategic partnership with Sony Music Entertainment and the good network on this market DEAG has come a big step closer to its objective of a further European expansion of the Classical Music business – including through joint ventures - and the increase in the number of so-called 360 degree artist contracts. The in house label and music publishing activities of DEAG Music with by now a dozen of signed artists will probably generate a seven digit contribution to the result in Q4/2009 and hence confirm the 360 degree strategy of DEAG launched four years ago.

The implemented focusing on the higher margin Classical Music business and a reduced Rock/Pop segment with a well-balanced product portfolio has proven to be the right strategy.

The financial income amounted to EUR -1.0 million during the nine month period (prior year: EUR -1.0 million) and was, more particularly, marked by the interest expenses in connection with the use of mezzanine credit facilities for acquisition financing. Following the repayment of loans during the third quarter interest expenses will be reduced to a noteworthy extent. Minority shares amounted to EUR 0.7 million and were below the prior year value (EUR 1.3 million). The Group result after minority interests amounts to EUR 0.1 million (prior year: EUR -5.2 million).

Following the expansion of the European Classical Music segment, the balanced reduction of the high risk Rock/Pop business, the successful 360 degree strategy confirmed by David Garrett and other artists and leaner administration, the company considers itself to be well-prepared in a difficult general economic environment. Given its partnerships with strong companies such as Sony or Ticketmaster, the course is set strategically and on a long-term basis with a many perspectives and in an optimum manner.

#### Assets position:

In August 2009 49% of the shares in DEAG Classics AG were sold to Sony Music Entertainment. This sale was recognized as income within the framework of the parent entity extension method. It resulted in an improvement of the balance sheet ratios following the disposal of goodwill in the amount of EUR 5.0 million and the repayment of bank liabilities and long-term acquisition financing.

In accordance with a resolution by the General Meeting on July 8, 2009 the capital of DEAG Deutsche Entertainment AG was reduced effective August 5, 2009 from 24,776,736 shares to 12,388,368 shares. In the wake of this capital reduction, the capital reserve in an amount of EUR 38,421,620.58 was written back. After offsetting the resulting earnings against the net loss for the year, EUR 541,780.61 from the capital reduction were again transferred to the capital reserve.

The balance sheet total dropped by 12.3% to EUR 71.9 million compared to December 31, 2008. The decrease during the nine month period is, more particularly, attributable to the reduction in goodwill as a result of the partial sale of the DEAG Classics shares, the intangible goods as well as the liquid assets and receivables. The latter reflect the later start of advance ticket sales for some tours compared to last year.

The increase in inventories (artist fees and production costs for coming events) by EUR 1.0 million to EUR 7.5 million results from the increase in business activities in the following quarters. The decrease in liquid assets by EUR 4.3 million to EUR 17.8 million is primarily attributable to the decline in advance ticket sales (deferred revenues) by EUR 4,7 million to EUR 15.7 million. The intangible assets reported more particularly by purchase price allocation decreased as a result of scheduled depreciation and amortization.

The decrease in other non-current liabilities by EUR 2.5 million to EUR 6.7 million results from the partial repayment of mezzanine credit facilities for acquisition financing. Equity increased by EUR 3.7 million to EUR 27.7 million. In conjunction with a lower balance sheet total this results in a rise in equity ratio to 38% (December 31, 2008: 29%).

Financial position:

The cash flow of EUR 1.8 million during the nine month period resulted from the positive operating income.

The outflow of funds from the working capital (EUR -10.2 million) was mainly based on the increase in inventories and other assets (EUR 4.0 million), the reduction in advance ticket sales (deferred revenues, EUR 4.7 million) and the repayment of current liabilities.

Payments in the investment area from the sale of the DEAG Classics shares to Sony Music Entertainment (EUR 6.6 million) contrast with redemptions of bank loans and non-current liabilities in the financial area (EUR -3.7 million).

Overall, financial resources decreased by EUR -4.7 million with a cash impact during the nine month period. Liquid assets amounted to EUR 17.8 million as of September 30, 2009.

Risk report:

Concerning the risk report we refer to the Annual Report 2008 (Pages 10-13).

### **3. Development by segment**

DEAG reports in the two segments Live Touring and Entertainment Service. It reflects the strategic orientation of the Group in an appropriate and transparent manner:

- In the segment Live Touring ("travelling business") the touring business is reported. This includes the activities of the companies DEAG Classics (Berlin), DEAG Concerts (Berlin), KBK Konzert- u. Künstleragentur (Munich), ACE Entertainment (Hamburg) and Raymond Gubbay Ltd. (UK). The activities of ct creative talent gmbh, which was sold on April 21, 2009 are accounted for until March 31, 2009.
- The Entertainment Services segment ("stationary business") reports on the regional as well as on the entire services business and includes activities by Good News Group (Switzerland), Global Concerts (Munich), Jahrhunderthalle Kultur (Frankfurt), Concert Concept (Berlin), Friedrichsbau Varieté (Stuttgart), River Concerts and Elbklassik Konzerte (both Hamburg) as well as label/music publisher DEAG Music (Berlin).

Under the discontinued operations the activities of Balou Entertainment Konzertagentur, discontinued in spring 2009 as well as the 100% shareholding in MPE Music Pool Europe GmbH, Hamburg sold on April 21, 2009 are reported.

We comment on the segment development in Q3 as follows:

#### Live touring:

Sales revenues in this segment increased versus prior year quarter by EUR 2.8 million to EUR 5.8 million. The rise reflects the higher number of concerts compared to the prior year quarter. The focus will be on the fourth quarter. With tours and concerts by Riverdance, Cliff Richard, Deep Purple, Jessye Norman and Jonas Kaufmann the audiences will be offered many top quality events. Segment EBIT improved versus prior year from EUR -4.6 million to EUR -1.4 million.

#### Entertainment Services:

Segment sales of EUR 24.2 million during the third quarter were EUR 0.5 million above the sales revenues of the prior year quarter. The highest share in sales revenues was generated by the Good News Group. With concerts by Coldplay, Metallica, Status Quo, Anastacia and the new US show "Walking with Dinosaurs", the Swiss business was able to close an excellent third quarter. Segment EBIT increased by EUR 1.5 million.

#### Segment development (continued operations)

Segment related sales revenues and earnings before tax and interest (EBIT) are as follows:

in EUR million	III/2009	III/2008	Variation absolute
	01.07.2009 -30.09.2009	01.07.2008 -30.09.2008	
<b>Segment Live-Touring</b>			
Sales revenues	5,8	3,0	2,8
EBIT	-1,4	-4,6	3,2
<b>Segment Entertainment-Services</b>			
Sales revenues	19,2	23,7	-4,5
EBIT	1,3	-0,2	1,5

#### 4. Outlook

We assume that Raymond Gubbay Ltd. and the Good News Group will continue to be profitable as scheduled in the further course of the year. The release of the new album by David Garrett "Classic Romance" and the live DVD "David Garrett Live - In Concert & In Private" will result in a very good fourth quarter for DEAG Music GmbH. This, together with positive quarterly prospects for the other business lines, continues to underline the annual forecast according to which the operating income will increase versus 2008 and the consolidated net income for the year will be positive. The company assumes that it will be able to achieve total sales revenues of about EUR 100 million in 2009.

## **5. 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 2008.

The accounting and valuation methods applied in the consolidated financial statements as at December 31, 2008 remained unchanged.

This report is not audited.

Berlin, November 30, 2009

DEAG Deutsche Entertainment AG

The Management Board

Prof. Peter L.H. Schwenkow

Christian Diekmann

**CONSOLIDATED BALANCE SHEET (IFRS)**

	9 Month Report	Annual Report	9 Month Report
	2009	2008	2008
	per/ as at	per/ as at	per/ as at
<b>Assets</b>	<b>30.09.2009</b>	<b>31.12.2008</b>	<b>30.09.2008</b>
	<b>TEUR</b>	<b>TEUR</b>	<b>TEUR</b>
<b>Current assets</b>			
Liquid funds	17.772	22.097	17.849
Short-term investments/marketable securities	61	61	155
Trade receivables	4.533	6.647	5.085
Inventories	7.462	6.511	7.191
Other current assets and deferred items	6.010	2.982	2.910
Other assets directly related to operation, which are to be discontinued	-	1.048	-
<b>Current assets</b>	<b>35.838</b>	<b>39.346</b>	<b>33.190</b>
Goodwill	18.944	23.906	27.483
Other intangible assets	6.653	7.104	8.861
Tangible fixed assets	715	892	915
Investment properties	8.200	8.200	8.200
Participations	694	705	717
Loans to participations	250	250	250
Shares in affiliated companies	33	21	29
	600	1.585	2.191
	-	-	-
<b>Long-term assets</b>	<b>36.089</b>	<b>42.663</b>	<b>48.646</b>
<b>Total assets</b>	<b>71.927</b>	<b>82.009</b>	<b>81.836</b>
	<b>9-Monatsbericht</b>	<b>Jahresabschluss</b>	<b>9-Monatsbericht</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>per/ as at</b>	<b>per/ as at</b>	<b>per/ as at</b>
<b>Liabilities and equity</b>	<b>30.09.2009</b>	<b>31.12.2008</b>	<b>30.09.2008</b>
	<b>TEUR</b>	<b>TEUR</b>	<b>TEUR</b>
Bank loans payable	3.299	4.110	4.415
Trade accounts payable	5.745	7.474	5.988
Accruals	6.885	7.441	6.252
Sales accruals and deferrals	15.667	20.391	17.597
Other current liabilities	3.847	5.245	4.191
Accounts payable to associated companies with operations which are to be discontinued	-	607	-
Accruals and liabilities directly related to operations which are to be discontinued	-	1.237	-
<b>Current liabilities</b>	<b>35.443</b>	<b>46.505</b>	<b>38.443</b>
Accruals	61	61	150
	122	248	-
Other long-term liabilities	6.714	9.179	9.314
Deferred taxes	1.936	2.022	1.949
<b>Long-term liabilities</b>	<b>8.833</b>	<b>11.510</b>	<b>11.413</b>
Share capital	12.388	24.777	24.777
Capital reserve	27.337	65.217	65.196
Accumulated deficit	-17.300	-67.704	-61.813
Accumulated other income / loss	-1.262	-1.846	-277
<b>Equity before minority interests</b>	<b>21.163</b>	<b>20.444</b>	<b>27.883</b>
Minority interests	6.488	3.550	4.097
<b>Equity</b>	<b>27.651</b>	<b>23.994</b>	<b>31.980</b>
<b>Total liabilities and equity</b>	<b>71.927</b>	<b>82.009</b>	<b>81.836</b>

**CONSOLIDATED STATEMENT OF INCOME**

	Interim Report	Interim Report *	9 Month Report	9 Month Report *
	III/2009	III/2008		
	01.07.2009 30.09.2009	01.07.2008 30.09.2008	01.01.2009 30.09.2009	01.01.2008 30.09.2008
	TEUR	TEUR	TEUR	TEUR
Revenues	24.173	25.318	81.204	76.374
Cost of revenues	-20.459	-20.673	-65.681	-58.998
<b>Gross profit</b>	<b>3.714</b>	<b>4.645</b>	<b>15.523</b>	<b>17.376</b>
Distribution costs	-2.546	-3.080	-7.182	-8.232
Administration costs	-2.510	-2.666	-7.765	-7.163
Other operating income / expenses	1.469	654	2.627	1.463
<b>Operating result before depreciation (EBITDA)</b>	<b>127</b>	<b>-447</b>	<b>3.203</b>	<b>3.444</b>
Scheduled depreciation	-307	-5.314	-880	-5.886
<b>Operating result (EBIT)</b>	<b>-180</b>	<b>-5.761</b>	<b>2.323</b>	<b>-2.442</b>
Interest income and expenses	-275	-214	-964	-1.019
Result from investments and participations	-	-50	-	-50
Earnings from affiliated companies	3	2	12	9
Foreign currency exchange gains / losses	-34	11	-96	69
<b>Financial result</b>	<b>-306</b>	<b>-251</b>	<b>-1.048</b>	<b>-991</b>
<b>Result before taxes</b>	<b>-486</b>	<b>-6.012</b>	<b>1.275</b>	<b>-3.433</b>
Income taxes	-36	-43	-225	-191
<b>Result after taxes from continued operations</b>	<b>-522</b>	<b>-6.055</b>	<b>1.050</b>	<b>-3.624</b>
<b>Result after taxes from discontinued operations</b>	<b>-48</b>	<b>-98</b>	<b>-265</b>	<b>-326</b>
<b>Result after taxes</b>	<b>-570</b>	<b>-6.153</b>	<b>785</b>	<b>-3.950</b>
Minority interests	-3	147	650	1.297
<b>Group result</b>	<b>-567</b>	<b>-6.300</b>	<b>135</b>	<b>-5.247</b>
Earnings per share in EUR (undiluted)				
from continued operations	-0,04	-0,25	0,03	-0,21
from continued and discontinued operations	-0,05	-0,25	0,01	-0,22
Earnings per share in EUR (diluted)				
from continued operations	-0,04	-0,25	0,03	0,21
from continued and discontinued operations	-0,05	-0,25	0,01	-0,22
Average no. of shares outstanding (undiluted)	12.388.368	24.776.736	12.388.368	23.674.452
Average no. of shares outstanding (diluted)	12.388.368	24.776.736	12.388.368	23.674.452

\* Previous year's figures were adjusted

## CONSOLIDATED CASH FLOW STATEMENT

	9 Month Report	9 Month Report *
	01.01.2009 -30.09.2009	01.01.2008 -30.09.2008
	<u>TEUR</u>	<u>TEUR</u>
<b>Result from continued operations</b>	<b>1.050</b>	<b>-3.624</b>
Depreciation and amortisation	880	5.886
Change in accruals	-556	997
Changes not affecting payments	492	-303
Deferred taxes (net)	-86	-564
Result from valuation of affiliated companies	-12	-7
<b>Cash flow</b>	<b>1.768</b>	<b>2.385</b>
Net interest income	964	1.019
Change in working capital	-10.216	3.188
<b>Net cash from operating activities from continued operations</b>	<b>-7.484</b>	<b>6.592</b>
Net cash from operating activities from discontinued operations	-93	-196
<b>Net cash from operating activities (total)</b>	<b>-7.577</b>	<b>6.396</b>
<b>Net cash from investment activities from continued operations</b>	<b>6.573</b>	<b>-6.709</b>
<b>Net cash from financial activities (total)</b>	<b>-3.655</b>	<b>3.881</b>
<b>Change in cash and cash equivalents</b>	<b>-4.659</b>	<b>3.568</b>
<b>Effects of exchange rates</b>	<b>174</b>	<b>152</b>
<b>Cash and cash equivalents at beginning of Period</b>	<b>22.257</b> <sup>(1)</sup>	<b>14.129</b>
<b>Cash and cash equivalents at end of period</b>	<b>17.772</b> <sup>(2)</sup>	<b>17.849</b>

\* Previous year's figures were adjusted

(1) Thereof kEUR 160 to be associated with discontinued operations.

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

Changes in equity	Balance as at	Changes	Balance as at
	31.12.2007	01.01.2008- 30.09.2008	30.09.2008
	<u>TEUR</u>	<u>TEUR</u>	<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
	<b>30.716</b>	<b>-2.833</b>	<b>27.883</b>
Minority interests	3.271	826	4.097
<b>Equity</b>	<b><u>33.987</u></b>	<b><u>-2.007</u></b>	<b><u>31.980</u></b>

Changes in equity	Balance as at	Changes	Balance as at
	31.12.2008	01.01.2009- 30.09.2009	30.09.2009
	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Share capital	24.777	-12.389	12.388
Capital reserve	65.217	-37.880	27.337
Accumulated deficit	-67.704	50.404	-17.300
Accumulated other income / loss	-1.846	584	-1.262
	<b>20.444</b>	<b>719</b>	<b>21.163</b>
Minority interests	3.550	2.938	6.488
<b>Equity</b>	<b><u>23.994</u></b>	<b><u>3.657</u></b>	<b><u>27.651</u></b>

## IMPRINT

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