

MEDIA & ENTERTAINMENT

A Research Publication by DZ BANK AG

DEAG Entertainment⁶⁾

Reuters: ERMGk.DE

Bloomberg: ERMK GY

| Year * | Sales | | Adj. IFRS-Earnings per sh. | | Cash flow per share | | PER | PCF | Dividend per share |
|--------|-------|---------|----------------------------|--------|---------------------|--------|------|-----|--------------------|
| | EUR m | | EUR | | EUR | | | | |
| 2009 | 116.7 | (116.7) | 0.10 | (0.10) | 0.21 | (0.21) | 19.1 | 9.5 | 0.00 |
| 2010e | 121.4 | (121.4) | 0.13 | (0.13) | 0.25 | (0.25) | 12.7 | 6.9 | 0.00 |
| 2011e | 125.6 | (125.6) | 0.17 | (0.17) | 0.30 | (0.30) | 10.2 | 5.6 | 0.00 |
| 2012e | 130.0 | (-) | 0.20 | (-) | 0.36 | (-) | 8.5 | 4.7 | 0.00 |

* Fiscal year end December – In brackets: Figures from the last publication

Solid start into the new financial year – first quarter in line with expectations

- Q1/2010:** DEAG reported a decline in sales of 22% yoy to EUR 20.5 m and a clear increase in the EBIT of 21% to EUR 1.3 m. The margin thus increased by 220 bp to 6.3%. The reported results were in line with our expectations.
- Segments:** The decline in group sales is due to a lower frequency of large events at Good News. However, in our view this will be compensated for during the course of the year through mass-appeal concerts (U2, Prince). The increase in the EBIT resulted from the successful expansion of the high margin classical business. The increased focus on profitability in the organisation of rock and pop events also had a positive effect on the profit situation.
- Outlook:** Due to the very volatile character of the event business, the management does not generally provide any exact guidance. However, DEAG is planning to increase all the profit figures compared to the previous year. We consider this objective to be absolutely realistic due to the positive Q1 and the attractive concert pipeline.
- Implication:** DEAG had a solid start into the new financial year. With the concentration on the high margin classical segment and a more selective concert range in the rock and pop segment, the company is on the right track. In view of the already successful advance sales for Peter Maffay and David Garrett's tours, we continue to expect an EBIT increase of 15.6% to EUR 5.6 m for the 2010 financial year.

DEAG reported solid business performance in Q1/2010 which was in line with our expectations. We are thus maintaining our sales and profit forecasts. The DCF-based fair value (WACC 9.6%) remains EUR 2.9.

| Selected Companies | Price on 9 Jun 2010 | PER | | EV / EBITDA | | EV / Sales 10e | Re-com. |
|--|---------------------|-------------|-------------|-------------|------------|----------------|----------|
| | | 10e | 11e | 10e | 11e | | |
| DEAG Entertainment | 1.70 EUR | 12.7 | 10.2 | 6.2 | 5.4 | 0.36 | ↑ |
| CTS Eventim | 38.60 EUR | 17.3 | 14.4 | 8.2 | 6.7 | 1.58 | ↑ |
| Live Nation Inc | 10.88 USD | - | 33.0 | 7.7 | - | 0.59 | - |
| Median for all peer group companies | | 17.3 | 23.7 | 8.0 | 6.7 | 1.09 | - |

↑ = Buy, → = Hold, ↓ = Sell, ● = not rated, n/a = not appropriate
Source: DZ BANK, I/B/E/S, FactSet

EQUITIES

Flash
10 Jun 2010

Buy (prev. Buy)

Closing price 9 Jun 2010

(in EUR): 1.70

Fair value: 2.90 (prev. 2.90)

Risk classification: 5

Financial ratios 2010e:

| | |
|--------------------------------|-------|
| Book value per share (in EUR): | 1.89 |
| Equity ratio (in %): | 35.0 |
| Net margin (in %): | 3.0 |
| ROE (in %): | 12.8 |
| Dividend yield (in %): | 0.0 |
| Free cash flow (EUR m): | 3.3 |
| Net debt (EUR m): | -14.9 |

Number of shares

(million units): 12.4

Market cap

(in EUR m): 21.06

Free float (in %): 50.0

SIN: A0Z23G

ISIN: DE000A0Z23G6

Datastream: D:ERMX

Next Newsflow:

AGM: 07.07.2010



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DZ BANK
Bank on Germany

¹⁾⁻⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

FINANCIAL MODEL

BUSINESS PERFORMANCE Q1/2010

| Thousand Euro | Q1/09 | Q1/10 | yoy | DZe | Delta |
|-------------------------------|--------|--------|--------|--------|-------|
| Live Touring | | | | | |
| Sales | 14,000 | 13,100 | -6.4% | 13,500 | -3.0% |
| EBIT | 500 | 1,200 | 140.0% | 1,150 | 4.3% |
| Margin | 3.6% | 9.2% | | 8.5% | |
| Entertainment Services | | | | | |
| Sales | 13,700 | 8,500 | -38.0% | 8,800 | -3.4% |
| EBIT | 1,500 | 900 | -40.0% | 930 | -3.2% |
| Margin | 10.9% | 10.6% | | 10.6% | |
| Group | | | | | |
| Sales | 26,327 | 20,526 | -22.0% | 21,300 | -3.6% |
| EBIT | 1,062 | 1,286 | 21.1% | 1,280 | 0.5% |
| Margin | 4.0% | 6.3% | | 6.0% | |
| Net profit | 221 | 317 | 43.4% | 302 | 5.0% |
| EPS | 0.02 | 0.03 | 43.4% | 0.03 | 5.0% |

Source: DZ BANK Research, DEAG Entertainment

Explanatory notes

The loans from other banks were reduced compared to Q1/09 by 40% to EUR 2.9 m. The funds required for this originated from the sale of the 49% share in DEAG Classics to Sony Music. This repayment of debt capital improved the financial result from EUR -0.4 m to EUR -0.1 m. This led to a more than proportional increase in profit compared to the EBIT. In our opinion, the financial result will continue to improve throughout the course of the year as a result of the lower financing expenses.

Liquid funds increased since the end of the year by 27.5% to EUR 29.6 m. However, this stands opposed to deferred revenue of EUR 28.6 m from the sale of tickets for future events. Overall, the calculated adjusted net debt was EUR 12.8 m in Q1. With a full year EBITDA of EUR 7.0 m (DZe), this results in a current Net Debt/EBITDA multiple of 1.8.

DZ BANK ESTIMATES

| EUR m | 2010e | yoy | 2011e | yoy | 2012e | yoy |
|------------|-------|-------|-------|-------|-------|-------|
| Sales | 121.4 | 4.0% | 125.6 | 3.5% | 130.0 | 3.5% |
| EBIT | 5.6 | 15.8% | 6.0 | 7.9% | 6.5 | 7.8% |
| Margin | 4.6% | | 4.8% | | 5.0% | |
| EBT | 4.6 | 40.0% | 5.1 | 11% | 5.6 | 10.5% |
| Net profit | 1.7 | 249% | 2.1 | 24.3% | 2.5 | 20.7% |
| EPS | 0.13 | 249% | 0.17 | 24.3% | 0.20 | 20.7% |

Source: DZ BANK estimates

PROFIT AND LOSS ACCOUNT

| Euro m | 2009 | 2010e | 2011e | 2012e | 2013e | 2014e |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 116.7 | 121.4 | 125.6 | 130.0 | 134.6 | 139.3 |
| % against prev. year | 7% | 4% | 4% | 4% | 4% | 4% |
| Cost of goods sold | -90.7 | -91.6 | -94.6 | -97.6 | -101.0 | -104.6 |
| Gross profit | 26.0 | 29.7 | 31.0 | 32.4 | 33.5 | 34.7 |
| % against prev. year | 32% | 14% | 4% | 4% | 4% | 4% |
| Sales costs | -14.7 | -15.2 | -15.7 | -16.3 | -16.8 | -17.4 |
| Administration costs | -11.0 | -11.4 | -11.8 | -12.2 | -12.6 | -13.1 |
| R&D expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating income | 5.2 | 3.0 | 3.1 | 3.3 | 3.4 | 3.5 |
| Other operating expenses | -0.7 | -0.6 | -0.6 | -0.7 | -0.7 | -0.7 |
| Extraordinary income/expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating profit (EBIT) | 4.8 | 5.6 | 6.0 | 6.5 | 6.7 | 7.0 |
| For information: EBIT adjusted | 4.8 | 5.6 | 6.0 | 6.5 | 6.7 | 7.0 |
| % against prev. year | | 16% | 8% | 8% | 4% | 4% |
| Interest paid / received | -1.6 | -1.0 | -1.0 | -0.9 | -0.8 | -0.8 |
| Profit before tax | 3.3 | 4.6 | 5.1 | 5.6 | 5.9 | 6.2 |
| For information: EBT adjusted | 3.3 | 4.6 | 5.1 | 5.6 | 5.9 | 6.2 |
| % against prev. year | | 40% | 11% | 10% | 5% | 4% |
| Income taxes from continuing operations | -0.4 | -0.9 | -1.0 | -1.1 | -1.2 | -1.2 |
| Tax rate | 12% | 20% | 20% | 20% | 20% | 20% |
| Net profit from continuing operations | 2.9 | 3.7 | 4.1 | 4.5 | 4.7 | 4.9 |
| Net profit from discontinued operations | -0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 2.1 | 3.7 | 4.1 | 4.5 | 4.7 | 4.9 |
| Profit or loss attributable to minority interest | -1.6 | -2.0 | -2.0 | -2.0 | -2.0 | -2.0 |
| Profit or loss attributable to shareholders | 0.5 | 1.7 | 2.1 | 2.5 | 2.7 | 2.9 |
| thereof from continuing operations | 1.3 | 1.7 | 2.1 | 2.5 | 2.7 | 2.9 |
| thereof from discontinued operations | -0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Weighted average number of shares, diluted (m) | 12.388 | 12.388 | 12.388 | 12.388 | 12.388 | 12.388 |
| IFRS earnings per share, diluted | 0.04 | 0.13 | 0.17 | 0.20 | 0.22 | 0.24 |
| Adjusted earnings per share, diluted (contin.) | 0.10 | 0.13 | 0.17 | 0.20 | 0.22 | 0.24 |
| For information | | | | | | |
| Depreciation | 1.6 | 1.4 | 1.7 | 2.0 | 2.3 | 2.6 |
| EBITDA | 6.4 | 7.0 | 7.7 | 8.5 | 9.0 | 9.5 |
| EBITDA adjusted | 6.1 | 7.0 | 7.7 | 8.5 | 9.0 | 9.5 |

Fiscal year end December

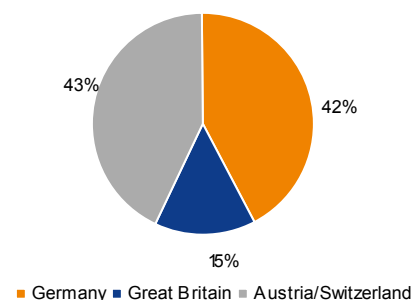
Source: DEAG Entertainment and DZ BANK estimates

RATIOS

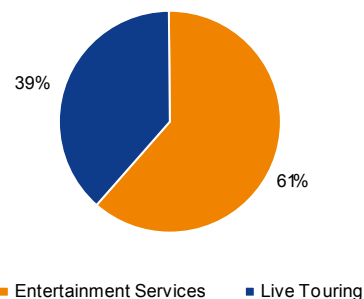
| Euro | 2009 | 2010e | 2011e | 2012e | 2013e |
|--|--------|--------|--------|--------|--------|
| Profit and loss ratios | | | | | |
| Sales (m) | 116.7 | 121.4 | 125.6 | 130.0 | 134.6 |
| EBITDA margin | 5.2% | 5.8% | 6.1% | 6.5% | 6.7% |
| EBIT margin | 4.1% | 4.6% | 4.8% | 5.0% | 5.0% |
| Net margin | 2.5% | 3.0% | 3.2% | 3.4% | 3.5% |
| Investment ratio | 0.3% | 3.0% | 2.9% | 2.8% | 2.8% |
| R&D as % of sales | | | | | |
| Admin and sales costs as % of sales | 22.0% | 21.9% | 21.9% | 21.9% | 21.9% |
| Net other operating costs as % of sales | -3.9% | -2.0% | -2.0% | -2.0% | -2.0% |
| Net financial income as % of sales | -1.3% | -0.8% | -0.8% | -0.7% | -0.6% |
| Interest cover | 3.7 | 5.5 | 6.3 | 7.3 | 8.1 |
| Average sales growth next five years | 3.6% | | | | |
| Average earnings growth next five years | 43.9% | | | | |
| Profitability ratios | | | | | |
| ROE | 11.1% | 12.8% | 12.9% | 13.0% | 12.5% |
| ROCE | 40.7% | 41.4% | 40.6% | 40.8% | 40.2% |
| Productivity ratios | | | | | |
| Sales per employee ('000) | 250.33 | | 749.87 | 753.62 | 762.32 |
| EBIT per employee ('000) | 10.36 | | 35.99 | 37.68 | 38.12 |
| Balance sheet ratios | | | | | |
| Equity ratio | 33.4% | 35.0% | 36.8% | 38.6% | 40.3% |
| Long term debt and equity / Fixed assets | 93.3% | 94.4% | 96.9% | 100.5% | 104.7% |
| Liquidity (quick ratio) | 79.9% | 80.0% | 81.8% | 84.8% | 88.4% |
| Receivables as % of sales | 7.6% | 7.5% | 7.5% | 7.5% | 7.5% |
| Investment (net of GW) / Depreciation | | 258.6% | 216.1% | 186.9% | 165.5% |
| Working capital as % of sales | -19.4% | -19.1% | -19.0% | -18.8% | -18.7% |
| Film assets (m) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net debt (m) | -14.0 | -14.9 | -16.4 | -18.5 | -21.0 |
| Net debt complete (m) | -15.9 | -16.8 | -18.3 | -20.4 | -22.9 |
| Figures per share | | | | | |
| Earnings per share, diluted | 0.10 | 0.13 | 0.17 | 0.20 | 0.22 |
| Diluted cash earnings per share | 0.21 | 0.25 | 0.30 | 0.36 | 0.40 |
| Dividend per common share | 0.00 | 0.00 | 0.00 | 0.00 | 0.50 |
| Cash per share, diluted | 1.90 | 1.94 | 2.04 | 2.19 | 2.36 |
| Net debt per share, diluted | -1.13 | -1.20 | -1.32 | -1.49 | -1.69 |
| Valuation ratios | | | | | |
| Enterprise value / Sales | 0.1 | 0.4 | 0.3 | 0.3 | 0.3 |
| Enterprise value / EBITDA | 2.3 | 6.2 | 5.4 | 4.7 | 4.1 |
| Enterprise value / EBIT | 3.0 | 7.7 | 6.9 | 6.1 | 5.5 |
| EV/Sales to sales growth | 0.03 | 0.10 | 0.09 | 0.08 | 0.08 |
| PEG ratio - common shares | | 0.29 | | | |
| Fiscal year end December | | | | | |

Source: DEAG Entertainment, DZ BANK estimates

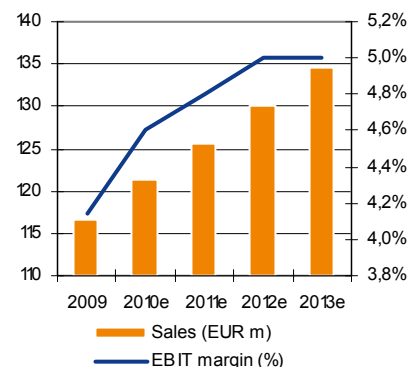
SALES BY REGION 2009



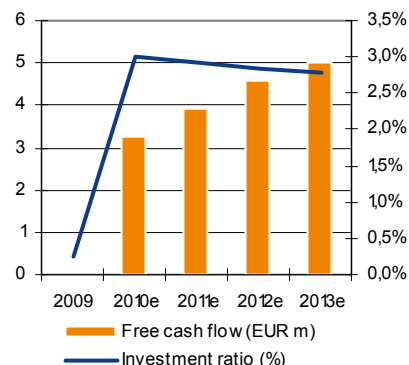
SALES BY BUSINESS SEGMENT 2009



SALES AND MARGIN DEVELOPMENT



FREE CASH FLOW AND INVESTMENT RATIO



¹⁾ - ⁹⁾ Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

BALANCE SHEET

| IFRS - Euro m | 2009 | 2010e | 2011e | 2012e | 2013e | 2014e |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| ASSETS | | | | | | |
| Non current assets | 36.1 | 38.3 | 40.3 | 42.0 | 43.5 | 44.5 |
| Intangible assets | 25.4 | 27.5 | 29.2 | 30.8 | 32.0 | 33.0 |
| thereof goodwill | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 |
| Long-term film assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tangible assets | 9.1 | 9.2 | 9.3 | 9.5 | 9.5 | 9.6 |
| Financial assets | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Other long-term assets | 0.0 | 0.0 | 0.1 | 0.2 | 0.4 | 0.4 |
| Current assets | 41.8 | 43.2 | 45.0 | 47.5 | 50.4 | 48.0 |
| Inventories | 6.5 | 6.9 | 7.2 | 7.4 | 7.7 | 7.9 |
| Short-term film assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Trade receivables | 8.9 | 9.1 | 9.4 | 9.8 | 10.1 | 10.4 |
| Financial assets | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Other receivables and short-term assets | 2.5 | 2.7 | 2.8 | 2.9 | 3.0 | 3.1 |
| Liquid assets | 23.5 | 24.1 | 25.3 | 27.1 | 29.3 | 26.1 |
| Assets available for sale | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total assets | 77.9 | 81.5 | 85.3 | 89.5 | 93.9 | 92.5 |
| LIABILITIES | | | | | | |
| Shareholders' equity | 26.0 | 28.5 | 31.4 | 34.5 | 37.9 | 35.1 |
| Share capital | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 |
| Reserves | 10.4 | 12.0 | 14.1 | 16.6 | 19.3 | 16.0 |
| Other equity | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 |
| Minority interest | 4.2 | 5.0 | 5.8 | 6.5 | 7.1 | 7.6 |
| Treasury stock | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non current liabilities | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 |
| Provisions for pensions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other provisions | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Financial liabilities | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 |
| Other payables | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Current liabilities | 44.2 | 45.3 | 46.3 | 47.3 | 48.4 | 49.7 |
| Trade receivables | 10.2 | 10.6 | 11.0 | 11.4 | 11.8 | 12.2 |
| Other provisions | 6.9 | 7.0 | 7.0 | 7.1 | 7.2 | 7.2 |
| Financial liabilities | 3.7 | 3.4 | 3.1 | 2.8 | 2.5 | 2.5 |
| Other liabilities | 23.4 | 24.3 | 25.2 | 26.0 | 26.9 | 27.9 |
| Liabilities assoc. with assets held for sale | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' equity and liabilities | 77.9 | 81.5 | 85.3 | 89.5 | 93.9 | 92.5 |
| Fiscal year end December | | | | | | |

Source: DEAG Entertainment and DZ BANK estimates

SUMMARY

| Euro m | 2009 | 2010e | 2011e | 2012e | 2013e | 2014e |
|--|-------|-------|-------|-------|--------|--------|
| Profit and loss account | | | | | | |
| Sales | 116.7 | 121.4 | 125.6 | 130.0 | 134.6 | 139.3 |
| Cost of goods sold | -90.7 | -91.6 | -94.6 | -97.6 | -101.0 | -104.6 |
| Gross profit | 26.0 | 29.7 | 31.0 | 32.4 | 33.5 | 34.7 |
| Sales costs | -14.7 | -15.2 | -15.7 | -16.3 | -16.8 | -17.4 |
| Administration costs | -11.0 | -11.4 | -11.8 | -12.2 | -12.6 | -13.1 |
| R&D expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating income/expenses | 4.5 | 2.4 | 2.5 | 2.6 | 2.7 | 2.8 |
| Operating profit (EBIT) | 4.8 | 5.6 | 6.0 | 6.5 | 6.7 | 7.0 |
| Interest paid / received | -1.6 | -1.0 | -1.0 | -0.9 | -0.8 | -0.8 |
| Profit before tax | 3.3 | 4.6 | 5.1 | 5.6 | 5.9 | 6.2 |
| Income taxes from continuing operations | -0.4 | -0.9 | -1.0 | -1.1 | -1.2 | -1.2 |
| Net profit from continuing operations | 2.9 | 3.7 | 4.1 | 4.5 | 4.7 | 4.9 |
| Net profit from discontinued operations | -0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit | 2.1 | 3.7 | 4.1 | 4.5 | 4.7 | 4.9 |
| Profit or loss attributable to minority interest | -1.6 | -2.0 | -2.0 | -2.0 | -2.0 | -2.0 |
| Profit or loss attributable to shareholders | 0.5 | 1.7 | 2.1 | 2.5 | 2.7 | 2.9 |
| Balance sheet | | | | | | |
| Non current assets | 36.1 | 38.3 | 40.3 | 42.0 | 43.5 | 44.5 |
| thereof goodwill | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 | 18.9 |
| Current assets | 41.8 | 43.2 | 45.0 | 47.5 | 50.4 | 48.0 |
| thereof liquid assets | 23.5 | 24.1 | 25.3 | 27.1 | 29.3 | 26.1 |
| Shareholders' equity | 26.0 | 28.5 | 31.4 | 34.5 | 37.9 | 35.1 |
| Non current liabilities | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 | 7.7 |
| Current liabilities | 44.2 | 45.3 | 46.3 | 47.3 | 48.4 | 49.7 |
| Shareholders' equity and liabilities | 77.9 | 81.5 | 85.3 | 89.5 | 93.9 | 92.5 |
| Cash flow statement | | | | | | |
| Operating CF (cont.) | 1.2 | 6.7 | 7.3 | 8.0 | 8.5 | 8.9 |
| Operating CF (discont.) | -0.8 | | | | | |
| Investing CF (cont.) | -0.1 | -3.4 | -3.4 | -3.4 | -3.5 | -3.3 |
| Investing CF (discont.) | -0.2 | | | | | |
| Free cash flow (cont.) | 1.0 | 3.3 | 3.9 | 4.6 | 5.0 | 5.6 |
| Free cash flow (discont.) | -1.0 | | | | | |
| Financing CF (cont.) | 1.2 | -2.7 | -2.7 | -2.8 | -2.8 | -8.8 |
| Financing CF (discont.) | -0.1 | | | | | |
| Increase/decrease of cash | 1.1 | 0.6 | 1.2 | 1.8 | 2.2 | -3.2 |
| Fiscal year end December | | | | | | |

Source: DEAG Entertainment and DZ BANK estimates

^{1) - 9)} Important: Please read the references to possible conflicts of interest and disclaimers/disclosures at the end of this report.

IMPRINT

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DZ BANK RESEARCH – ALL COVERED COMPANIES

Buy 75.7%, Hold 1.6%, Sell 22.7%

PERCENTAGE OF COMPANIES WITHIN EACH CATEGORY FOR WHICH DZ BANK, DZ FINANCIAL MARKETS LCC AND/OR RESPECTIVE AFFILIATES HAVE PROVIDED INVESTMENT BANKING SERVICES WITHIN THE PREVIOUS 12 MONTHS

Buy 15.2%, Hold 40.0%, Sell 11.6%

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| Recommendation | Date | Price |
|----------------|-------------|----------|
| Buy | 8 Jul 2009 | 2.40 EUR |
| Hold | 2 Dec 2008 | 0.74 EUR |
| Buy | 27 May 2008 | 2.92 EUR |

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