DEAG Deutsche Entertainment Aktiengesellschaft

Annual Report 2011

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Foreword by the Chief Executive Officer

Dear Madam, Dear Sir,

Our company has been able to significantly increase its profitability during the past fiscal year. Despite a challenging corporate environment, the Group result has almost doubled. In the wake of a positive business development, the DEAG share reached its peak price in May 2011 with EUR 3.58 and showed during the fiscal year overall an almost identical development as the DAX and SDAX indices. The unanimous recommendation by the analysts is “Buy” and the issued target price ranges between EUR 4.16 and EUR 4.30.

These summarized ratios illustrate the ongoing good corporate development of the past years and confirm, more particularly, our resolutely executed strategy. Our constant orientation on the needs of our customers has resulted in an artist program which contributes, thanks to a high emotional binding of the fans, to a decoupling of our company from the general economic developments.
With its extraordinary diversity of offerings, its highly qualified and motivated associates, its permanently growing earnings strength and its clear strategy, our company is resistant to crisis and excellently positioned for future challenges.

PROFITABILITY WITH A FURTHER POSITIVE DEVELOPMENT IN 2011

Between January 1 and December 31, 2011 the DEAG Group increased its sales revenues from EUR 125.8 million to EUR 128.3 million. Before one-off special effects; the EBIT amounted to EUR 9.0 million, versus EUR 8.2 million during the previous year (+ 10%). At the same time the company succeeded in massively improving the Group result after tax and minorities. It grew by more than 90% from EUR 1.3 million to EUR 2.5 million. This corresponds to earnings per share of EUR 0.21 versus EUR 0.11 in 2010 and EUR 0.04 in 2009.

ONGOING CLEAR FOCUS ON HIGH-MARGIN BUSINESS

In our classical music segment we have secured a strong competitive edge for ourselves. In 2004 we started our clear orientation towards high-margin business. With exceptional artists such as Anna Netrebko, David Garrett, Lang Lang, Jonas Kaufmann and own productions like the Berliner Seefestspiele, we have been celebrating major successes by combining special events with innovative marketing and creativity within the framework of a comprehensive network. Today we have a highly profitable business in this segment in Germany, Switzerland and the United Kingdom. In 2010 we extended our middle-of-the-road music and German hits segment and were able to largely outperform the expected results with artists and formats such as Hansi Hinterseer or the Musikantenstadl. In 2011 we prepared the first step of this kind after we found the right partner in order to elevate our engagement in the field of family entertainment to a higher level. Our events, such as the freestyle motorbike show “Night of the Jumps”, have been geared to this special target group already for several years; now this highly exciting genre can be increasingly provided with new products. During the past business year we also enlarged our Swiss rock/pop business with the setting up of Starclick Entertainment AG, a joint venture with the Ringier publishing company, in order to become more firmly anchored in particular in the promising festival segment in Switzerland.

WITH A GROWING NUMBER OF INCOME SOURCES TO A HIGHER RETURN

The interest in Live Entertainment in general and live events, concerts and shows with exclusive artists in particular has been strongly rising during the past years. Publishing companies use this content in order to give their media an exclusive touch; consumer goods producers use sponsoring in order to provide their brand with a profile, ticketing companies need this content in order to be able to operate their business. This means that our attractive core product can be supplemented by diverse marketing with many additional income sources.

DEAG Deutsche Entertainment AG is an Integrated Entertainment Content company, because we seized these opportunities already years ago and consistently upgraded the record and music publishing area, the sponsoring business, product refining in the premium segment or merchandising through the 360 degree model. We will continue on this path, through an even more intensive integration of the distribution business into our value chain and an increased exchange of artists and productions such as the opera production "AIDA", recently staged in London's Royal Albert Hall, between our core markets in Germany, Switzerland and the United Kingdom. In this way we will create a rising number of income sources through smart marketing and exploitation, with a noteworthy impact on the result and return.

Dear Shareholders,

Classical music, shows, musicals, rock/pop, middle-of-the-road music or German hits – we will offer our customers attractive events with a high diversity and range during the current year, too. We are working intensively on pursuing growth and rising profitability on a high level during the coming years and would be pleased if you continued to accompany DEAG.

The Supervisory Board and the Executive Board will propose to the General Meeting the payment of a dividend in the amount of EUR 0.04 per share for fiscal 2011. This documents the acquired earnings strength of DEAG and I am pleased that you as our shareholders can participate in the higher profits of the company despite the planned further growth.

Our success is primarily attributable to the work of the entire team, which commits itself on a daily basis to the quality of our products and the satisfaction of our customers and artists. Therefore, I would like to seize this opportunity to thank our associates for their day-to-day commitment, their creativity and their flexibility.

Sincerely yours

Prof. Peter L.H. Schwenkow

Report of the Supervisory Board

Dear Madam, Dear Sir,

During fiscal 2011 the Supervisory Board has dealt on a regular basis in detail with the situation and the development of the company. In accordance with the provisions and recommendations of the German Corporate Governance Code, we have supported the Executive Board in its management of the company and advised it on questions of corporate leadership. The Supervisory Board was involved in all decisions with fundamental significance for the company. Furthermore, the operational and strategic development of the Group was discussed with the Executive Board.

The Executive Board informed the Supervisory Board on a regular, timely and comprehensive basis in writing and orally about the business development, the planning and the situation of the company, including the risk situation and risk management. Documents with relevance for the adoption of resolutions were distributed in due time prior to the Supervisory Board meetings. Deviations of the business development from plans and defined objectives were explained in detail and the underlying causes were analyzed.

In fiscal 2011 a total of eight Supervisory Board meetings took place, of which three were conference calls. All members of the Supervisory Board attended more than half of the meetings. Urgent matters were decided on the basis of resolutions adopted by correspondence.

Between the Supervisory Board meetings the Chairman of the Supervisory Board had regular talks to the CEO and had a close exchange of information with the latter. He then informed the other two members of the Supervisory Board about the current development of the business situation and the material business transactions.

Focus of the deliberations of the Supervisory Board

At the meeting of the Supervisory Board on March 24, 2011 the financial statements and the consolidated financial statements for fiscal 2010 as well as the summarized management report and consolidated management report were discussed with representatives of the independent auditor and approved by the Supervisory Board at its meeting on March 31, 2011. Furthermore, the draft agenda for the Annual Meeting on June 28, 2011 was adopted.

The meeting of the Supervisory Board on May 27, 2011 focused on the report by the Executive Board on the quarterly financial statements 2011/1 and the current business development.

Within the framework of the Supervisory Board meeting on June 28, 2011, which took place after the General Meeting of the company, the course of the General Meeting and the current business development were discussed.

At the meeting of the Supervisory Board on August 24, 2011 the half-year financial statements as at June 30, 2011 and the current business development of the company were discussed.

During the meeting of the Supervisory Board on October 6, 2011 resolutions were adopted on the report by the Executive Board on the current business development and the planned restructuring and optimization measures in Switzerland.

At the meeting of the Supervisory Board on November 25, 2011 the financial statements for the third quarter 2011 and the current business development were discussed. Furthermore, the financial calendar for fiscal 2012 was adopted.

On December 14, 2011 the last Supervisory Board meeting for the year took place. The focus of the meeting was on the reports by the Executive Board on the business development and the forecast for fiscal 2012 as well as the approval of the budget for fiscal 2012. Based on prepared questionnaires, we discussed about the efficiency of our own activity and the risk management system of the company. The service agreement with the member of the Executive Board, Christian Diekmann, was prematurely extended by three years until July 30, 2015.

Outside the Supervisory Board meetings different resolutions were adopted by correspondence on the basis of detailed drafts. The latter were discussed in detail on the telephone in advance by the Executive Board with the members of the Supervisory Board.

Corporate Governance and Declaration of Conformity

The implementation of the current version of the German Corporate Governance Code was discussed at the Supervisory Board meetings on March 24, 2011 and December 14, 2011. On May 20, 2011 and December 14, 2011 the Executive Board and the Supervisory Board made the declarations in accordance with § 161 AktG (German Stock Corporation Act) on the recommendations of the Code. The joint Declaration of Conformity of the Executive Board and the Supervisory Board is permanently available on the website of DEAG on http://www.deag.de/ir. In the Corporate Governance Report and in the Notes to the Consolidated Financial Statements you will find further information on the implementation of the recommendations and suggestions of the German Corporate Governance Code.

Composition of the Supervisory Board and Executive Board

The composition of the Supervisory Board and Executive Board remained unchanged during the reporting period. No Committees of the Supervisory Board were set up, since the Supervisory Board includes only three members and all decisions were taken by the body. Conflicts of interest on the Supervisory Board did not occur during the reporting period.

Financial Statements and Consolidated Financial Statements

The Annual Meeting of DEAG elected on 28.06.2011 BDO AG Wirtschaftsprüfungsgesellschaft, Berlin as independent auditor for fiscal 2011. The auditor audited the financial statements 2011 of DEAG Deutsche Entertainment Aktiengesellschaft, the consolidated financial statements 2011 of the DEAG Group and the summarized management report and consolidated management report and issued an unqualified audit certificate.

The financial statements, the consolidated financial statements, the summarized management report and the consolidated management report as well as the audit report by the auditor were submitted to all members of the Supervisory Board for review and the adoption of a resolution. The financial documentation was discussed together with the Executive Board and the independent auditor.

After its final review the Supervisory Board adopts the financial statements of DEAG Deutsche Entertainment Aktiengesellschaft prepared by the Executive Board for fiscal 2011 which is hence established in accordance with §172 AktG. Furthermore, the Supervisory Board adopts the consolidated financial statements and the summarized management report and consolidated management report of the DEAG Group prepared by the Executive Board for fiscal 2011 and has no objections. The proposal of the Executive Board on the appropriation of the balance sheet profit and the payment of a dividend was reviewed and approved by the Supervisory Board taking into account the interests of the company and the shareholders.

We thank the Executive Board, the management and all associates of the DEAG Group for the work performed in 2011. They all contributed with their high commitment towards the company being able to pursue its positive development.

Berlin, 30.03.2012

The Supervisory Board

Wolf-D. Gramatke
Chairman of the Supervisory Board

DEAG on the capital market

2011 was a bad year for shares. In spring, the natural and nuclear disaster in Japan caused a short but dramatic setback in share prices at the worldwide stock exchanges. From late summer onwards, concerns about the debt situation of different states and the stability of the Euro had a massive adverse effect on share prices. The share of DEAG Deutsche Entertainment AG displayed in 2011 a development which was almost identical to the German stock markets as a whole. The German share index DAX lost 14.7% in value during the year; the second line stock index SDAX had to accept a drop of 14.5%. The DEAG share lost 15.1%.

After a closing price in Xetra trading of EUR 2.65 on the last trading day in 2010, the DEAG share closed 2011 with an end-of-year share price of EUR 2.25. The peak of 2011 was reached on May 4, 2011 with EUR 3.58 in the wake of the positive business development. During roughly the first four months 2011 a 35% price increase was hence achieved. During the second half year the DEAG share then came under pressure together with the overall market. The annual low was recorded on November 11, 2011 with EUR 2.03.

The average trading volume of the DEAG share at all German stock exchanges amounted to 16,260 shares per day in 2011. On average 11,800 shares per day were accounted for by Xetra trading; this corresponds to 72.6%.

The designated sponsor for the share of DEAG Deutsche Entertainment AG is VEM Aktienbank AG. It quotes binding offer/bid prices on a daily basis.

DEAG can rely on extensive coverage by analysts on its share. Research reports were published by Hauck & Aufhäuser and DZ Bank as well as Silvia Quandt Research GmbH. The unanimous vote of the analysts was “Buy”. The target prices moved on the basis of the latest reports between EUR 4.16 and EUR 4.30.

DEAG Deutsche Entertainment AG, listed in the Prime Standard of the German stock exchange Deutsche Börse, continues to communicate transparently and regularly with the capital market. In 2011 DEAG participated, for instance, in capital market conferences and conducted one-on-one talks with numerous national and international investors. Roadshows were staged, inter alia, in Europe and in the USA. During conferences in Germany in Munich and Frankfurt, DEAG presented its business model in November 2011 for instance at the Equity Forum of Deutsche Börse in Frankfurt. DEAG also has ongoing contacts with the financial and business media.

Transparency is ensured by the regular publication of ad-hoc disclosures and press releases as well as business and research reports. These can be called up on the website of DEAG in the Investor Relations section under www.deag.de/ir. Contact partners are available for investors on the phone number ++49 69-905505-52 and under the email address deag@edicto.de.

Combined Management Report and Group Management Report

The DEAG Group is an Integrated Entertainment Content group, which focuses on the development of high-margin business units. Approximately 80% of its sales revenues are generated with the production and staging of tours and concerts on the three core markets Germany, Switzerland and the United Kingdom. The business portfolio includes several different genres – rock/pop national and international, classical music, middle-of-the-road music and German hits as well as shows and family entertainment productions.

The early orientation towards the 360 degree model has resulted in a consistent increase in income sources within the Group. Additional value chains were established with the integration of the record label, the publishing business, sponsoring, product refinement and the merchandise business. In addition, the integration of the high-margin distribution business was integrated into the value chain of the Group during the past fiscal year. In this connection the co-operation basis of the company with Ticketmaster Deutschland Holding GmbH, in which DEAG Deutsche Entertainment AG (DEAG) holds 10% of the shares, was further developed and optimized.

The disproportionately strong earnings development as a result of growth in sales revenues is part of the strategic goals and was again achieved during fiscal 2011. The Executive Board will, therefore, propose for the first time in the company's history, the payment of a dividend for the past fiscal year.

The DEAG Group in numbers

	2011 EUR million	2010 EUR million	Variance in %
Sales	128.3	125.8	2%
Gross profit from sales	32.6	31.3	4%
Operating income (EBIT)	7.2	8.2	-12%
Adjusted Operating income (EBIT)*)	9.0	8.2	10%
Group net profit	2.5	1.3	92%
Earnings per share	0.21	0.11	91%
Employees**)	224	190	18%

*) Before one-off special effects in Switzerland
**) Heads incl. Temps at balance sheet date

1. Business development and Framework Conditions

In accordance with the current 2011/2012 annual expert report of the German Expert Council for the review of the general economic situation, the strong economic upswing until the middle of 2011 reflects essentially the recovery process after the recession in the crisis year 2009. The gross domestic product is by the middle of 2011 more or less on the level before the outbreak of the crisis. For 2011 a rise in the gross domestic product by another strong 3.0% is anticipated. The business situation will, however, weaken in 2012 after the end of the recovery process and due to the worsening world economic environment; the growth rate of the gross domestic product is likely to amount to only 0.9%.

Despite the decline in foreign trade growth, the revival of domestic demand constitutes the basis, like already in 2010, for a further extension of the gross domestic product and prevents the economic development from a standstill. Nonetheless the risks even increased in fall 2011. In the Eurozone the economic situation is marked by government debt and the banking crisis as well as the indirect influence of the debt situation in the United States.

The business of DEAG will benefit from a stable consumption rate; in addition, it should be stressed that the highly emotional product of DEAG shows, by experience, a disproportionately high decoupling from the general economic developments.

During fiscal 2011 the DEAG Group was able to increase its sales revenues by 2.0% to EUR 128.3 million (prior year: EUR 125.8 million). This rise concerns, more particularly, apart from the activities in Switzerland, the classical music segment as well as middle-of-the-road music and German hits. The early adoption of the 360 degree model within the Group, the integration of the record label and publishing house, sponsoring, product refinement and merchandise have resulted in a sustainable rise in income sources.

After the adjustment for the one-off expenditure in Switzerland, the EBIT was significantly increased. The normalized EBIT amounted to EUR 9.0 million after EUR 8.2 million in fiscal 2010. The one-off expenditure of EUR 1.8 million resulted, more particularly, from the integration and consulting costs for restructuring and optimization measures of the local investee and the setting up of a new business area.

Despite this significant one-off expenditure, the consolidated net income for the year almost doubled to reach EUR 2.5 million. This corresponds to earnings per share of a total of EUR 0.21 per share, versus EUR 0.11 per share in 2010. The Executive Board intends to propose a dividend payment of EUR 0.04.

Despite an altogether challenging market environment the DEAG Group has continued to chart a growth course and significantly increase its consolidated net income, so that it reached its priority annual goal. The appropriateness of the strategic orientation is now reflected by the excellent results achieved again after 2010.

1.1. The Live Entertainment Market

Up-to-date numbers, comparable to those for the general economic development, are not available for the Live Entertainment market, so that industry numbers cannot be used as a reference for the reporting period. After many years of constant growth, stagnating and partly declining tendencies have been observed since 2009 (GfK Study 2009). Consequently, the DEAG Group operates in a challenging market environment which is, moreover, marked by an ongoing concentration process.

Nonetheless the DEAG Group was able to continue its growth course in 2011 and sees itself confirmed in its strategic approach which consists in strengthening the high-margin classical music segment, optimally executing the 360 degree model, working increasingly with domestic artists and serving the low-margin international star business in the rock/pop segment in a balanced manner. In parallel, measures which increase the profitability of the business and sound the market in view of promising business areas, have had a positive impact. In addition, the decision was taken in 2011 to significantly expand the family entertainment business. This orientation which, according to the Executive Board, is linked to a highly demand and customer-oriented approach, secures growing independence from the overall economic effects.

The product portfolio has a broad basis. With a focus on three countries, events and concerts are produced for almost all genres for audiences of almost every age group. The resulting risk diversification prevents specific negative effects.

The extension of the Classical music segment continued to be pursued in 2011. DEAG Classics AG was able to set a future-proof course with the conclusion of long-term contracts with David Garrett as well as Anna Netrebko and Erwin Schrott for an ongoing prospering classical music segment, which aims increasingly also at an international co-operation with these Classical music superstars.

In addition, the family entertainment business was significantly boosted during the reporting period with Grandezza Entertainment GmbH and Grünland Family Entertainment GmbH. The two companies develop and produce entertainment formats addressing the family as a target group. This area not only offers sound margins but also many different exploitation possibilities, e.g. with television stations and is, therefore, an important supplement to the existing product portfolio.

With the concert agency Starclick Entertainment AG, set up together with the Swiss Ringier publishing house, the DEAG Group wishes to establish itself in particular on the Swiss festival scene and extend the event spectrum so far contributed by the Good News Group. The tasks of the new concert agency focus on rock/pop and alternative.

The co-operation in the field of ticketing which has existed with Ticketmaster Deutschland Holding GmbH already for several years and in which DEAG has a share, was newly structured in 2011 with the conclusion of a partly exclusive distribution agreement. The co-operation between the two companies will hence also be sustainably strengthened and extended in future.

The dwindling sales revenues in recent years in the record segment and the related growing desire for additional earnings sources in the areas Live, Merchandise and other segments support the position of DEAG which is benefiting from a promising positioning in these fields. The good co-operation with all major labels of the record industry and the stake of Sony Music Entertainment Germany GmbH in the classical music business of DEAG confirm this view.

1.2. DEAG: In 2010 positive development in all segments

Concerts with Shakira, Justin Bieber and Zucchero in the Zurich Hallenstadion as well as the shows within the framework of the Moon & Stars series of events, including Roxette and Bryan Adams, created again storms of enthusiasm amongst the audiences. Highly successful tours of some exceptional artists such as David Garrett and Peter Maffay likewise contributed to the good business development. Raymond Gubbay Ltd. produced and staged concerts and shows in the Royal Albert Hall, The O2 and other arenas in the United Kingdom. The Classical Company AG, set up with the Ringier publishing house at the beginning of 2010 in Switzerland, staged again successful concerts with Lang Lang, Vittorio Grigolo or Simone Kermes.

Through a participation in Seefestspiele Berlin GmbH in December 2010, DEAG Classics enlarged its classics portfolio by adding production, organization and establishment of an open-air opera festival as an annual recurring event of a special kind. With the “Magic Flute”, directed by Katharina Thalbach, the Berlin cultural program has been enhanced from summer 2011 onwards.

In the Live Touring segment the tour with Echo award winner Peter Maffay was again a highlight and enthralled the audience. Furthermore, Manfred Hertlein Veranstaltungs GmbH contributed with tours by Hansi Hinterseer and others in 2011 again to a very good result of the German-speaking artist segment. The company will continue to focus on this area and push it further.

The local rock/pop business in Switzerland closed 2011 with arena concerts and open-airs involving many world stars with the expected operating result. The good operating income was burdened by significant one-off expenditure. This concerned, more particularly, integration and consulting costs.

The business at the Jahrhunderthalle arena was again well ahead of plan because not only rent income from concert events developed positively but also the letting business with annual meetings and works meetings as well as product launches was again particularly positive in 2011.

The local event business was likewise strengthened altogether. The number of concerts significantly increased through the development of new business relations and the result improved versus prior year, too.

DEAG Music rounded off its result in 2011, also by catalog sales – i.e. sales of albums already released in prior years. Together with the proceeds from DVDs, sponsoring, hospitality, merchandise, live recording and other earnings models, the objective of implementing the 360-degree model and extending added value sustainably beyond the core business was successfully implemented and established.

These developments have contributed (following adjustment by the one-off expenditure in Switzerland), amongst other things, to the DEAG Group having been able in 2011 to substantially improve its earnings and financial position with a 2.0% growth in sales revenues. This was attributable to the good results of tours and concerts and the ancillary business, so that gross income increased by 4.1% versus prior year. Despite higher distribution costs, the adjusted earnings before interest and taxes (EBIT) rose by 10% in fiscal 2011 versus prior year.

The operating cash flow dropped from EUR 10.3 million in 2010 to a total of EUR 5.6 million in 2011. The changed financial position resulted, more particularly, from a significantly higher advance payment balance (EUR +4.3 million), the rise in non-current accounts receivable (EUR +1.5 million) as well as the reduction of financial liabilities (EUR -1.3 million).

The situation of DEAG and the DEAG Group in terms of the assets, financial and income position remained essentially unchanged at the time of the preparation of the Management Report and the Group Management Report.

2. Income, Assets and Financial Position

2.1. Income position

During the past fiscal year DEAG generated sales revenues in the amount of EUR 128.3 million versus EUR 125.8 million during the previous year. The increase is primarily attributable to the growth in sales revenues of the Good News Group, Raymond Gubbay Ltd. and the subsidiary Manfred Hertlein Veranstaltungs GmbH, consolidated for the first time in 2011 (100% from April 1, 2011). On the other hand, there was the disposal of ACE (October 1, 2010). A gross profit on sales in the amount of EUR 32.6 million (prior year: EUR 31.3 million) was achieved; this corresponds to a gross margin of 25.4%, which increased by 2.1%.

Administrative expenses amounted to EUR 12.9 million versus EUR 11.4 million in fiscal 2010. This includes one-off expenditure of EUR 1.8 million. The latter amount concerns, more particularly, integration and consulting costs.

Distribution costs amounted to EUR 15.8 million after EUR 13.2 million in fiscal 2010. The EUR 2.6 million increase is mainly attributable to higher sales revenues of the Good News Group and the activities of Manfred Hertlein Veranstaltungs GmbH included for the first time for a full year.

The other operating income rose to EUR 4.1 million (prior year: EUR 3.2 million). It concerns the result from the disposal of shares, commission income, first-time consolidation gains, reversal of valuation allowances, earnings from letting and leasing, earnings from the reversal of accruals and other earnings not resulting from the core business of the DEAG Group.

The other operating expenses of EUR 0.9 million (prior year: EUR 1.7 million) include, amongst other things, value adjustments/risk management as well as other taxes. The decline concerns essentially the discontinuation of non-scheduled goodwill amortizations as well as one-off expenditure from a deconsolidation loss.

The depreciations and amortizations of tangible and intangible assets of EUR 0.9 million include scheduled amortizations of other intangible assets. EUR 0.6 million concern the cost of sales and EUR 0.3 million administrative expenses.

EBIT amount to EUR 7.2 million, after one-off special effects EUR 9.0 million compared to EUR 8.2 million in the previous year.

The financial income of EUR -1.2 million (prior year: EUR -1.3 million) is marked by the interest payments for a mezzanine credit raised to finance an acquisition. Furthermore, the result from associated companies has a reducing effect of EUR -0.3 million. The improvement versus prior year results essentially from realized currency gains.

Tax expenses amount to EUR 1.5 million (prior year: EUR 2.5 million). The significant decline results from the tax-reducing impact of the one-off expenditure in Switzerland and a composition of results deviating from the previous year and hence a lower profit tax quota. After tax deduction, the consolidated net income after taxes amounts to EUR 4.4 million (prior year: EUR 4.4 million).

The consolidated result after minorities amounts to EUR 2.5 million (prior year: EUR 1.3 million).

2.2. Assets position

The balance sheet total increased versus prior year by EUR 13.6 million to EUR 98.7 million (prior year: EUR 85.1 million).

Liquid assets rose to EUR 35.7 million (prior year: EUR 31.8 million), essentially due to the good advance bookings of Grünland Family Entertainment GmbH and Manfred Hertlein Veranstaltungs GmbH.

Trade receivables dropped by EUR 0.5 million to EUR 7.0 million (prior year: EUR 7.5 million). Here, measures relating to active cash management continue to show an impact.

Advance payments made for artist fees and production costs rose by EUR 7.4 million to EUR 15.0 million, following increases at DEAG Classics, Good News Group, Raymond Gubbay Ltd. and Manfred Hertlein Veranstaltungs GmbH.

The real estate held as investment property (EUR 8.2 million) continues to relate to plots of land around the Jahrhunderthalle arena in Frankfurt.

Goodwill amounts to EUR 19.0 million versus EUR 18.7 million in fiscal 2010. The slight change in goodwill reflects the addition of Gold Entertainment GmbH including Manfred Hertlein Veranstaltungs GmbH.

The other intangible assets went up slightly by EUR 0.5 million to EUR 6.0 million, essentially following the addition from the first-time consolidation of the sub-group GOLD Entertainment including Manfred Hertlein Veranstaltungs GmbH, which contrast with scheduled amortizations.

The advance booking payments received in the amount of EUR 36.5 million (prior year: EUR 24.8 million) included in current liabilities are reported under deferred sales revenues. The increase is attributable to the rise at Good News Group, Manfred Hertlein Veranstaltungs GmbH and Grünland Family Entertainment GmbH.

The non-current liabilities in the amount of EUR 4.3 million (prior year: EUR 7.8 million) include primarily deferred taxes (EUR 2.0 million). The resources from the financing of an acquisition reported here in the previous year, are now included in the current liabilities.

Equity amounts to EUR 30.0 million (prior year: EUR 26.9 million); this corresponds to an equity ratio of 30.4% (prior year: 31.6%). Equity increased primarily as a result of the consolidated net income after taxes as well as changes due to consolidation, which contrast with dividend payments attributable to shares of other shareholders.

2.3. Business 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 (Berlin), Manfred Hertlein Veranstaltungs GmbH (Würzburg), Grünland Family Entertainment (Berlin, as of 05.10.2011), Raymond Gubbay Ltd. (London, Great Britain) and The Classical Company (Zurich, Switzerland).

• 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 (Glattpark, Switzerland), Global Concerts (Munich), Jahrhunderthalle Kultur (Frankfurt am Main), Concert Concept (Berlin), Friedrichsbau Varieté (Stuttgart), Grandezza Entertainment (Berlin, as of 01.01.2011), River Concerts and Elbklassik (both Hamburg) as well the label/music publisher DEAG Music (Berlin).

Business development of the segments:

Revenues (in EUR million)	2011	2010	Variation versus prior year
Live Touring	54.6	54.8	-0.2
Entertainment Services	79.0	76.5	2.5

Segment performance:

Operating result (in EUR million	2011	2010	Variation versus prior year
Live Touring	5.0	3.5	1.5
Entertainment Services	6.3*	8.4	-2.1

Before one-off special effects in Switzerland

Live Touring

Sales revenues: The sales revenues in the Live Touring segment were on the very good prior year level in 2011. Within the segment increases resulted on the one hand from the higher sales revenues of the British Classics segment and on the other hand from the first-time consolidation of Manfred Hertlein Veranstaltungs GmbH (from 01.04.2011) as a subsidiary in the consolidated financial statements. The deconsolidation of ACE effective 01.10.2010 had a reducing impact.
In the international Rock/Pop business line tours were staged with Deep Purple, Chris de Burgh, Status Quo and many other artists. In the German-speaking business lines the tours of Peter Maffay and Hansi Hinterseer stood out.

Segment Performance: The segment benefited from an altogether profitable business. Whereas the past fiscal year was stable for DEAG Classics AG, the results of Raymond Gubbay Ltd., KBK Konzert- u. Künstleragentur GmbH or Manfred Hertlein Veranstaltungs GmbH were extraordinarily positive.

Entertainment Services

Sales revenues: The growth in sales revenues is in particular attributable to the activities of our Swiss Good News Group and a good year of the German local organizers. Highlights in Switzerland included shows with Shakira, Justin Bieber and Zucchero in the Zurich Hallenstadion as well as shows within the framework of the Moon & Stars series of events including Roxette and Bryan Adams. In Germany the "Summit Meeting of Stars" with Anna Netrebko, Erwin Schrott and Jonas Kaufmann in Berlin's Waldbühne and on Königsplatz Square in Munich ranked amongst the highlights. Furthermore, there has been a positive impact of exchange rates in Switzerland.

Segment performance: The one-off expenditure of EUR 1.8 million in 2011 in connection with integration and consulting costs for restructuring and optimization measures and the setting up of a new business unit could not be compensated by the operating income of the other companies belonging to this segment. The operation of our arena, Jahrhunderthalle in Frankfurt am Main, as well as the local event business in Germany (River Concerts GmbH in Hamburg and Global Concerts GmbH in Munich) were nonetheless ahead of schedule.

The operating income (EBIT) amounts to EUR 4.5 million.

2.4. Financial position

in EUR million	2011	2010
Inflow of funds from current business activities (total)	5.6	10.3
Inflow/outflow from investing activities (total)	-0.4	0.7
Outflow of funds from financing activities (total)	-3.2	-5.5
Changes in liquidity	**2.0**	**5.6**
Changes in liquid funds due to scope of consolidation	1.3	-
Effect of exchange rate changes	0.6	2.8
Liquid funds as at 01.01.	**31.8**	**23.5**
Liquid funds as at 31.12.	**35.7**	**31.8**

The inflows from the operating cash flow (total) amount to EUR 5.6 million after EUR 10.3 million in 2010. The changed financial position results in particular from a significantly higher advance payment balance (EUR +4.3 million), the rise in non-current accounts receivable (EUR +1.5 million) and the decrease in financial liabilities (EUR -1.3 million). The outflows from financing activities (total) result essentially from purchase price, interest and redemption payments as well as dividends to other shareholders. Changes in respect of the liquid assets due to consolidation are essentially attributable to the sub-group GOLD Entertainment. Overall, the liquid assets rose during the reporting period by EUR 3.9 million.

2.5. Income and Assets Position of DEAG Holding

The following statements on DEAG are in conformity with the provisions of the German Commercial Code (HGB).

Income position

In fiscal 2011 DEAG generated a net income for the year in the amount of EUR 1.6 million (prior year: EUR 0.3 million). The earnings resulted essentially from service income, commission and licensing fees as well as earnings from the disposal of assets. Expenses were arising in particular from material costs. Significant burdens caused by depreciations and amortizations as last year (EUR -1.7 million) did not occur. The interest result is now almost balanced after EUR -0.3 million last year. Earnings from investments and profit and loss transfer agreements improved by EUR 0.5 million to EUR 3.3 million.

Assets position

The balance sheet total increased from EUR 26.6 million to EUR 28.2 million. The equity of DEAG amounted to EUR 17.4 million (prior year: EUR 15.8 million); this corresponds to an equity ratio of 62% (prior year: 59%). The increase is exclusively attributable to the net income for the year.

On the assets side, higher other receivables and liquid assets contrast with lower receivables from affiliated companies.

The lower availment of operating credits as well as the proportionate redemption of a mezzanine credit reduced the liability side. On the other hand, there have been higher liabilities to affiliated companies.

2.6. Personnel Development

The Group headcount amounted on an annual average to 198 employees versus 169 in the previous year. DEAG employed 23 people (prior year: 21) on an annual average.

2.7. Compensation report in accordance with § 289 para 2 No. 5 HGB and § 315 para 2 No. 4 HGB (German Commercial Code)

The Supervisory Board fixes the compensation of the Executive Board. Some members of the Executive Board receive variable compensation in addition to fixed compensation.

The bonus for the Executive Board is paid for every fiscal year on the basis of targets defined by the Supervisory Board of DEAG together with the Executive Board. They comprise of both quantitative and individual qualitative elements.

In addition, compensation in kind is paid for instance through the provision of a company car and contributions to a sickness/care insurance. The overall emoluments of the Executive Board totalled EUR 1.2 million in 2011 (prior year EUR 1.3 million), thereof relating to compensations for acitivities in the Board of a subsidiary included in the consolidated financial statements for both members of the Executive Board of kEUR 16 each (prior year kEUR 11).

The compensation of the Supervisory Board is governed by the provisions of the By-laws. The corresponding provisions were reworded by the general meeting on June 14, 2007 by an amendment to the By-laws. The compensation of the Supervisory Board includes a fixed (EUR 9,500) and a variable amount. The variable amount depends on the consolidated EBIT; it corresponds to EUR 1,000 for each full amount of EUR 1 million of the consolidated EBIT exceeding 15% of the nominal capital, capped at EUR 9,500 per year. The Chairman of the Supervisory Board is paid the triple amount of the compensation and his deputies the double amount. Furthermore, all expenses of the members of the Supervisory Board are refunded, and they are reimbursed any VAT which may be payable on their compensation and expenses.

2.8. Explanatory report of the Executive Board in accordance with § 289 para 4 HGB and § 315 para 4 HGB (German Commercial Code)

The subscribed capital amounted to EUR 12,388,983 during the fiscal year. It mainly consists of no-par value bearer shares with an arithmetical share in the share capital of EUR 1.00 per share. There are no different share categories or shares with special rights that grant control rights. Nor are there any restrictions under the bye-laws which would affect the voting rights or the transfer of shares. The Executive Board is not aware of any agreements to that effect between shareholders.

A loan agreement includes the possibility of termination in the event of a change in ownership.

The CEO, Prof. Peter L.H. Schwenkow, Berlin, controls indirectly and directly more than 10% of the shares and hence of the voting rights of the company. Heliad Equity Partners & GmbH Co. KGaA controls indirectly and directly more than 25% of the shares of the company. Any employees who have a shareholding in the capital, exercise their voting rights directly.

The Executive Board is being commissioned by the Supervisory Board according to § 84 AktG (German Stock Corporation Act). The number of board members is regulated by the Supervisory Board, who also determines the term of the Executive Board mandate. The Supervisory Board is entitled to decide on changes of the statutes only relating to their version. Apart from the General Meeting determines changes in the articles of association, The

Executive Board is entitled by vote of the Supervisory Board to issue new shares once or more and increase the share capital of the company from the capital authorised by the General Meeting and the conditional capital authorised by the General Meeting.

The Ordinary General Meeting on 28.06.2011 created new authorized capital and rescinded the previously unused authorized capital. The Executive Board was empowered to increase the share capital, with the approval of the Supervisory Board, by a total of EUR 6,194,491.00 until June 27, 2016 (Authorized Capital 2011/I).

The resolution about the authorized capital (2011/I) was entered in the commercial register on July 22, 2011.

The share capital of the company was conditionally increased by resolution of the General Meeting of 08.07.2009 by an amount of EUR 3,000,000.00 (conditional capital 2009/I).

A contingent capital increase can only be carried out to the extent that the holders of option and conversion rights, which are added by virtue of the empowerment of the Executive Board of 08.07.2009 to the convertible bonds and/or bonds with warrants issued by the company until 07.07.2014 exercise their conversion or option right or holders which are obliged to convert the convertible bonds to be issued by the company by virtue of the resolution of empowerment of the General Meeting of 08.07.2009 until 07.07.2014, meet their obligation to convert. The new shares participate in the profit from the beginning of the fiscal year during which they originate from the exercise of conversion and option rights or from the fulfillment of the obligation to convert.

The resolution about the contingent capital (2009/I) was entered in the commercial register on 15.07.2009.

By resolution of the General Meeting of 07.07.2010 the company is, moreover, empowered in accordance with § 71 para 1 No. 8 AktG (German Stock Corporation Act) to acquire treasury shares in an amount of up to 10% of the share capital at the time of adoption of the resolution by 06.07.2015; the corresponding decision has to be taken by the Executive Board. An acquisition of this kind may only be carried out through the stock exchange or by means of a public offering addressed to all shareholders. This empowerment has not been exercised so far.

Compensation agreements of the company with members of the Executive Board or employees in the event of a takeover bid exist in one case. We refer to the information in the Notes to the consolidated financial statements in that respect.

2.9. Declaration on corporate governance in accordance with § 289 a para 2 HGB (German Commercial Code)

2.9.1. Executive Management by the Executive Board

The Executive Board of DEAG Deutsche Entertainment AG (DEAG) manages the company under its own responsibility and represents DEAG in transactions with third parties. The Executive Board is strictly separated from the Supervisory Board in terms of its members. No member of the Executive Board may at the same time serve as a member of the Supervisory Board. The Executive Board defines the corporate goals and the strategic orientation of the DEAG Group. It steers and supervises the business units of the DEAG Group through planning and defining the corporate budgets, the allocation of financial resources and management capacities, the support and decision in respect of essential individual measures and the control of operating management. Its actions and decisions are governed by the company's interests. It is committed to the goal of a sustainable increase in the enterprise value.

The Executive Board takes its decisions on the basis of the applicable laws, the Bye-laws of DEAG and the Rules of Procedure of the Executive Board basically with a simple majority. In the event of a tie, the CEO has the casting vote. The CEO does not have a right to veto resolutions by the Executive Board. As for the rest, every member of the Executive Board is authorized individually to take decisions in respect of the functions attributed to him.

The Management Board regularly reports to the Supervisory Board in a prompt and comprehensive manner about all the relevant questions concerning the company in terms of planning, business development, risk position and risk management, and co-ordinates the strategic orientation of the company with the Supervisory Board. For certain transactions defined in the Bye-laws and Rules of Procedure of DEAG, the Executive Board must obtain the approval of the Supervisory Board before they are concluded.

2.9.2. Report of the Supervisory Board

The report of the Supervisory Board is published together with this Management Report.

2.9.3. Declaration of conformity in accordance with § 161 AktG (German Stock Corporation Act)

The Executive Board and the Supervisory Board of DEAG made the declaration of conformity in respect of the recommendations of the Government Commission German Corporate Governance Code on 14.12.2011 and made the declaration permanently available to shareholders. The full text of the declaration is published on the company's website (www.deag.de/ir).

3. Supplementary Report

The agreement dated January 5/January 18, 2012 between Commerzbank AG and DEAG about an investment loan has allowed DEAG to repay the mezzanine financing in the amount of the remaining debt becoming due in 2012 prior to maturity. The significantly improved terms and conditions of financing will have a positive impact. The securities released after the rescheduling of the debts can be used, moreover, for future financing.
From the Executive Board's point of view no material events took place between 01.01.2012 and the date of publication of this Management Report.

4. Report on opportunities and risks

In accordance with § 91 para 2 AktG the Executive board is obliged to take apropriate measures and introduce a monitoring system in order to discover at an early stage any develoments that may risk the continued existence of the company and the group. Risks are an inherent part of entrepreneurial actions. This requires recognizing, evaluating and reporting strategic and operative risks.

At the same time DEAG and the group are exposed to a number of common market and business risks as well as further specific risks connected to the trade, since it is a very volatile business.

DEAG has set up a monitoring system for an early detection of any developments that could jeopardize the continued existence of the company. The monitoring of business activities with a view to the early detection of any potential jeopardizing risks is mainly done by the Executive Board and Corporate Controlling at the HQ. The risk management system focuses on liquidity planning, project calculations and supervision of the advance booking numbers of all operational subsidiaries and the ongoing forecast of the income position of the individual companies and the Group. The Group is controlled via the ratios EBIT and Earnings per Share. The identified risks are checked during the year on a regular basis with the division heads with the objective of remedying existing risks or minimizing them. Within the framework of this process, the opportunities and risks are identified, quantified together with the Executive Board and the executive management bodies of the subsidiaries and control measures are defined which are regularly reviewed and adjusted, if necessary.

For the individual business units forecasts and plan/actual comparisons are conducted on a regular basis. On a business unit level pre and post calculations are prepared for projects. The breakeven load is the most important controlling factor, whose achievement is monitored through a regular scan of the advance booking numbers. Liquidity planning is regularly prepared for all material business units of the Group. Following the transfer of accounting to the holding company and/or through a standardized information exchange with subsidiaries, the Executive Board is regularly informed about the income, assets and financial position.

The Group risk management is the responsibility of the central Finance function of DEAG. It makes available the tools and processes as well as the know-how which are necessary for risk management purposes.

The preparation of the separate financial statements – including those of the holding company – based on the respective national law is the responsibility of the executive management bodies. The accountants of the individual companies – including those of the holding company – are supervised and supported in technical terms by the head of finance and accounting and the CFO at the HQ. Third-party experts are called in on special issues. Their expert skills are checked by the HQ and the results are then applied on the level of the accounting departments of the different individual companies.

The preparation of the consolidated financial statements in accordance with IFRS is done by the accounting department of the parent company which also defines the essential processes and deadlines. For co-ordination within the Group and other closing activities, binding instructions have been issued.

For the purpose of representing the accounting transactions in the separate financial statements and the preparation of the consolidated financial statements, standard software is used with the respective access authorizations of the persons involved being clearly regulated.
A segregation of duties and the four-eyes principle are consistently applied to all processes in accounting. Wherever there could be control gaps because of the small size of a unit, these functions are exercised by skilled staff from other units.

As a result of the internal control system in financial reporting these principles are continuously supervised. The material risks of the DEAG Group in terms of a reliable control environment and proper financial reporting are centrally recorded in a risk catalog. The latter is reviewed and updated on an annual basis by the head of finance and accounting and the CFO.

In accordance with the provisions of the German Commercial Code, we are obliged to point out the risks and opportunities involved in the future development. This Summarized Management Report and the Group Management Report as well as further information on the fiscal year include forward-looking statements and estimates which involve risks which might entail variations of the actual results from our expectations.

4.1. General Economic Development

The *Sachverständigenrat* (expert advisory board) anticipates a significant economic clouding for 2012; the GDP growth rate should therefore amount to only 0.9%.

4.2. Market / Competition

The DEAG Group operates in a market characterized by stiff competition. We endeavour to identify changes on the market at an early stage and to respond to them. Nonetheless, the market environment can change in a surprising manner which could involve risks for the business operations of the group. This applies, for instance, to changes in the leisure and consumption behavior which could have an adverse influence on ticket sales in Live Entertainment. The business operations of the DEAG Group currently depend to a large extent on ticket sales. Although there are currently no indications suggesting that the present deterioration of the economic situation impacts ticket sales, the further development remains to be seen.

Moreover, the framework conditions for the availability of artists who correspond to the taste of the audiences might change and new, strong suppliers could enter the market and hence compete with the DEAG Group.

Furthermore, business success, more particularly, in the Rock/Pop business line, depends on the extent to which the subsidiaries of DEAG succeed in countering the increasing fee demands of artists. As a result of the decline in the sales revenues from recorded music, the significance of promoters grows, so that their negotiation position is improved.

The business operations of the DEAG Group are also determined by the availability of corresponding venues. Apart from Jahrhunderthalle in Frankfurt, which is in the possession of Concert Concept, there is a lease contract through the DEAG Concerts-investee Good News Productions AG, for the Hallenstadion in Zurich. The other venues are rented for the respective event. If it is no longer possible to use the different venues, this can have an adverse impact on the Group's business.

In addition, there is a dependency on artists, agents, producers and other industry players regarding other business relations and also the establishment of new business relations. The availability of distribution channels, more particularly advance booking systems, is another factor which has a major impact on business success. With the shareholding in Ticketmaster Deutschland Holding GmbH and the close co-operation with the world market leader Ticket-master Inc., USA DEAG has taken an important strategic step forward in this respect.

Furthermore, the development of the Group's business is influenced by the extent to which it can recruit and keep qualified staff and industry insiders within the company. This applies, more particularly, to the entertainment industry which is heavily dependent on the relations and contacts of individual persons. In this connection the Executive Board members of the holding company and the managing directors of the subsidiaries and investees play a particularly important role. Business success in the Rock/Pop business line depends on the ongoing successful integration of the investees acquired as well as other acquisitions. In the classical music business line the further business success depends on the extent to which new promising talents can supplement the established top acts. The Group meets this risk with a broadly based portfolio of artists. The closing of long-term contracts with David Garrett as well as Anna Netrebko and Erwin Schrott or also the purchase of 3% in shares by David Garrett in the previous year prove the good, mid- and long-term laid-out cooperation between the DEAG Group and its artists.

The DEAG group has taken out various insurances. Such insurances are to cover operating risks, more particularly with the management and cancellation of concerts and other events. The risk of having to cancel concerts and other events at short notice, as the respective artist does not or cannot perform, has to be pointed out. In case a subsidiary included in the consolidated financial statements does not hold or hold unsufficient insurance coverage in such an event or in case of other damaging events, the liabilities arising from such a damaging event can have a material impact on the income, assets and financial position of this company.

4.3. Evaluation of goodwill and other intangible assets

Given the above-mentioned imponderables of the DEAG Group operating business, further write-downs of goodwill and/or financial investments as well as of the other intangible assets of the Group reported within the framework of purchase price allocation cannot be excluded if the actual results of the subsidiaries deviate from expectations. This applies to both existing and possibly newly added goodwill from further company acquisitions. For the goodwill of each cash-generating unit of the Group impairment tests are carried out.

Within the Group part of the delta between the purchasing price and the paid off equity of the parts of companies acquired is allocated to order book as well as to artist and agents relations and regularly writes-down that part.

4.4. Real estate held as financial investment property

Under "Real estate held as financial investment property" the company shows in its balance sheet parts of plots of land around the Frankfurt Jahrhunderthalle to be sold and/or to be built on. Notarized purchasing agreements have already been entered into for two parts of plots. The building permit has not yet been issued. The company assumes that the planning procedure will be successfully completed. If the planned building permit were not issued, there would be a risk of a material impairment.

4.5. Financial obligations

On the balance sheet date DEAG has within the framework of a mezzanine credit agreement to finance acquisitions and corporate growth a loan of a nominal EUR 4.0 million, after redemption of EUR 1.0 million during the reporting period. The contractual terms were very restrictive in view of securities (pledging of shares in a direct investment, guarantees in respect of direct and indirect shareholdings as well as real estate) as well as the obligations and financial ratios (covenants) to be complied with.

In February 2012 this loan was refinanced. Apart from significantly improved financing conditions, the provisions on the financial ratios are significantly more moderate. Moreover, the volume of assets contributed as securities is essentially lower. A deterioration of the ratios over time results in a progressive increase in the costs of margins by 0.5%; improvements result in lower costs of margins.

For the financing of current business operations the at present four banks of the DEAG group have granted overdraft facilities and/or guarantees totalling EUR 2.3 million. If the used credit lines were not extended as expected, the company will depend on debt rescheduling measures.

The financing of the operating business depends on the ability of the companies within the DEAG Group to generate sufficient cash flow in a volatile business and/or to tap external financial sources (third-party capital or equity).

4.6. Financial instruments

In terms of its assets, liabilities and within the operating business the DEAG Group is subject to interest, exchange rate, creditworthiness and liquidity risks.

Part of the interest payments for the loans raised by the Group are paid directly on a EURIBOR basis. Hence, some of the capital costs are partially subject to an interest rate change risk. The Executive Board estimates that given the current interest development, the risk for DEAG and the Group is low so that during the reporting year an extension option for an interest hedging transaction with one of the company's banks was not prolonged. One of the financings includes an equity kicker whose basis is the DEAG share price. It is part of the financing expenses and does not exceed a minimum amount for the moment.

Payments to artists, orchestras, show productions etc. are partly made on a USD basis and are hence subject to an exchange rate risk vis a vis the Euro. The same applies to dividend payments of foreign subsidiaries which are made in CHF and GBP. The company proceeds on a regular basis to sensitivity analyses in order to anticipate the impact of currency fluctuations and to assess whether exchange rate hedging transactions are advantageous. During the reporting period no exchange rate hedging was carried out.

As far as receivables from business partners are concerned, DEAG is dependent on their continued existence as well as their creditworthiness and hence solvency. During the reporting period precautionary measures were taken through valuation allowances on individual receivables.

Possible liquidity risks are covered by short and medium-term planning. Financial management has to secure the servicing of all liabilities in due time. Furthermore, compliance with covenants vis a vis banks is supervised on an ongoing basis. The company has both non-current and current credit relationships.

The stock of original financial instruments is reported in the balance sheet; the amount of financial assets corresponds to the maximum default risk. Any default risks identifiable for the financial assets are covered by valuation allowances.

4.7. Tax risks

Based on the most recent case law of the German Federal Fiscal Court we cannot at present exclude that there will be a tax risk for DEAG concerning all assessment periods which can still be changed under procedural law resulting from a retroactive application of the afore-mentioned case law.

Some appeals have been lodged in conjunction with assessment notices from a current field audit.

4.8. Legal proceedings

The company implements several active and passive legal proceedings. Insofar as these proceedings identify risks, these risks are covered in the financial statements on the one hand by value adjustments in respect of assets and on the other hand by provisions.

In an action filed in connection with a contribution in kind, DEAG has been sued for cash compensation. The action was initially set aside for lack of substantiation. Following an appeal lodged by the plaintiff, the legal proceedings were referred back to the competent court. After new proceedings, the action was partly admitted. DEAG has lodged an appeal against this judgment and has furnished proactively a warranty for legal proceedings without the plaintiff having actually announced execution measures, in order to counter the possibility of execution against furnishing of collateral security before the court.

Given the considerable shortcomings of the first instance proceedings, the Executive Board and the legal counsels continue to assume that the appeal will be successful and the action will be fully set aside.

In the improbable case of defeat, there will be a right of recourse against the third-party defendant.

4.9. Holding structure

The company itself has almost no operating business but acts as a holding of the DEAG Group. At present, the assets of the company primarily consist of the shares in the operating subsidiaries. The company is associated with the latter partly through profit and loss transfer and control agreements. The company itself is, therefore, dependent in terms of its own income on the operating companies of the DEAG Group generating profits and transferring them to it. On the other hand, the company has obligations vis a vis the investees linked to it through profit and loss transfer and control agreements to offset any losses incurred by these companies. This may lead to significant adverse effects on the assets, financial and income position of the company.

In order to avoid and/or minimize these risks the company operates a risk management system on Group level which includes all subsidiaries (see 4. Opportunities and risk report). As a result of this risk management system the opportunities and risks are recorded, evaluated on a Group level, control measures are defined and monitored and a uniform Group accounting process is ensured

4.10. Opportunities

The DEAG Group continues to anticipate a successful course of business in 2012 and coming years. With its broadly based portfolio the Group is able to respond flexibly to changes in trend. Moreover, the company sees opportunities for an extremely good business development in the following areas:

- After its expansion to Great Britain and Switzerland DEAG Classics AG has become the market leader for Classical music events in Europe. The business volume is initially to be enlarged through the mutual transfer of artists and productions between the companies. Furthermore, the entry into other European markets is to be implemented. Following a strong European presence, the attractiveness of DEAG for artists from the classical music area increases.

- As a result of the alliance with Sony Music Entertainment Germany GmbH there are further possibilities for the acquisition of artists both in the Classical music and in the Rock/Pop areas.

- With shows by superstars such as Coldplay, Red Hot Chili Peppers, Madonna, Metallica and others, the completion of the restructuring and optimization measures conducted in 2011, the successful integration of the newly founded Starclick Entertainment AG, which will stage shows, inter alia, with Die Ärzte, the business in Switzerland will again be significantly more profitable and promising.

- With open air shows by Peter Maffay and tours by Hansi Hinterseer the DEAG Group is is in the front of the attractive German language segment. This area offers further growth opportunities in the years to come.

- With the extension of the Family Entertainment business through the setting up of Grandezza Entertainment GmbH and Grünland Family Entertainment GmbH, sound margins and manifold exploitation possibilities, e.g. with TV stations, can be tapped, so that the existing product portfolio can be supplemented in an attractive manner. Due to the more than 250,000 tickets sold for Peter Maffay's rock fairytale "Tabaluga and the Signs of Time", a promising highlight has already been established.

- DEAG has had a joint venture with the market leader for ticketing systems, Ticketmaster Inc, USA in Germany since 2006. By way of the cooperation entered into with Ticketmaster Deutschland Holding GmbH during 2011 for ticket sales marketing the cooperation will be intensified and offers further potential for the future..

- The share of ancillary income from sponsoring, VIP packages, marketing of ancillary rights (TV, DVD) and merchandising offers high growth potential in future, too.

5. Data relevant for takeover

After the capital decrease the nominal capital of the company amounts to EUR 12,388,983.00, sub-divided into 12,388,983 ordinary bearer shares in the form of no par value shares with an arithmetical share in the nominal capital of EUR 1.00 per share.

6. Outlook

The DEAG Group is an Integrated Entertainment Content Group which focuses on the development of high-margin business units. Apart from a good business development in Switzerland, growth in the classical music segment, the development of middle-of-the-road music and Schlager and the European expansion contributes to the rise in profitability. The early adoption of the 360 degree model within the Group, the integration of the record label and music publishing, sponsoring, product refinement and merchandise resulted in a sustainable rise in earnings sources.

Taking into account the firmly contracted tours and events and those in the preparatory phase, the current advance booking numbers and the development trends during the first quarter 2012, the Executive Board of DEAG expects the continuation of the positive business development in 2012. During the current year all earnings ratios are to be improved through the adopted strategy and a balanced mix of risk and opportunities. The focus will be on the ongoing extension of the high-margin business, with an emphasis on the European expansion and the further integration of the 360 degree model. With concerts and tours by, for instance, Coldplay, Red Hot Chili Peppers, Madonna, Metallica in the rock/pop segment, Peter Maffay's rock fairytale "Tabaluga and the Signs of Time" in the Family Entertainment segment and the classical music tours with Anna Netrebko, David Garrett, Erwin Schrott as well as large productions such as "AIDA" in the Royal Albert Hall in London, the DEAG Group is perfectly positioned for 2012. Already today there are first indications of a likewise good business development for 2013, which allows for a forecast on growth in sales revenues and results beyond 2012.

Further growth in sales revenues and earnings, combined with an increase in the dividend payment ability, is to be generated primarily from organic growth as well as economies of scale and synergy potentials, which are already obvious today. Furthermore, selective acquisition possibilities and the increase in existing shareholdings will be reviewed.

Forward-looking statements

In addition to past results within the framework of the financial statements, this Report also includes forward-looking statements. These statements may deviate from the actual developments.

Responsibility statement of the legal representatives

We hereby state that, to the best of our knowledge and in accordance with the applicable reporting principles, the financial statements and the consolidated financial statements give a true and fair view of the assets, financial and earnings position of the company and that the Summarized Management Report and the Group Management Report includes a fair review of the development, performance and position of the Group, together with a description of the main opportunities and risks associated with the expected development of the Group.

Berlin, March 30, 2012

DEAG Deutsche Entertainment AG

The Management Board

Prof. Peter L. H. Schwenkow

Christian Diekmann

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

Consolidated Balance Sheet

Total Assets	Notes	31.12.2011 in EUR'000	31.12.2010 in EUR'000	31.12.2009 in EUR'000
Liquid funds	7	35,715	31,844	23,501
Short-term investments/ marketable securities	8	-	82	61
Trade receivables	9	6,988	7,533	8,895
Down Payments	10	12,682	7,608	6,353
Inventories	10	91	112	114
Other current assets	11	4,127	3,675	2,894
Current Assets		**59,603**	**50,854**	**41,818**
Goodwill	13, 14	19,033	18,783	18,943
Other intangible assets	13, 15	5,959	5,433	6,482
Tangible fixed assets	16	992	841	870
Investment properties	17, 28	8,200	8,200	8,200
Participations	18	749	751	674
Loans to affiliated companies	18	-	-	250
Shares in affiliated companies	18	138	28	16
Down Payments	10	2,280	-	-
Other long-term assets	19	1,697	224	620
Long-term assets		**39,048**	**34,215**	**36,055**
TOTAL ASSETS		**98,651**	**85,069**	**77,873**

Liabilities and equity	Notes	31.12.2011 in EUR'000	31.12.2010 in EUR'000	31.12.2009 in EUR'000
Bank loans payable	21, 28	2,290	2,612	2,361
Trade accounts payable	22	9,546	9,420	10,223
Accruals	23	6,473	5,916	5,895
Sales accruals and deferrals	24	36,458	24,782	18,479
Income tax liabilities	25	2,659	2,322	1,045
Other current liabilities	26, 28	7,060	5,307	6,219
Current liabilities		**64,486**	**50,359**	**44,222**
Accruals	23	490	616 *	359 *
Bank loans payable	21, 28	-	-	80
Other long-term liabilities	27, 28	1,682	5,255	5,736
Deferred taxes	20, 43	1,983	1,963 *	1,711 *
Long-term liabilities		**4,155**	**7,834**	**7,886**
Share capital		12,388	12,388	12,388
Capital reserve		27,337	27,337	27,337
Accumulated deficit		-15,426	-17,623 *	-17,082 *
Accumulated other income		159	113 *	-954
Equity before minority interests		**24,458**	**22,215**	**21,689**
Minority interests		5,552	4,661 *	4,076 *
Equity	29	**30,010**	**26,876**	**25,765**
TOTAL LIABILITIES AND EQUITY		**98,651**	**85,069**	**77,873**

* Adjustment previous years according to IAS 8.42 (see TZ 44)

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

Consolidated Statement of Comprehensive Income

Consolidated Income Statement

	Notes	01.01. to 31.12.2011 in EUR´000		01.01. to 31.12.2010 in EUR´000	
Sales	31	128,300		125,790	
Cost Of Sales	32	-95,729		-94,504	*
Gross profit		**32,571**		**31,286**	
Distribution costs	33	-15,779		-13,209	
Administrative expenses	34	-12,882		-11,393	
Other operating income	35	4,135		3,190	*
Other operating expenses	36	-874		-1,658	
Operating income (EBIT)		**7,171**		**8,216**	
Interest income and expenses	37	-1,124		-1,106	*
Participations	38	-3		162	
Earnings from associated companies	18	-327		-2	
Write-ups of financial assets and working capital securities		-14		21	
Foreign currency exchange gains/ losses		269		-420	
Financial result		**-1,199**		**-1,345**	
Result before taxes		**5,972**		**6,871**	
Income taxes	39	-1,535		-2,517	*
Group result after taxes		**4,437**		**4,354**	
thereof attributable to other shareholders		1,893		3,008	*
thereof attributable to DEAG Shareholders		-		-	
(Group Result)		**2,544**		**1,346**	
Earnings per share in EUR (undiluted)					
from continued operations	29	0.21		0.11	
from continued and discontinued operations	29	0.21		0.11	
Earnings per share in EUR (diluted)					
from continued operations	29	0.21		0.11	
from continued and discontinued operations	29	0.21		0.11	
Average number of shares in circulation (undiluted)	29	12,388,368		12,388,368	
Average number of shares in circulation (diluted)	29	12,388,368		12,388,368	

Statement of Comprehensive Income

vom 01.01.2011 bis 31.12.2011	2011 - in kEUR -	2010 - in kEUR -	
Group Result after taxes	4,437	4,354	
Other result			
(+/-) Differences from exchange rates (independent foreign units)	-82	929	*
(+/-) Hedging of future cash flow (effective cash flow hedge)	-	106	
(+/-) Actuarial profit/loss recorded in equity	145	-38	*
(-) Income tax on other result total *	-29	-24	
thereof on Cash Flow Hedge	*0*	*-32*	
thereof on actuarial profit/loss	*-29*	*8*	
Other result after tax	34	973	*
Total result	4,471	5,327	*
Thereof attributable to			
Shares of other shareholders	1,881	3,289	*
Investors in the parent company	2,590	2,038	*

* Adjustment previous years according to IAS 8.42 (see TZ 44)

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

Consolidated Cash Flow Statement

in EUR´000	2011	2010
Result after tax from continued operations	4,437	4,354 *
Depreciation and amortisation/ write-ups	635	1,809
Income/ expenditure from retirement of fixed assets	28	-21
Changes not affecting payments	-393	-431
Change in other accruals	33	107 *
Transaction costs from the acquisition of consolidated companies	-	79
Deferred taxes (net)	-266	-70 *
Result from valuation of affiliated companies	327	2
Net interest income	1,124	1,078
Changes to receivables, inventories and other assets	-8,558	837
Changes to other loan capital without financial debts	8,279	2,575
Net cash from operating activities (total)	**5,646**	**10,319**
Outflows for investments in... ...Intangible assets including goodwill	13	-6
...Tangible assets and financial investments	-455	-271
Inflow from purchase of consolidated companies and business units	-	243
Outflow from sale of consolidated companies and business units	-	-45
Inflow from the repayment of loans	-	250
Assets disposals	34	393
Interest Income	79	119
Net cash from financial acitvities (total)	**-355**	**683**
Proceeds from new borrowing	978	330
Repayment of financial debts	-2300	-1,168
Interest expenditure	-999	-899
Out/Inflow for repayments to/capital contribution of minority partners	966	-2,181
Dividend portions of other shareholders	-1,883	-1,533
Cash outflow from finance activities (total)	**-3,238**	**-5,451**
Changes in liquidity	**2,063**	**5,551**
Changes in cash and cash equivalents contingent on the scope of consolidation	1,252	-
Effect of exchange rate changes	566	2,792
Liquid funds as at 01.01.	31,844	23,501
Liquid funds as at 31.12.	**35,715**	**31,844**

* Adjustment previous year

Development of Equity within the group
DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

	Number of shares issued	Authorized DEAG shares in EUR´000	DEAG capital reserve in EUR´000	Accumulated deficit in EUR´000	Accumulated other income in EUR´000	Attributable to DEAG shareholders in EUR´000	Minority shares in EUR´000	Equity in EUR´000
As at 31.12.2009	**12,388,368**	**12,388**	**27,337**	**-16,960**	**-954**	**21,811**	**4,189**	**26,000**
Correction	-	-	-	-122	-	-122	-113	**-235**
As at 31.12.2009	**12,388,368**	**12,388**	**27,337**	**-17,082**	**-954**	**21,689**	**4,076**	**25,765**
Group profit (+)/ loss (-)	-	-	-	1,346	-	1,346	3,008	**4,354**
Other group result	-	-	-	-	692	692	281	**973**
Dividend	-	-	-	-	-	-	-1,530	**-1,530**
Acquisition of shares of other shareholders	-	-	-	-1,227	-	-1,227	-954	**-2,181**
Other changes *	-	-	-	-660	375	-285	-220	**-505**
As at 31.12.2010	**12,388,368**	**12,388**	**27,337**	**-17,623**	**113**	**22,215**	**4,661**	**26,876**
Group profit (+)/ loss (-)	-	-	-	2,544	-	2,544	1,893	**4,437**
Other group result	-	-	-	-	46	46	-12	**34**
Dividend	-	-	-	-	-	-	-1,883	**-1,883**
Acquisition of shares of other shareholders	-	-	-	-58	-	-58	15	**-43**
Other changes **	-	-	-	-289	-	-289	878	**589**
As at 31.12.2011	**12,388,368**	**12,388**	**27,337**	**-15,426**	**159**	**24,458**	**5,552**	**30,010**

* Increases in previous years (kEUR 375 reclassified in accumulated loss)
* Obligation from potential acquisition of other shareholders (kEUR 285)
* Change in scope of consolidation (exit: kEUR -385, addition: kEUR 165)
** Obligation from potential acquisition of other shareholders (kEUR 289)

DEAG Deutsche Entertainment Aktiengesellschaft, Berlin

1. Accounting Principles

DEAG Deutsche Entertainment AG (DEAG) is an *Aktiengesellschaft* (stock corporation under German law) set up in Germany with registered office in Germany, 10785 Berlin, Potsdamer Straße 58.

DEAG is one of the leading providers of live entertainment in Europe. Apart from the organization of tours in Germany, England and Switzerland, the focus of its core business is on the local/regional staging of concert events in these regions. DEAG's event portfolio is comprised of national and international rock/pop, German hit songs/popular music, classical events, shows and the Friedrichsbau Varieté in Stuttgart. Furthermore, the label and publishing house business, DEAG Music, is part of the portfolio. DEAG has access to several venues, either through ownership or exclusive lease contracts.

These Consolidated Financial Statements of DEAG Deutsche Entertainment AG (DEAG) were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as applicable on the closing date and, in addition, in conformity with the provisions under German commercial law to be applied in accordance with § 315a of the German Commercial Code (HGB). The designation IFRS also comprises the still valid International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – formerly Standing Interpretations Committee (SIC).

The consolidated financial statements are based – with one exception - on the financial statements of the companies included in the consolidation. These were prepared by application of the German Commercial Code (HGB), including the accounting standards adopted by the German Standardisation Council (DRSC) as at the closing date in accordance with § 342 German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The financial statements of foreign companies were prepared in accordance with their national regulations, in conformity with continuously and uniformly applied accounting and valuation principles. For a company included in the full consolidation with a different fiscal year from July 1 to June 30, interim financial statements had to be prepared.

The single-entity financial statements as well as the interim financial statements of the consolidated companies were prepared effective on the closing date of the consolidated financial statements. Carrying values for tax purposes are not included in the consolidated financial statements. The reconciliation of the valuations in accordance with the IFRS standards was carried out on the level of the Group outside the single-entity financial statements prepared under German commercial law, in a so-called *Handelsbilanz II.*

We apply, in addition to IAS 1, the Deutsche Börse AG Guidelines on Structured Quarterly Reports. In principle, these guidelines are only mandatory for interim reports. With a view to ensuring comparability and consistency of presentation, we also use the structured layout as a matter of principle for the consolidated financial statements to the extent that it does not vary significantly from IFRS.

In the consolidated financial statement accruals for pensions and similar commitments (IAS 19) are reported for the first time in the non-current provisions with adjustment of the prior year figures. As for the rest, reference is made to the information under Item 43.

From the reporting year onwards, down/advance payments made are reported separately and no longer under inventories. The prior year numbers were adjusted accordingly. As for the rest, reference is made to the information under Item 10.

The items summarised in the consolidated balance sheet and in the consolidated statement of income are explained in the Notes.

For the preparation of the consolidated financial statements, estimates and assumptions have to be made to a limited extent that affect the level and reporting of assets and liabilities, income and expenses as well as contingent liabilities. For DEAG this includes, more particularly, the estimates at the determination of the utility values of non-financial assets (goodwill and other intangible assets), the determination of the fair values of real property held as financial investment, the determination of the useful life of the depreciable fixed assets, the assigned value and the valuation adjustment of accounts receivable as well as the measurement and assessment of the probability of occurrence in respect of accruals and contingent liabilities.

Actual figures may subsequently differ from these estimates.

2. Amendments to Accounting Standards

During the fiscal year DEAG applied all new and amended standards and interpretations which were published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of IASB and taken over by the European Commission insofar as they had to be applied for the fiscal years starting on January 1, 2011:

- IFRS 1: Limited exemption from comparative disclosures for first-time adopters
- IFRS 1: Changes of accounting methods during the year of the first-time adoption of IFRS (Annual Improvement Program 2010, AIP 2010)
- IFRS 3: Accounting for non-controlling interests (AIP 2010)
- IFRS 7: Clarification of required disclosures (AIP 2010)
- IAS 1: Statement of changes in equity for the period (AIP 2010)
- IAS 24: Disclosures
- IAS 21: Effects of changes in foreign exchange rates, subsequent amendments by IAS 27 Consolidated financial statements and accounting for investments in subsidiaries
- IAS 28: Investments in associates, subsequent amendments by IAS 27 Consolidated financial statements and accounting for investments in subsidiaries
- IAS 31: Interests in joint ventures, subsequent amendments by IAS 27 Consolidated financial statements and accounting for investments in subsidiaries
- IAS 32: Classification of rights issues
- IAS 34: Significant events and transactions (AIP 2010)
- IFRIC 13: Fair value of award credits (AIP 2010)
- IFRIC 14: Prepayments for minimum funding requirements
- IFRIC 19: Extinguishing financial liabilities with equity instruments

The other amendments to standards which had to be applied for the first time in a binding manner in 2011 did not have any material impact.

The following IFRS adopted under EU law were published until the balance sheet date but must only be applied from later reporting dates onwards. The DEAG Group has decided in respect of the Standards and interpretations which must be applied during later reporting periods not to opt for a premature application of these Standards..

- IFRS 7: Financial instruments: disclosures

The application of these Standards has no material impact on the consolidated financial statements of the DEAG Group.

- IFRS 9: Financial instruments
- IFRS 10: Consolidated financial statements
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of interests in other entities
- IFRS 13: Fair value measurement
- IAS 27: Separate financial statements
- IAS 28: Investments in associates and joint ventures
- IAS 12: Deferred tax: recovery of underlying assets
- IFRS 1: Severe hyperinflation and removal of fixed transition dates for first-time adopters
- IAS 1: Presentation of financial statements – presentation of individual items of the other comprehensive income
- IAS 19: Employee benefits
- IFRIC 20: Stripping costs in the production phase of a surface mine

Overall, the impact of these Standards on the assets, financial and earnings position of fiscal 2011 will be of subordinate importance.

3. Consolidation Principles

Scope of Consolidation

We, DEAG Deutsche Entertainment Aktiengesellschaft, as the parent company, include in the consolidated financial statement those subsidiaries fulfilling the control concept. Companies acquired or disposed of during the financial year are included from the date of acquisition or up until the date of sale.

On the balance sheet date, the consolidated entity comprised 24 fully consolidated German and foreign companies. In all, four joint venture are consolidated pro rata and two shareholdings are evaluated as an associated enterprise according to the equity method as specified in IAS 28. Two major shareholdings are reported at cost of acquisition in view of its marginal significance.

Consolidation Methods

Capital consolidation involves offsetting the acquisition costs of participating interests against equity at the time of starting up or acquiring the respective subsidiary. Depreciation of value-adjusted subsidiaries was revered for the purpose of consolidation. Interim gains and losses from intra-group sales of equity holdings were reversed. The differential amounts included in the values reported for holdings in joint ventures and associated companies are established by the same principles.

The asset-side variations arising from capital consolidation were recorded as goodwill in the consolidated balance sheet, after exposure of hidden reserves or charges at the acquired company (revaluation). In the case of indirect participations, goodwill is ascertained in the context of step-by-step consolidation.

Receivables, liabilities and accruals, as well as expenses and income between consolidated companies were consolidated. Any intermediate results of intra-group deliveries and services were eliminated. Any depreciation or value adjustments of intra-group receivables in the individual financial statements were reversed in favour of the group result.

Tax accruals have been made on consolidation based results, as far as they have a future tax impact.

Shareholdings in associated companies valued by the equity method were reported at the relevant equity percentage in accordance.

On the balance sheet date, along with the parent company DEAG the following companies were fully consolidated:

Segment	Company	Shareholding
Live Touring	DEAG Concerts GmbH, Berlin	100%
	coco tours Veranstaltungs GmbH, Berlin	100%
	ULAB Verwaltungs GmbH & Co. KG, Berlin	100%
	Grünland Family Entertainment GmbH, Berlin	60%
	DEAG Classics AG, Berlin	51%
	Raymond Gubbay Ltd., London (UK)	51%
	KBK Konzert- und Künstleragentur GmbH, Berlin	51%
	Gold Entertainment GmbH, Berlin	50%
	Manfred Hertlein Veranstaltungs GmbH, Würzburg	33,3%
	The Classical Company AG, Zurich (Switzerland)	25,5%
Entertainment Services	Concert Concept Veranstaltungs-GmbH, Berlin	100%
	Kultur- und Kongresszentrum Jahrhunderthalle, Frankfurt a. M.	100%
	Global Concerts GmbH, Munich	100%
	Elbklassik Konzerte Hamburg GmbH, Hamburg	100%
	Friedrichsbau Varieté Stuttgart Betriebs- und Verwaltungs GmbH	100%
	Broadway Varieté Management GmbH, Berlin	100%
	DEAG Arts & Exhibitions GmbH, Berlin	100%
	River Concerts GmbH, Hamburg	100%
	DEAG Music GmbH, Berlin	100%
	Good News Productions AG, Glattpark (Switzerland)	52%
	B+R Event AG, Glattpark (Switzerland)	52%
	EM Event Marketing AG, Wangen bei Olten (Switzerland)	52%
	Fortissimo AG, Glattpark (Switzerland)	52%
	Grandezza Entertainment GmbH, Berlin	51%

Since 05.10.2011 DEAG has held 60% of the capital and equity rights in Grünland Family Entertainment GmbH, Berlin.

The Classical Company AG meets the controlling concept in accordance with IAS 27.13 (c), since DEAG Classics AG has the right to appoint the executive management and approve the annual budget. Consequently, 25.5% are allocated to the Group.

Since April 1, 2011 DEAG has a right of ultimate decision to appoint and remove the managing directors and approve the annual budget of Gold Entertainment GmbH, Berlin. Consequently, the control concept in accordance with IAS 27.13 (c) is met. Gold Entertainment GmbH, Berlin, holds 66.6% of the capital and voting rights in Manfred Hertlein Veranstaltungs GmbH. Consequently, 33.3% are allocated to the Group.

The shares in DEAG Music GmbH were increased by 2% to now 100% on 01.07.2011.

At Good News DEAG holds only 40 % of the voting rights. By virtue of an agreement among shareholders and organisational rules of procedure it has, however, the right to appoint or dismiss the Management board as well as to approve the annual budget. This meets the requirements of the control concept according to IAS 27.13 (c).

The shares in Grandezza Entertainment GmbH, Berlin, (previously Anschutz DEAG Entertainment GmbH, Berlin) were increased on 01.01.2011 by 50% to 100%. Subsequently, 49% of the shares were again disposed of. Consequently, DEAG holds 51% of the capital and voting rights.

The following company is run as a joint venture and reported in accordance with the provisions of the equity method and hence the pro-rata equity.

Segment	Company	Shareholding
Live Touring	A.C.T. Artist Agency GmbH, Berlin	50%

Against the backdrop of the forthcoming new regulations of IFRS on the accounting of interests in joint ventures and the possibly resulting consequences for the consolidated financial statements of DEAG, the only remaining company, A.C.T. Artist Agency GmbH, Berlin, which might come under the scope of application of the corresponding new regulations, is no longer consolidated on a pro-rata basis but according to the equity method.

The impact of changes in the scope of consolidation is of minor relevance for the asserts, finance and income position of the DEAG group.

The following companies are carried in the balance sheet as associated companies:

Segment	Company	Shareholding
Entertainment Services	Derinho AG, Glattpark (Switzerland)	52%
Entertainment Services	Starclick Entertainment AG, Zurich (Switzerland)	52%
Live Touring	Seefestspiele Berlin GmbH, Berlin	20,4%
	EIB Entertainment Insurance Brokers GmbH, Hamburg	49%

At Derinho AG, Glattpark (Switzerland), DEAG holds merely 40% of the voting rights. Consequently, a classification as associated company was made.

DEAG Concerts GmbH has an indirect interest in Starclick Entertainment AG, Zurich (Switzerland) through Derinho AG, Glattpark (Switzerland), which holds 100% of Starclick Entertainment AG. Consequently, 52% are allocated to the Group.

DEAG Classics AG holds an interest of 40% in Seefestspiele Berlin GmbH.

The following were not consolidated for lack of materiality: EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH, Berlin, Palast Management und Veranstaltungs-GmbH i.L., Berlin as well as Manchester Chamber Orchestra Limited, Manchester (Great Britain) and Raymond Gubbay Productions Limited, London (Great Britain).

The information in accordance with §§ 315a HGB (German Commercial Code) in conjunction with § 313 (2) HGB is as follows:

Company Name	Company Domicile	Share in capital	Equity (in kEUR)	Result Fiscal Year (in kEUR)
EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen GmbH	Berlin	100 %	0	-1
Manchester Chamber Orchestra Limited	Manchester, Great Britain	51% 1)	2 2)	2)
Palast Management und Veranstaltungs-GmbH i.L.	Berlin	100%	-109	-
Raymond Gubbay Productions Limited	London, Great Britain	51% 1)	2 2)	- 2)

1) The shares in the companies Manchester Chamber Orchestra Limited as well as Ray mond Gubbay Productions

Limited are held directly by Raymond Gubbay Limited at 100% each

2) Figures relate to fiscal 2010/2011, Amounts are stated in Pound Sterling

The scope of consolidation of the DEAG Group has changed as follows: :

Segment	Company	Acquisition
Live Touring	Gold Entertainment GmbH, Berlin	01.04.2011
Live Touring	Manfred Hertlein Veranstaltungs GmbH, Würzburg	01.04.2011
Live Touring	Grünland Family Entertainment GmbH	05.10.2011
Entertainment Services	Grandezza Entertainment GmbH, Berlin	01.01.2011

4. Foreign Currency Translation Principles

The consolidated financial statements are drawn up in Euro, the functional currency of the parent company and the reporting currency of the group. The functional currency of the foreign subsidiaries in Switzerland is the Swiss Franc (CHF) and in Great Britain the Pound Sterling (GBP). The functional currency of the domestic subsidiaries of the group is the Euro (EUR).

The positions included in the financial statements of the respective companies are being valued appplying the functional currency. Foreign currency transactions are being exchanged initially at the cash price valid on the day of business transaction into the functional currency. Monetary assets and liabilities in a foreign currency are being exchanged into the functional currency on each call date using the call date rate. All currency differences are recognised income statement-related. Non-monetary items, who were valued at historic purchase or manufacturing prices in a foreign currency, were exchanged using the rate of the day of the business transaction. Non-monetary items, who were valued at their present value in a foreign currency, were exchanged using the rate valid at the date of the determination of the present value.

The assets and liabilities of of the foreign units were exchanged into Euros at the call date rate. The translation of income and expenditure is made at the average rate of the fiscal year. The resulting currency differences are being recognised as a seperate component of the equity capital. The cumulative amount recognized in the equity capital of a foreign unit is being dissolved income statement-related in case of a sale of the foreign unit.

The exchange rates of currencies of significance to us changed as follows:

	Closing rate in EUR		Average rate in EUR	
	2011	2010	2011	2010
1 Pfund Sterling	1.1972	1.1618	1.1527	1.1660
1 Schweizer Franken	0.8226	0.7997	0.8118	0.7249

5. Balance Sheet Accounting and Valuation Principles

Notes on the Balance Sheet

Intangible assets purchased are capitalised at cost of acquisition and depreciated in a straight line or via their expected earnings over an anticipated useful life of three to ten years. Goodwill obtained in connection with acquisitions is capitalised in accordance with IFRS 3 (Business Combinations). Such option to apply the Full Goodwill method is not being used.

Such goodwill on the basis of cash generating units are subject to annual impairment tests and, if necessary, unscheduled depreciation. In accordance with IAS 36.124 an impairment loss recognized for goodwill may not be reserved in subsequent periods.

Fixed assets are valued at cost of acquisition or production plus incidental acquisition costs minus acquisition cost reductions and, in the case of items subject to wear and tear, less use-related depreciation. Financing costs are capitalised in accordance with IAS 23 (2011:kEUR -., previous year kEUR -). Depreciation is in a straight line over the expected useful life.

Scheduled depreciation of fixed assets is based essentially on the following periods of useful life:

Buildings, fixtures and fittings:	4 to 50 years
Plant and machinery:	3 to 10 years
Tools and equipment:	3 to 10 years

If reductions in the value of intangible assets or tangible fixed assets are ascertained, unscheduled depreciation is applied. The value attributable to the intangible assets or tangible fixed assets is ascertained on the basis of future surplus revenue or net sales proceeds (impairment test). Reviews are undertaken annually unless there is reason earlier to assume that values have decreased.

Scheduled depreciations are being accounted for pro-rata in cost of sales and administrative expenses respectively, write-ups in other operating income and unscheduled depreciations in other operating expenses.

Land held as financial investmentis being evaluated at fair value according to IAS 40.30/40.33.

Shares in non-consolidated companies are reported in the balance sheet at market or acquisition cost in accordance with IAS 39. Shares in associated companies are reported at equity in accordance with IAS 28 (at equity). Differential amounts resulting from initial consolidation are allocated following the same principles as for full consolidation.

Inventories are valued at acquisition or production cost. If net sales proceeds on the balance sheet date are less than the cost of acquisition, appropriate value adjustments are made.

Liquid assets include cash and cash equivalents, cash accounts and short-term cash investments with banks and are measured at amortized cost.

Marketable securities were measures at fair value in the income statement.

Receivables and other assets are recognized at nominal value minus necessary specific valuation allowances.

Deferred expenses and deferred income are built in accordance with the accrual accounting concept outlined in IAS 18. Prepaid amounts are their basis. Deferred expenses are essentially prepaid costs and other accruals. Deferred income that relates to income from sales of prepaid tickets for concerts and theatre or variety performances after the balance sheet date is reported as deferred revenue from prepaid ticket sales.

Reserves are valued at the amount sound business judgement deems necessary on the balance sheet date to cover future payment obligations, discernible risks and uncertain commitments. Long-term reserves are being discounted in accordance with IAS 37. If the discounting effect is material, reserves are being recorded to the cash value of the expected future cashflow.

In accordance with IAS 12 deferred taxation is calculated on the basis of the different assigned values for assets and liabilities in the commercial balance sheet and the tax balance sheet in respect of circumstances within the scope of the commercial balance sheet II, consolidation processes and realizable losses carried forward. Deferred tax assets in respect of losses carried forward are only recognized to the extent that offsettable deferred tax liabilities exist. Deferred tax assets and deferred tax liabilities are shown as balances in the balance sheet to the extent that there is offsettability with the same tax authorities.

The defined benefit obligations are calculated in accordance with IAS 19 based on the Projected Unit Credit method. This is based on the number of service years on the respective calculation date and takes into account future developments by including discounting, wage development and probability of resignation until the commencement of the payment of the benefits as well as pension indexing for the years after the first-time payment of recurring benefits.

Interest bearing liabilities are reported at the net inflow amount using the effective rate of interest method.

Embedded derivatives are recorded separately and carried forward affecting net income.

In accordance with IAS 1, trade receivables, inventories, down payments, other current assets, trade accounts payable, accruals, deferrals and current liabilities due within one year are reported as current items.

Notes on the Statement of Income

Sales revenues and other revenues include all income for services already provided. Services for a concert, a show or a tour are basically considered as provided at the end of the concert or show. Expenses are reported when they are incurred with recognition in the statement of income, Interest and other expenses in respect of borrowings are carried as current expenditure.

6. Segment Reporting

In accordance with the provisions of IAS 8, individual financial statement data is segmented by areas of work and regions, with presentation being oriented to our internal reporting. Accounting by segment is intended to render transparent the profitability and prospects of success of the Group's individual business activities.

Notes on the Segments

The DEAG Group sub-divides its continued operations into two segments, which are described in the Combined Management Report and Group Management Report.

Segment data

in EUR'000	Live Touring 2011	Live Touring 2010	Entertainment Services 2011	Entertainment Services 2010	Total Segments 2011	Total Segments 2010
Revenues	54,623	54,788	79,014	76,514	133,637	131,302
Other income	493	441	1,504	2,161 **	1,997	2,602
- thereof internal income	4,786	5,023	551	490	5,337	5,513
Total earnings	**55,116**	**55,229**	**80,518**	**78,675**	**135,634**	**133,904**
Cost of sales*	44,029	46,293	57,374	53,974 **	101,403	100,267
Operative expenses	5,735	4,336	18,115	15,896	23,850	20,232
Depreciations and amortisation						
-of goodwill, non-scheduled	-	692	-	-	-	692
-scheduled	723	882	179	182	902	1,064
Segment result (EBIT)	4,950	3,527	4,615	8,402 **	9,565	11,929
Book value of segment assets	43,867	32,501	50,162	45,866	94,029	78,367
Investments	174	55	154	155	328	210
External funding of segments	22,524	23,950	46,293	41,313 **	68,817	65,263
Full-time employees as at 31.12.	39	33	84	78	123	111
Return on sales	9.1%	6.4%	5.8%	11.0%	7.2%	9.1%
Net return on assets	23.2%	41.2%	119.3%	184.5%	37.9%	91.0%

* Data include proportional, scheduled depreciation

** Previous year figure adusted

Internal income relates to services rendered between Group companies in different segments and DEAG as the parent company. Intra-segment services are eliminated within the segment.

The exchange of output between segments and between the segments and the holding company is adjusted in the consolidation column within following reconciliation overview. The consolidation column also includes the services of the DEAG Holding company. Services are charged at standard market rates and correspond in principle to externally sourced prices.

The return on sales is derived from the segment result (EBIT) divided by the segment sales. The return on net assets is derived from the segment result (EBIT) divided by the net assets.

No sales revenues are generated with external customers which amount to at least 10% of the total sales revenues.

Reconcilation from Segment to Group Data

in EUR'000	Total of segments 2011	Total of segments 2010	Consolidation (incl. Holding) 2011	Consolidation (incl. Holding) 2010	Group 2011	Group 2010	
Revenues	133,637	131,302	-5,337	-5,512	128,300	125,790	
Other Income	1,997	2,602	2,138	588	4,135	3,187	*
- thereof internal income	5,337	5,513	-5,337	-5,513	-	-	
Total earnings	**135,634**	**133,904**	**-3,199**	**-4,924**	**132,435**	**128,977**	
Cost of sales	101,403	100,267	-5,674	-5,763	95,729	94,504	*
Operative expenses	23,850	20,232	4,868	4,370	28,718	24,602	
Segment result (EBIT)					9,565	11,929	
Unallocated expenditure and income (incl. DEAG and consolidation effects)					-2,394	-3,713	
Operating result (EBIT)					**7,171**	**8,216**	
result from associated companies					-327	-2	
other financial result					-872	-1,343	*
Result before taxes and minority interests					**5,972**	**6,871**	*
Taxes on income and earnings					-1,535	-2,517	*
Group result after taxes					**4,437**	**4,354**	*
thereof attributable to other shareholders					1,893	3,008	*
thereof attributable to DEAG shareholders					**2,544**	**1,346**	*

* Previous year adjusted

The result of associated companies of kEUR – (2010: kEUR -2) relates to DEAG.

Other information

in EUR'000	Group 2011	Group 2010
Book value of segment assets	94,029	78,367
Real estate held as financial investment property	8,200	8,200
Shares in affiliated companies	138	28
Unallocated assets incl. Consolidation transactions (1)	-3,716	-1,526
Consolidated assets	**98,651**	**85,069**
External funding of assets	68,817	65,263
Unallocated external funding of segments incl. Consolidation transactions (1), (2)	-176	-7,070
Consolidated external funds	**68,641**	**58,193**
Net assets (incl. Shares of other shareholders)	**30,010**	**26,876**
Full-time employees at 31.12.	148	132
Return on Sales	5.6%	6.5%
Net return on sales	23.9%	30.6%

(1) concerns DEAG at kEUR 28,993 (previous year: kEUR 26,590) and consolidation transactions (mainly debt consolidation at kEUR -23,434 (previous year: kEUR -20,958) between segments and segments and between segments and DEAG respectively

(2) concerns DEAG at kEUR 10,865 (previous year: kEUR 10,788) and consolidation transactions (mainly debt consolidation) between segments and segments and DEAG as well as accrual of deferred taxes kEUR 1,983 (previous year: kEUR 1,963)

The return on sales is derived from the operating result (EBIT) divided by the income from sales.

The Group's return on net assets is derived from the operating result (EBIT) divided by consolidated net assets (including minority interests).

The breakdown of segment data by regional subdivision is shown below. The Group companies concerned are Good News-Group and The Classical Company AG in Switzerland and Raymond Gubbay Ltd. in Great Britain.

	Group	
in EUR'000	**2011**	**2010**
Live Touring Segment Sales	54,623	54,788
thereof Raymond Gubbay Ltd. (UK)	19,351	17,896
thereof The Classical Company AG (Switzerland)*	276	946
Entertainment Services Segment Sales	79,014	76,514
thereof Good News-Group (Switzerland)	56,605	52,120
Book value of Live Touring	43,867	32,501
thereof: Raymond Gubbay Ltd. (UK)	14,282	14,093
thereof: The Classical Company AG (Switzerland)*	502	247
Investments of Live Touring Segment	174	55
thereof: Raymond Gubbay Ltd. (UK)	34	49
thereof: The Classical Company AG (Switzerland)	-	-
Book value of Entertainment Services Segment Assets	50,162	45,866
thereof Good News-Group (Switzerland)	26,564	23,848
Investments of Entertainment Services Segment	154	155
thereof Good News-Group (Switzerland)	-	-

7. Liquid Funds

Cash in hand and credit balances at banks are shown as liquid funds.

8. Marketable Securities

The item concerned during the previous year an amount of kEUR 82 for the stock of securities valued at fair value, based on the stock exchange price on the reporting date.

9. Trade Receivables

Trade receivables comprise of the following:

in EUR'000	**31.12.2011**	**31.12.2010**
Accounts receivable	7,052	7,562
Value adjustment on accounts receivable	-64	-29
Accounts Receivable	**6,988**	**7,533**

Provisions changed through inward flow (kEUR -24) and consumption (kEUR 24) and the change in scope of consolidation (kEUR -35).

The following non value debased trade receivables were overdue at balance sheet date:

Amount in kEUR	less than 3 months	3 to 6 months	> 6 months
31.12.2011	116	71	32
31.12.2010	74	10	195

10. Down payments and Inventories

Down payments concern essentially down payments of fees and individually attributable event costs concerning events after the balance sheet date. kEUR 2,280 (prior year: kEUR -) are allocated to the non-current assets.

The inventories concern finished products and goods.

11. Other Current Assets

The Other current assets consist of the following:

in EUR'000	31.12.2011	31.12.2010
Tax authorities claims (1)	789	342
Down payments	760	621
Receivables from cooperation contracts	582	-
Claim on purchase price from disposals of investment	403	1,532
Loans	273	342
Insurance settlements/Compensation	360	474
Value adjustments	-300	-391
Others	1.260	755
Other current assets	**4,127**	**3,675**

(1) thereof ceded artists withholding tax kEUR 116 (previous year: kEUR 116)

The following non value debased Other Current Assets were overdue at balance sheet date:

in kEUR	less than 3 months	3 to 6 months	>6 months
31.12.2011	43	22	144
31.12.2010	15	-	193

The itemized valuation allowances have changed as a result of additions (kEUR -3) and consumption (kEUR +94).

12. Acquisitions

Acquisitions are being recorded in terms of IFRS 3 (Business Combinations) according to the purchase method.

Subgroup GOLD Entertainment

Percentage of shares and votes	
GOLD Entertainment GmbH, Berlin	50%
Manfred Hertlein Veranstaltungs GmbH, Berlin	33.3%
Date of first consolidation	01.04.2011
Acquisition cost (kEUR)	
Cash purchase price (kEUR)	

Assets and liabilities acquired

in kEUR	Fair value at acquisition date
Assets	
Goodwill	615
Long-term intangible assets	2,016
Fixed assets	84
Liquid funds	2,486
Short-term assets	1,453
	6,654
Liabilities	
Current liabilities	3,669
Long-term liabilities	115
Deferred Taxes on the liabilities side	573
	4,357
Net Assets	2,297
Shares of other shareholders	1,119

During the reporting year DEAG acquired control of Gold Entertainment GmbH, without the acquisition of additional shares. Since 01.04.2011 DEAG has an ultimate decision right to appoint and remove the managing directors and approve the annual budget of Gold Entertainment GmbH, Berlin. Consequently, the control concept in accordance with IAS 27.13 (c) is met. Gold Entertainment GmbH, Berlin, in turn holds 66.6% of the capital and voting rights in Manfred Hertlein Veranstaltungs GmbH. Consequently, a first-time consolidation was carried out on the date of acquisition of control in accordance with IFRS 3.33. The shares reported so far in the consolidated financial statements have been transferred to the full consolidation with recognition in the income statement. Their fair value served as substitute acquisition costs and hence determined the amount of goodwill and the shares of other shareholders.

Since the first-time consolidation the sub-group Gold Entertainment has contributed kEUR 6,914 to sales revenues, kEUR 208 to the EBIT and kEUR 225 to the consolidated result after minorities. This includes the first-time consolidation gain of kEUR 263.

If the first-time consolidation had been at the beginning of the reporting period, the consolidated sales revenues would have amounted to kEUR 130,625, EBIT to kEUR 7,452 and the consolidated result after minorities unchanged to kEUR 2,544.

In the cash flow statement the acquisition of the sub-group Gold Entertainment is reflected by an inflow of liquid assets in the amount of kEUR 1,242 as a change due to the scope of consolidation of the cash and cash equivalents.

13. Goodwill and Other Intangible Assets

The values developed in fiscal 2010 and 2011 are as follows:

Acquisition or production costs in EUR'000	Goodwill	Artist and agency relationships	other rights	Soft-ware	other intangible assets
January 1, 2010	**18,943**	**9,834**	**2,359**	**310**	**12,503**
Additions	-	-	-	6	6
Disposals	-	-121	-1,600	-	-1,721
Change in scope of consolidation	-288	-2,450	6	9	-2,435
Currency adjustments	83	169	-	-	169
December 31, 2010	**18,738**	**7,432**	**765**	**325**	**8,522**
Depreciation in EUR'000					
January 1, 2010	**-**	**4,006**	**1,711**	**304**	**6,021**
Additions	692	647	240	6	893
Disposals	-	-102	-1,260	-	-1,362
Change in scope of consolidation	-692	-2,486	-	-	-2,486
Currency adjustments	-	23	-	-	23
December 31, 2010	**-**	**2,088**	**691**	**310**	**3,089**
Balance sheet values 31.12.10	**18,738**	**5,344**	**74**	**15**	**5,433**
January 1, 2011	**18,738**	**7,432**	**765**	**325**	**8,522**
Additions	-	3	-	10	13
Change in scope of consolidation	211	791	-	8	799
Currency adjustments	84	163	-	-	163
December 31, 2011	**19,033**	**8,389**	**765**	**343**	**9,497**
Depreciation in EUR'000					
January 1, 2011	**-**	**2,088**	**691**	**310**	**3,089**
Additions	-	630	43	15	688
Disposals	-	-294	-	-	-294
Currency adjustments	-	55	-	-	55
December 31, 2011	**-**	**2,479**	**734**	**325**	**3,538**
Balance sheet values 31.12.11	**19,033**	**5,910**	**31**	**18**	**5,959**

14. Goodwill

The reported goodwill is attributable as at 31.12.2011 in an amount of kEUR 6,732 to the Live Touring segment and in the amount of kEUR 12,301 to the Entertainment Services segment.

The goodwill in the Live Touring segment concerns in an amount of kEUR 5,264 DEAG Classics AG together with Raymond Gubbay Ltd., which due to the joint shareholder structure, a close co-operation and the existing synergy effects constitute a CGU within the segment, in an amount of kEUR 853 KBK Konzert- und Künstleragentur GmbH and in an amount of kEUR 615 the sub-group Gold Entertainment. The changes in goodwill concern in an amount of kEUR 211 the sub-group Gold Entertainment and result from the change in status. In the Entertainment Services segment kEUR 741 are accounted for by the domestic companies of this segment and kEUR 11,560 are attributable to the Good News Group. This sub-division also applies to the determination of the CGU.

Impairment tests were carried out for the goodwill of each CGU.

In each case, the basis for the impairment test was the utility value of the CGUs, whose calculation was derived from forecast earnings – depending on the CGUs – in a one or two year plan. When determining the utility value a discounted cash flow procedure was applied. The discounted cash flow procedure was based on corporate planning of the relevant CGU's approved by the management as well as assumed growth rates and EBIT margins which were oriented towards the events and experience taken into account in planning. For the standard year (perpetuity) the budget numbers of the previous budget year were used. Pre-tax interest rates of 9.0% to 10.0% (2010: 9.6% - 10.5 % pre tax interest rate) were used as discount rates; during the standard year a growth deduction of 1% was applied.

15. Other Intangible Assets

The other intangible assets reported in the balance sheet have a limited useful life.

The capitalization of the backlog of orders as well as of the artist and agent relations is based on business combinations. The artist and agent relations are amortized on a straight-line basis over a period of 10 to 15 years.

The change in respect of artist and agent relations in connection with the change in the scope of consolidation results in an amount of kEUR 1,098 from the addition from the first-time consolidation of the sub-group Gold Entertainment, which contrasts with a disposal in the amount of kEUR 307 from the first-time inclusion of A.C.T. Artist Agency GmbH according to the equity method during the fiscal year.

In accordance with IAS 36.114 a need for recognition of an impairment loss was reversed during the reporting year with an amount of kEUR 294 due to improved earnings prospects for the artist and agent relations accounted for by KBK Konzert- und Künstleragentur GmbH (Live Touring segment).

The remaining amortization period for artist and agent relations amounts to between 4 and 11 years.

16. Tangible Assets

The development of tangible fixed assets during fiscal 2010 and 2011 turns out as follows:

Acquisition or production costs in EUR'000	**Land and Buildings**	**Technical plant and machinery**	**Other fixtures and fittings, equipment**	**Total tangible assets**
January 1, 2010	**380**	**381**	**3,282**	**4,043**
Additions	4	65	91	160
Disposals	-68	-	-189	-257
Change in scope of consolidation	-	-	-24	-24
Currency adjustments	2	5	129	136
December 31, 2010	**318**	**451**	**3,289**	**4,058**
Depreciation in EUR'000				
January 1, 2010	**168**	**111**	**2,894**	**3,173**
Additions	18	64	142	224
Disposals	-68	-	-189	-257
Change in scope of consolidation	-	-	-49	-49
Currency adjustments	2	4	120	126
December 31, 2010	**120**	**179**	**2,918**	**3,217**
Balance sheet values 31.12.10	**198**	**272**	**371**	**841**
January 1, 2011	**318**	**451**	**3,289**	**4,058**
Additions	31	14	366	411
Disposals	-	-	-102	-102
Change in scope of consolidation	-	-	43	43
Currency adjustments		5	15	20
Dezember 31, 2011	**349**	**470**	**3,611**	**4,430**
Depreciation in EUR'000				
January 1, 2011	**120**	**179**	**2,918**	**3,217**
Additions	18	70	153	241
Disposals	-	-	-40	-40
Currency adjustments	-	5	15	20
December 31, 2011	**138**	**254**	**3,046**	**3,438**
Balance sheet values 31.12.11	**211**	**216**	**565**	**992**

17. Real Property Held as Financial Investment

Already in 2001 DEAG valued the plots of land held as financial investment and not used within the DEAG Group in accordance with the fair value model on the basis of sufficiently objectifiable market prices, and a corresponding write-up was made.

An appointed surveyor has reached an unchanged value indication of EUR 8.2 million for the plots of land around Jahrhunderthalle, including safety margins deducted on grounds of non-secured development capacity. The company has adopted the value in the surveyor’s report within the framework of the fair value appraisal. The appraisal was based on the available guideline land values.

During fiscal 2011 operating expenses in the amount of kEUR 38 (kEUR 27 after deferred taxes) were incurred which were directly attributable to the real property; no income was generated.

The investment property was pledged against Other long-term liabilities (see note 28).

18. Financial Assets

The investments include essentially the minority interest in Ticketmaster Deutschland Holding GmbH of kEUR 605, minority interests in Switzerland of kEUR 68 and shares in EBC Entertainment Bau Concept Gesellschaft für kulturelles Bauen mbH of kEUR 76.

EIB Entertainment Insurance Brokers GmbH, Seefestspiele Berlin GmbH as well as Derinho AG and Starclick Entertainment AG are included as associated companies, whereby the Swiss companies constitute an addition in 2011. Since 2011 the shares in the joint venture A.C.T. Artist Agency GmbH have also been reported under this item.

The updated book value of the investment in EIB Entertainment Insurance Brokers GmbH amounts to kEUR 18 (2010: kEUR 18), in Seefestspiele Berlin GmbH it amounts to kEUR 0 (2010: kEUR 10), in Derinho AG it amounts to kEUR 0, in Starclick Entertainment it amounts to kEUR 0 and in A.C.T. Artist Agency GmbH it amounts to kEUR 120. The prorated loss of the sub-group Derinho exceeding equity in the amount of kEUR 115 was not taken into account in the Group result.

The aggregate ratios of the associated companies and the joint venture included in the consolidated financial statements according to the equity method are represented below. The values correspond to the shares attributable to the DEAG Group.

in EUR'000	**2011**	**2010**
Short-term assets = **Total Assets:**	637	81
Short-term liabilities = **Total Liabilities:**	877	57
Profit & Loss Statement:		
Sales	1,263	55
Annual result	**-317**	**12**

19. Other Long-Term Receivables

The other non-current receivables have a maturity of more than one year.

The receivables include essentially the disposal of a shareholding in the amount of kEUR 750, receivables from co-operation contracts in the amount of kEUR 464, commission claims in the amount of kEUR 319 as well as down payments in the amount of kEUR 157 (2010: kEUR 200).

20. Deferred Taxes

The deferred tax assets concern in the amount of EUR 2.0 million (2010: EUR 2.0 million) mainly deferred taxes on losses carried forward offset against deferred tax liabilities of EUR 2.0 million (same tax authority).

21. Liabilities to Banks

Liabilities to financial institutions include essentially the availment of working capital lines.

22. Trade Accounts Payable

The liabilities are all due within one year. There is no collateralization.

23. Accruals

This item has developed as shown below:

in EUR'000	as at 01.01.11	Changes in scope of consolidation (1)	Use	Dis-posal	Addition	Currency dif-ference	as at 31.12.11
Outstanding invoices	4,162	37	3,930	237	3,986	93	4,111
Personnel obligations	1,666	58	1,249	4	829	18	1,318
Consulting and audit costs	322	18	328	-	391	3	406
Other accruals	382	3	105	5	853	-	1,128
TOTAL	**6,532**	**116**	**5,612**	**246**	**6,059**	**114**	**6,963**

(1) reports the acquisition of the sub-group GOLD Entertainment (as of 01.04.2011).

in EUR'000	as at 01.01.10	Changes in scope of consolidation (2)	Use	Dis-posal	Addition	Currency dif-ference	as at 31.12.10
Outstanding invoices	4,275	74	4,197	89	3,706	393	4,162
Personnel obligations	858	69	429	25	1,188	5	1,666
Consulting and audit costs	248	-10	217	10	309	2	322
Other accruals	873	-100	567	183	359	-	382
TOTAL	**6,254**	**33**	**5,410**	**307**	**5,562**	**400**	**6,532**

(2) reports the acquisition of sub-group GOLD Entertainment (as of 01.10.2010) as well as the divestiture of ACE Entertainment GmbH (until 30.09.2010).

The liabilities – except for kEUR 490 (2010: kEUR 616) for personnel liabilities – are, as a matter of principle, due within one year.

24. Accrued and Deferred Revenues

This item includes customers' takings for concert and theatre tickets as well as guarantee payments for events after the balance sheet date. Payments received enter revenues on the date of each event.

25. Current Income Tax Liabilities

Tax provisions are recorded under Current Income Tax Liabilities. During 2011 and 2010 respectively this item has developed as follows:

in EUR'000	as at 01.01.11	Changes in scope of consolidation	Use	Dis-posal	Addition	Currency dif-ference	as at 31.12.11
Taxes reporting period	-	-	-	-	1,332	-	1,332
Taxes previous years	2,322	-	1,007	11	-	23	1,327
total	**2,322**	**-**	**1,007**	**11**	**1,332**	**23**	**2,659**

in EUR'000	as at 01.01.10	Changes in scope of consolidation (1)	Use	Dis-posal	Addition	Currency dif-ference	as at 31.12.10
Taxes reporting period	-	-	-	-	1,965	-	1,965
Taxes previous years	1,045	-99	677	-	61	27	357
total	**1,045**	**-99**	**677**	**-**	**2,026**	**27**	**2,322**

(1) reports the acquisition of subgroup Gold Entertainment (since October 1, 2010) as well as the divestiture of ACE Entertainment GmbH (until September 30, 2010)

26. Other Current Liabilities

Other current liabilities are as follows:

in EUR'000	31.12.2011	31.12.2010
Finance liabilities	4,129	1,074
Tax liabilities	2,047	2,970
Social security liabilities	64	177
Accruals and deferrals	16	9
Other	804	1,077
Other short-term liabilities	**7,060**	**5,307**

Tax liabilities include liabilities for artist withholding tax which contrast with receivables under assigned claims in the amount of kEUR 116 (see Note 11).

Finance liabilities include the mezzanine financing to be reported as current liability.

27. Other Long Term Liabilities

Other long-term liabilities are broken down as follows:

in EUR'000	31.12.2011	31.12.2010
Loan	1,075	1,040
Other financial liabilities	599	285
Mezzanine	-	3,913
Accruals and deferrals	8	17
Other long-term liabilities	**1,682**	**5,255**

The loan shown matures on 30.04.2013.

28. Collateralization

To secure other short-term liabilities totalling kEUR 4,129 and a not yet due payment of kEUR 4,000 for the sale of commercial land adjoining the Jahrhunderthalle in Frankfurt has been ceded. Furthermore a subordinate land charge of kEUR 9.500 plus interest and incidentals on the Jahrhunderthalle site set aside for commercial development has been granted and shares in DEAG Concerts GmbH have been pledged. Moreover, the creditor was provided with collaterals of the affiliated companies DEAG Classics AG, Concert Concept Veranstaltungs-GmbH as well as Global Concerts GmbH if DEAG and DEAG Concerts as the borrowers do not compensate a due claim of the creditor by repayment.

For the collateralization of a working capital line a registered land charge in respect of the Jahrhunderthalle arena in Frankfurt/Main of Concert Concept Veranstaltungs-GmbH has been registered in the amount of kEUR 3,000. Furthermore, the affiliated companies Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Global Concerts GmbH, Concert Concept Veranstaltungs-GmbH and River Concerts GmbH are jointly and severally liable. On the balance sheet date the credit liability had a value of kEUR 649.

For the collateralization of liabilities to financial institutions (2011: kEUR 271, 2010: kEUR -) in connection with a tour pre-financing, the receivables from guarantees existing on December 31, 2011 were assigned to the financing bank.

29. Equity

The Company's capital stock continues to amount to EUR 12,388,983.00 divided into 12,388,983 ordinary registered shares in the form of no-par-value individual share certificates each with a book share of EUR 1 in capital stock.

The share capital of the company is paid in full.

The capital reserve contains the additional funds raised from DEAG's share issue less the capital increase from company funds to adjust subscribed capital following the change-over to the Euro.

The balance sheet loss includes past results of companies included in the consolidated financial statements and consolidated net earnings for the current financial year.

Earnings per share are calculated by dividing group profit by the weighted number of shares outstanding.

Diluted and undiluted earnings per share are calculated according to IAS 33 on the basis of 12,388,368 shares (12,388,983 shares issued less 615 own shares). Weighted average of shares for 2011 amounted to 12,388,368. The Group Result used a basis amounts to EUR 2,544,061.72.

Conditional Capital

The nominal capital of the company was contingently increased in accordance with a resolution adopted by the General Meeting on 08.07.2009 by an amount of EUR 3,000,000.00 (Contingent Capital 2009/I).

A contingent capital increase can only be carried out to the extent that the holders of option and conversion rights, which are added by virtue of the empowerment of the Executive Board of 08.07.2009 to the convertible bonds and/or bonds with warrants issued by the company until 07.07.2014, exercise their conversion or option right or holders which are obliged to convert the convertible bonds to be issued by the company by virtue of the resolution of empowerment of the General Meeting of 08.07.2009 until 07.07.2014, meet their obligation to convert. The new shares participate in the profit from the beginning of the fiscal year during which they originate from the exercise of conversion and option rights or from the fulfillment of the obligation to convert.

No use was made of this empowerment after the key date.

The resolution about the contingent capital (2009/I) was entered in the Commercial Register on 15.07. 2009.

Authorized Capital 2011/I

The Ordinary General Meeting has created new authorized capital on 28.06.2011 and cancelled the previously unused authorized capital. The Executive Board has been empowered to increase, with the approval of the Supervisory Board, the subscribed capital by 27.06.2016 by a total of EUR 6,194,491.00 (authorized capital 2011/I).

The resolution concerning the authorized capital (2011/I) was entered in the commercial register on 22.07.2011.

Purchase of Treasury Shares (§ 71 para 1 no. 8 AktG – German Stock Corporation Act)

As resolved by the General Meeting of Shareholders on 07.07.2010, DEAG is in accordance with § 71 para 1 no. 8 AktG authorised until 06.07.2015 to purchase upon approval by the Supervisory Board up to 10 % of the share capital existing on the date of resolution. The decision is taken by the Executive Board. Such purchase may only be made via the stock exchange or bya public purchase offer addressed to shareholders. As of 31.12.2011 the company held 615 own shares.

Shares of other shareholder

Shares in the paid up and generated equity which are held neither directly nor indirectly by DEAG, are reported as minority interests. They are disclosed within equity in accordance with IAS 27.27.

Dividend Payment

The Executive Board of DEAG will propose the payment of a dividend in the amount of EUR 495,559.32 for fiscal 2011. This corresponds to a payment of EUR 0.04 per share.

30. Information on Relationships with Related Parties

According to IAS 24, the Executive Board of DEAG Deutsche Entertainment AG, its shareholders and the Supervisory Board as well as relatives and companies controlled by them come into consideration as related parties (related persons and companies).

All business relations with persons and companies presented below were based on standard market terms.

During the reporting year legal relationships existed with Professor Peter L. H. Schwenkow within the framework of his employment contract (reimbursement of travel and entertainment expenses and other out of pocket expenses) as well as loans granted. During the fiscal year a short-term loan in the amount of kEUR 200 was granted to him, with the approval of the Supervisory Board, based on an interest rate of 4%. The loan had been paid back by the balance sheet date.

Other related parties within the meaning of IAS 24.18 (g) included during the reporting period:

- Two family members of Prof. Peter L. H. Schwenkow, who work as employees for companies of the DEAG Group,
- A family member of Prof. Peter L. H. Schwenkow, who acts as Managing Director of one of the consolidated subsidiaries,

A total of kEUR 182 (2010: kEUR 214) was paid to these persons and companies in the reporting year. The compensation agreements comply with those usually arranged for appropriate tasks within the Group. This applies to the level of the respective compensation and the provision.

Annual emoluments received in 2011 by the members of the executive board totalled kEUR 1,239 (2010:kEUR 1,338) and comprise as follows:

Board Member	Fixed Compensation	variable Compensation	Other Benefits	Total Emoluments
Prof Peter L.H. Schwenkow	400	445	49	894
Christian Diekmann	200	100	45	345
Total	**600**	**545**	**94**	**1,239**

The other compensation of the members of the Executive Board includes remuneration for their activity (kEUR 16, 2010: kEUR 11) on the Board of Directors of a consolidated subsidiary.

The variable compensation is included in other accruals; the other compensations were paid out during the reporting year.

The CEO is subject to a comprehensive post-contractual prohibition of competition for 24 months after the end of the underlying employment relationship. DEAG pays compensation in this respect which is related to the remuneration.

In the event of disease and/or temporary occupational disability of the CEO the company undertakes to pay the fixed compensations for no longer than the end of the employment relationship. In the event of death in active service, the surviving dependents will be paid 50% of the fixed compensation and part of the variable remuneration earned up to that point in time.

Both in the event of a premature termination of contract by mutual consent and/or resignation of the CEO at the request of DEAG and in case of a change of control event, DEAG pays severance pay to the CEO. The corresponding agreements are in compliance with the recommendation of the German Corporate Governance Code (DCGK) as amended on 26.05.2010.

In the event of disease and/or temporary occupational disability of the CFO, the company undertakes to pay the fixed compensations for no longer than a period of six months as well as 50% of the fixed compensation for a period of another six months, but for no longer than until the end of the employment relationship.

Members of the Supervisory Board

Members of the Supervisory Board are remunerated in line with the articles of incorporation. In the year under review, remuneration totalled kEUR 87 (2010: kEUR 87). The Company also reimbursed travel costs of kEUR 4 incurred in connection with Supervisory Board meetings (2010: kEUR 1).

31. Sales Revenues

The segment account shows the breakdown of revenues by lines of business and geographical markets.

32. Cost of Sales

The cost of materials, purchased services, especially fees, personnel expenses, event-related hire and rental charges and other material costs (including pro-rata scheduled depreciation and amortisation) incurred to achieve sales revenue are booked as cost of sales.

33. Distribution Costs

Distribution costs include personnel expenses, advertising and travel costs, cost of premises and other distribution-related material costs.

34. Administrative Expenses

Administrative expenses include personnel expenses, legal and consulting costs, cost of premises and other administration-related material costs.

35. Other Operating Income

The other operating income is the result of the disposal of shares, income from commission, a first-time consolidation gain, the reversal of valuation allowances, earnings from letting and leasing, earnings from the reversal of accruals and other income not resulting from the core business of the DEAG Group.

36. Other Operating Expenses

The other operating expenses include valuation allowances/risk provisioning in the amount of kEUR 241 (2010: kEUR 412) as well as other taxes in an amount of kEUR 99 (2010: kEUR 110). The decline concerns the discontinuation of non-scheduled write-downs of intangible assets of the previous year (2010: kEUR 692).

37. Interest Income/expense

This item breaks down as follows:

in EUR'000	2011	2010	
Other interest and similar income	118	103	
Interest and similar expenditure	-1,242	-1,209	*
Net interest income	**-1,124**	**-1,106**	

* Previous year adjusted

Interest expenses include non cash-based interest espenses in the amount of kEUR 244 (2010: kEUR 282).

38. Income from Investments

The income from investments concerns in an amount of kEUR -3 a valuation allowance in respect of an investment.

During the previous year kEUR 189 were reported under this item for the dissolution of an atypical dormant holding and the profit share of a UK minority shareholding (kEUR -27).

39. Income Taxes

Actual tax liabilities for the current financial year and previous years are calculated on the basis of the amounts expected to be payable to the tax authorities. Deferred tax claims and tax liabilities are calculated on the basis of the rates that were valid on the balance sheet date.

in EUR'000	2011	2010	
Tax expenditure:			
reporting period	-1,757	-2,317	
previous years	-98	-293	
Tax refund previous years	43	3	
Deferrered tax revenue			
Temporary differences	133	90	*
Changing tax rate	144	-	
Tax expenditure:	**-1,535**	**-2,517**	

* Previous year adjusted

Income tax includes all income tax paid or payable in the respective countries and all deferred taxes. Income tax includes corporate income tax, trade tax on earnings, solidarity surcharge and the corresponding foreign taxes.

Deferred taxes are formed in order to record all substantial temporary variances between the individual financial statement and the tax balance sheet and temporary variances due to consolidation adjustments. Deferred tax claims are applied as far as they can be settled against deferred taxes on the liabilities side.

Deferred taxes are calculated on the basis of the respectively applicable national income tax rates. For domestic companies a corporation tax rate of 15.0 % as well as an effective local trade tax rate of 15.0 % were applied as at 31.12.2011. Taking into account the solidarity surcharge and the trade income tax, the calculation of the deferred taxes for the domestic companies is based on a tax rate of 30.0 %. Income tax rate in Switzerland is approximately 20.0 % and approximately 26.0 % in Great Britain.

Tax expenses resulting from application of the DEAG tax rate can be translated into actual tax expenses as follows:

in EUR'000	2011	2010
Result before taxes on income and shares of other shareholder	5,972	6,871
Tax expenditure / income at the DEAG Holding's tax rate	-1,792	-2,062
Tax expenditure / income as per profit and loss statement including discontinued operations	-1,535	-2,517
Carryover figure	**-257**	**455**

Amortisation of goodwill	-	208
Changing tax rate	-144	-
Taxes previous years	55	290
Tax-free earnings and non-deductible expenses	-105	125
Different tax rates	-195	-472
Write-up (+) / value (-) adjustment of tax accruals	132	304
Others	-	-
	-257	**455**

Deferred tax assets are made up as follows:

in EUR'000	2011	2010	Variances with effect on results
Tax accruals on losses carried forward	1,949	1,949	-
Other temporary variances	12	29	-14
Deferred tax assets	**1,961**	**1,978**	**-14**
Deferred tax assets that can be set off against deferred tax liabilities	**-1,961**	**-1,978**	
Deferred tax assets (net)	**-**	**-**	

Deferred tax assets were only applied to the extent that they can be settled against deferred taxes on the liabilities side.

DEAG´s tax losses carried forward amounted to around EUR 41,4 million in corporation tax and EUR 28.8 million in local trade tax per 31.12.2011 considering the findings from tax audits, against which appeals have partly been lodged.

Due to the usage of previously unrecognised fiscal losses the current tax expenditure was lowered by kEUR 75.

The calculation of net tax claims is based on the level, offsetting is possible with the same tax authority.

Deferred tax assets and liabilities are made up as follows:

in EUR'000	2011	2010	Variances with effect on results
Deferred income from the value write-up on the Jahrhunderthalle Frankfurt am Main	2,281	2,292	11
Deferred income on intangible assets	1,622	1,583	226
Other temporary variances	41	66	54
Deferred taxes on the liabilities side	**3,944**	**3,941**	291
To be settled against deferred tax assets	-1,961	-1,978	
Balance Shown	**1,983**	**1,963**	

40. Personnel Expenses

Personnel expenses

in kEUR	2011	2010
Salaries and wages	11,403	11,048
Social security contribution	1,620	1,402
Total personnel expenses	**13,023**	**12,450**

41. Lease expenditure

Lease expenditure from renting offices and venues as part of operating leases amounted to kEUR 2,419 (2010: kEUR 2,261) during fiscal 2011.

42. Cash flow statement

The financial resources fund exclusively concerns liquid assets. Within the framework of changes to the scope of consolidation the following changes resulted in respect to the financial resources fund and the other assets and liabilities.

- in kEUR -	Additions
Cash inflow	1,252
Additions of fixed assets	1,053
Additions of other assets	718
Additions of other debt	2,102

As a matter of principle, DEAG and its subsidiaries finance themselves out of their own strength. Since DEAG itself has practically no operating business, it relies essentially on cost transfers, dividends, income from profit and loss transfer agreements, interest payments and loans granted. Financial assets in the amount of kEUR 2,721 are not available for free disposal.

Income tax was paid in the amount of kEUR 1,882 (2010: kEUR 1,230) which was classified as cash flow from ordinary activities.

43. Information on Obligations under Retirement Benefit Plans (IAS 19)

Under defined contribution plans in Germany, the Group contributes by virtue of statutory provisions to state pension insurance schemes. During the fiscal year the employer contribution to the pension insurance amounted to 9.95%. The ongoing payments of contributions are disclosed as social contributions in personnel expenses and amount to kEUR 374 (2010: kEUR 324).

For the employees of Raymond Gubbay Ltd. retirement benefits are granted under the statutory defined contribution plan. Moreover, the Directors of the company are insured through individual defined contribution pension insurance policies. During the reporting period the company has paid pension insurance contributions in the amount of kEUR 84 (2010: kEUR 72).

The companies of the DEAG Group which are resident in Switzerland have joined a collective foundation for compliance with their retirement benefit obligations under the Swiss Federal Act on Professional Retirement, Surviving Dependents and Disabled Provision Schemes (BVG). Apart from the payment of ongoing contributions to this pension scheme, they are also obliged to compensate any under-coverage of this pension scheme if necessary (see Article 65d BVG). For this reason this retirement benefit scheme has to be classified as a defined multi-employer benefit plan within the meaning of IAS 19.29. In the reporting year the classification as a defined benefit plan was made for the first time, since actuarial expert reports were obtained from third parties for the reporting year and prior year on the basis of which the corresponding obligations for the preparation and presentation could be taken into account.

The erroneous application of IAS 19 during previous periods was corrected during the reporting year by adjustment of the prior year amounts in accordance with IAS 8.42. During the previous year the corresponding accrual was not recognized as liability in accordance with IAS 19. The non-recognition was corrected in 2011 by adjusting the comparative numbers for 2010 retrospectively.

2010 in kEUR	31.12.2010	Adjustment amount	31.12.2010 (adjusted)
Consolidated Balance Sheet			
Accruals	212	404	616
Deferred taxes	2.044	-81	1.963
Accumulated deficit	-17.498	-125	-17.623
Accumulated other income	156	-43	113
Shares of other shareholder	4.816	-155	4.661

2010 in kEUR	31.12.2010	Adjustment amount	31.12.2010 (adjusted)
Consolidated Income Statement			
Cost of sales	-94.518	14	-94.504
Other operating income	3.187	3	3.190
Interest income/expenses	-1.078	-28	-1.106
Income taxes	-2.520	3	-2.517
Group result after taxes			
thereof attributable to other shareholders	3.013	-5	3.008
thereof attributable to DEAG shareholders (Group result)	1.349	-3	1.346
Statement of comprehensive income			
Group result after taxes	4.362	-8	4.354
Difference from exchange rates	982	-53	929
Actuarial profits/ losses	0	-38	-38
Income tax on other comprehensive income	-32	8	-24
thereof attributable to actuarial profits/losses	0	8	8
Other result after tax	1.056	-83	973
Comprehensive income	5.418	-91	5.327
thereof attributable to other shareholders	3.334	-45	3.289
thereof attributable to DEAG shareholders	2.084	-46	2.038

2009 in TEUR	31.12.2009	Adjustment amount	31.12.2009 (adjusted)
Consolidated Balance Sheet			
Accruals	65	294	359
Deferred taxes	1.770	-59	1.711
Accumulated deficit	-16.960	-122	-17.082
Minority interests	4.189	-113	4.076

The disclosure in accordance with IAS 8.49b ii is not applicable due to neglilibleness.

For detailed figures in accordance with IAS 19 clause 120A see the following table:

		in kEUR	
		31.12.2011	**31.12.2010**
(a)	Accounting policy for recognizing gains and losses	Recognized in the OCI	
(b)	General description of the type of plan	Savings/Risk insurance	
(c)	**Changes in the defined benefit obligation**		
	Benefit Obligation beginning of year	**1,480**	**1,137**
	Current service costs	118	96
	Interest expenditure	34	28
	Contributions by plan participants	84	61
	Actuarial (gains)/losses	-25	-60
	Foreign currency exchange rate changes	43	225
	Benefits paid	-57	-7
	Benefit Obligation end of year	**1,677**	**1,480**
(d)	**Changes in assets**		
	Fair value of the assets beginning of the year	**1,076**	**843**
	Expected return on plan assets	23	20
	Actuarial gains/(losses)	120	-98
	Foreign currency exchange rate changes	34	166
	Contributions by the employer	126	91
	Contributions by plan participants	84	61
	Benefits paid	-57	-7
	Fair value of the assets end of the year	**1,406**	**1,076**
(e)	**Amounts recognized in the balance sheet**		
	Present value of the obligation that is funded	1,677	1,480
	Fair value of the assets	1,406	1,076
	Surplus/deficit	271	404
	Net obligation (credit)	**271**	**404**
	Reconciliation statement of financial position		
	Net liabilities (net assets) at the beginning of the year	**404**	**294**
	Recognized net losses (net gains)	129	104
	Pension costs included in the OCI	-145	38
	Contributions by the employer	-126	-91
	Foreign currency exchange rate changes	9	59
	Net liabilities (net assets) at the end of the year	**271**	**404**

		in kEUR	
		31.12.2011	31.12.2010
(f)	**Total expense recognized in profit or loss**		
	Current service cost	118	96
	Interest expenditure	34	28
	Expected return on plan assets	-23	-20
	Pension costs recognized in the OCI	**129**	**104**
(g)	**Amounts recognized in the Other Comprehensive Income (OCI)**		
	Actuarial gains and losses	-145	38
(h)	Cumulative gains and losses recognized in the OCI	-107	38
(i)	Actual return on plan assets	143	-78
(j)	**Actuarial assumptions**		
	Discount rates	2.25%	2.25%
	Expected rates of return	2.00%	2.00%
	Expected rates of return on any reimbursement right	n/a	n/a
	Expected rates of salary increase	1.00%	1.00%
	Expected pension development	0.00%	0.00%
	Fluctuation rate	BVG 2010	BVG 2010
(k)	Present value of the benefit obligation		
	2011	1,677	
	2010	1,480	
	2009	1,137	
	Fair value of the assets		
	2011	1,406	
	2010	1,076	
	2009	843	
	Surplus/deficit		
	2011	-271	
	2010	-404	
	2009	-294	
	Experience adjustments arising on:		
	Liabilities	-25	-60
	Assets	120	-98
(l)	Estimate of contributions by the employer during the period after the reporting period	132	

44. Average Number of Employees During the Year

Head count	2011	2010
Live Touring	40	30
Entertainment Services	135	118
DEAG Holding	23	21
Total for continued operations	**198**	**169**

In the companies included during the previous year on a pro-rata basis three employees were employed on an annual average.

On 31.12.2011 the Group employed 228 (2010: 190) employees.

45. Off Balance Sheet Contingencies

On the balance sheet date the following contingencies relating to securities and guarantees provided for third parties exist in the amount of kEUR 181 (2010: kEUR 117).

In connection with current field tax audits and pending legal remedy proceedings there are contingent liabilities within the meaning of IAS 37 in the amount of kEUR 668 as at 31.12.2011; DEAG anticipates, however, a probability of occurrence of less than 50 % and has, therefore, not made any provisions.

In connection with the sale of subsidiaries and shares in subsidiaries earn out payments have been agreed upon based on the occurrence of certain target figures, which will lead to further cash inflows (contingent assets).

46. Other Financial Commitments

In addition to the accruals and liabilities in the balance sheet and the contingencies, the following financial commitments exist:

in EUR'000	Artist Guarantees	Rent and Leasing	Other	Total
2012	10,115	2,433	1,074	13,622
2013-2016	10,043	1,060	865	11,968
Total	**20,158**	**3,493**	**1,939**	**25,590**

Other financial commitments mainly concern contractual consulting services in the amount of kEUR 988 of which kEUR 542 relate to fiscal 2012.

47. Companies Included Pro Rata

Given the forthcoming new regulations of IFRS on the accounting of shares in joint ventures in consolidated financial statements during the reporting year and the possibly resulting consequences for the consolidated financial statements of DEAG, the only remaining company, A.C.T. Artist Agency GmbH, Berlin, which might be concerned by the scope of application of the corresponding new regulations, is no longer included into the consolidated financial statements on a pro-rata basis but according to the equity method.

According to IAS 31.47 companies that have been included pro rata are shown in the consolidated financial statements as follows:

in EUR'000	2011	2010
Short-term assets = **Total assets**	-	3,251
Short-term debts = **Total liabilities**	-	2,356
Statement of income:		
Revenues	-	2,745
Costs of revenues	-	-2,278
	-	**467**
Other operating earnings/expenses	-	-420
Annual result	**-**	**47**

48. Audit fees

The auditor's fees in the financial year 2011 are made up as follows:

in EUR'000	2011
Audit costs	220
Other audit services rendered	17
Other services rendered	27
	264

Audit fees referring to DEAG of the audit costs are kEUR 81 and of other services rendered kEUR 4.

49. Declaration of Conformity in accordance with § 161 AktG

Declaration to the Corporate Governance Code

The Management Board and Supervisory Board have issued a statement of conformity with the recommendations of the government commission on a German Corporate Governance Code § 285 no. 16 HGB in accordance with § 161 AktG on 14.12.2010 and made it permanently accessible to shareholders on the Internet.

The full declaration is posted on the company website (www.deag.de/ir).

50. Legal Disputes

Various DEAG Group companies are involved in legal or out-of-court disputes in respect of substantial claims. Provisions were made to cover risks.

In an action filed in connection with a contribution in kind, DEAG has been sued for cash compensation. The action was initially set aside for lack of substantiation. Following an appeal lodged by the plaintiff, the legal proceedings were referred back to the competent court. After new proceedings, the action was partly admitted. DEAG has lodged an appeal against this judgment.

Given the considerable shortcomings of the first instance proceedings, the Executive Board and the legal counsels continue to assume that the appeal will be successful and the action will be fully set aside.

In the improbable case of defeat, there will be a right of recourse against the third-party defendant. A provision was, therefore, not set up. The expenses incurrent are reported as current expenses.

51. Capital Control

In addition to the provisions under the German Stock Corporation Act, DEAG is not subject to any more extensive obligations for the purpose of capital conservation under byelaws or contracts. The financial ratios which are used for internal controlling of the company, are performance-based and are to serve for the appreciation of the shareholder assets while preserving at the same time balanced liquidity.

In the project business the gross margin and the break-even ticket number are used as the most important control parameters. For the overall corporate control EBIT, net income for the year and the corresponding profit to sales ratios constitute the decisive parameters. In the event of acquisitions of companies the duration of amortization of the purchase price is an important decision criterion in addition to the corporate parameters. The Group manages its capital with the objective of ensuring that all affiliated companies can operate their business as a going concern and that at the same time the earnings of the shareholders are maximized though an optimization of the ratio of equity to debt capital. The overall strategy has remained unchanged versus 2010. Compliance with the covenant criteria in connection with a non-current loan is monitored on an ongoing basis.

52. Additional information on Financial Instruments and Risk Management

The DEAG group is due to its international business as well as the investment and financing activities regarding its assets, liabilities as well as the operative business subject to interest, currency, credit rating and cash flow risks.

- Interest risks

On the assets and liabilities side the Group is subject to interest rate fluctuations. Whilst on the assets side in particular income from short-term investments are exposed to an interest rate risk, the liabilities side is affected essentially by interest expenses concerning current and non-current financial liabilities. A risk reduction results from the fact that both investments and parts of the interest payments are subject to floating interest rates for a mezzanine financing scheme of the Group. The latter is based on EURIBOR.

The sensitivity analysis required by IFRS 7 refers to interest rate risks from floating rate monetary liabilities. In the event of a hypothetic increase (decrease) of the EURIBOR by 1 percent, interest payments for the mezzanine financing would increase (decrease) by kEUR 40.

- Currency risks

Payments of fees for artists, orchestras, show productions etc. are partly made on a USD basis and are hence subject to a USD/EUR currency risk. The same applies to dividend payments of foreign subsidiaries which are made in CHF and GBP. The company makes sensitivity analyses on a regular basis in order to anticipate the impact of currency fluctuations and assess whether rate-hedging transactions are advantageous. During the reporting period no currency hedging was carried out.

- Solvency risks

The DEAG Group is exposed in the operating business and in respect of other transactions – for instance, stake sales – to a default risk, if the contracting partners fail to meet their payment obligations. The existing deposits have been made with principal banks with good credit standing. The maximum default risk is reflected by the accounting values. The deposits are made with different banks so that a diversification of the default risk is guaranteed.

In the operating business, too, credit standing is strictly observed at the selection of the business partners. Accounts receivable are monitored on an ongoing basis. Possible default risks are taken into account by specific valuation allowances. On the balance sheet date there were no indications of risks beyond the posted valuation allowances for accounts receivable or other assets.

- Liquidity risks

The liquidity risk means that the Group could possibly not satisfy existing financial obligations, for instance from loan agreements or accounts payable. Through liquidity planning and management possible liquidity risks are identified. The task of financial management is to ensure debt servicing in due time. Furthermore, compliance with the covenants vis-à-vis banks is monitored on an ongoing basis. The company has both long-term and short-term debtor/creditor relationships.

The following tables show the contractually fixed payments under financial liabilities. The values reflect the undiscounted liabilities. In the event of floating interest payments, reference is made to the interest rate level on the balance sheet date.

2011 - in kEUR -

Non-derivative financial liabilities	less than 1 year	1 to 5 years	> 5 years	Total
Bank loans payable and other financial liabilities				
- repayment	6,290	-	-	6,290
- interest (3,99 %)	251	-	-	251
Trade accounts payable	9,546	-	-	9,546
Other financial liabilties	-	1,075	-	1,075
Other non-derivative financial liabilities	76	599	-	675
Dderivative financial liabilities	87	-	-	87

2010 - in kEUR -

Non-derivative financial liabilities	less than 1 year	1 to 5 years	> 5 years	Total
Bank loans payable and other financial liabilities				
- repayment	3,612	3,826	-	7,438
- interest (6.50 %)	223	117	-	400
Trade accounts payable	9,420	-	-	9,420
Other financial liabilties	-	1,040	-	1,040
Other non-derivative financial liabilities	74	285	-	359
Derivative financial liabilities	-	87	-	87

As far as a more detailed risk description is concerned, we refer to Section 4 of the Management Report. The task of risk management is to manage these risks through close market monitoring, risk assessments, the reduction of net exposure and selective hedging measures, e.g. through financial derivatives. When selecting business partners, their credit standing is strictly taken into account.

53. Reporting on Financial Instruments

The carrying values and the fair values of the individual financial assets and liabilities are represented below in accordance with the categories of IAS 39 and reconciled with the corresponding balance sheet positions.

Liquid assets, accounts receivable as well as other receivables have above all short residual terms. For that reason their carrying values on the balance sheet date correspond more or less to the fair value. The fair values of lendings and other non-current receivables correspond to the present value of the payments associated with the assets taking into account current interest parameters.

The portfolio of original financial instruments is being reported in the balance sheet, the amount of the financial assets corresponds to the maximum default risk. As far as default risks become evident within the financial assets these risks are being recognised through value adjustments.

Current financial liabilities, accounts payable as well as other liabilities have regularly short residual terms; the reported values reflect more or less the fair values. The non-current financial liabilities are identified as present values of the payments related to the debts on the basis of the current interest parameters.

The appreciation premium included in a non-current financing contract was recognized separately from the basic agreement as an embedded derivative as income at fair value. The fair value of the embedded derivative was determined in accordance with the binomial model taking into account the fair value and volatility of the underlying instrument, matching maturities in respect of the interest rate and the term of the agreement.

Regarding the valuation of the short-term investments/marketable securities and the accruals registered at fair value we refer to the notes of the respective balance sheet items.

Financial Instruments 2011

in EUR´000

Assets	Book value 31.12.2011	Valuation according to IAS 39: Continued book value	Affecting fair value	No valuation criteria as per IAS 39
Liquid funds (loans and receivables)	35,715	35,715	-	-
Trade receivables (loans and receivables)	6,988	6,988	-	-
Other current assets (loans and receivables)	4,127	4,127	-	-
Shareholdings (available for sale)	749	749	-	-
Other long-term receivables (loans and receivables)	1,697	1,697	-	-

Liabilities	Book value 31.12.2011	Valuation according to IAS 39: Continued book value	Fair value affecting	No valuation criteria as per IAS 39
Bank loans payable (Financial liabilties)	2,290	2,290	-	-
Trade accounts payable (Financial liabilties)	9,546	9,546	-	-
Accruals (Financial liabilties)	6,473	4,111	-	2,362
Other short-term liabilities (Financial liabilties)	7,060	6,973	87	-
Other long-term liabilities (Financial liabilties)	1,682	1,682		-

Aggregate as valuation categories IAS 39	Book value 31.12.2011	Valuation according to IAS 39: Continued book value	Fair Value affecting	No valuation criteria as per IAS 39
Financial assets				
loans and receivables	48,527	48,527	-	-
value to be attributed		-		-
available for sale	749	749	-	-
Financial liabilities	27,051	24,602	87	2,362

Financial Instruments 2010

in EUR´000

Assets	**Book value 31.12.2010**	**Valuation according to IAS 39** Continued book value	Affecting fair value	No valuation criteria as per IAS 39
Liquid funds (loans and receivables)	31,844	31,844	-	-
Stocks / marketable security (evaluated at fair value)	82	-	82	-
Trade receivables (loans and receivables)	7,533	7,533	-	-
Other current assets (loans and receivables)	3,675	3,675	-	-
Shareholdings (available for sale)	751	751	-	-
Other long-term receivables (loans and receivables)	620	620	-	-

Liabilities	**Book value 31.12.2010**	**Valuation according to IAS 39** Continued book value	Fair value affecting	No valuation criteria as per 39
Bank loans payable (Financial liabilties)	2,612	2,612	-	-
Trade accounts payable (Financial liabilties)	9,420	9,420	-	-
Accruals (Financial liabilties)	5,916	4,162		1,754
Other short-term liabilities (Financial liabilties)	5,307	5,307	-	-
Other long-term liabilities (Financial liabilties)	5,255	5,168	87	-

* not affecting profit or loss

Aggregate as valuation categories IAS 39	**Book value 31.12.2010**	**Valuation according to IAS 39** Continued book value	Fair Value affecting	No valuation criteria as per 39
Financial assets				
loans and receivables	43,276	43,276	-	-
value to be attributed	82	-	82	-
available for sale	751	751	-	-
Financial liabilities	28,51	26,669	87	1,754

Expenses, income, losses and profits from financial instruments can be allocated to the following categories:

in EUR'000	2011	2010
Financial assets		
loans and receivables	118	103
affecting Fair Value	-14	21
Financial liabilities		
evaluated with book value	-1,242	-1,209 *
affecting Fair Value	-	109
Total	**-1,138**	**-976**

* Previous year adjusted

54. Exemption from Disclosure in accordance with § 264 para 3 HGB

The following companies avail themselves of the possibility of exemption from disclosure of their financial statements and management reports in accordance with § 264 para 3 HGB (German Commercial Code):

- DEAG Concerts GmbH, Berlin
- Concert Concept Veranstaltungs-GmbH, Berlin
- Broadway Varieté Management GmbH, Berlin
- Kultur- und Kongresszentrum Jahrhunderthalle GmbH, Frankfurt am Main
- Friedrichsbau Varieté Stuttgart Betriebs- und Verwaltungs GmbH, Stuttgart
- DEAG Music GmbH

55. Notification in accordance with §§ 21, 26 WpHG

In 2011 and until the preparation of the financial statements, the following notifications were made:

HSB Verwaltung GmbH, Berlin, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that its voting rights in DEAG Deutsche Entertainment AG exceeded the threshold of 5% on December 16, 2003 and amounted to 22.54%. The voting rights are attributable to HSB Verwaltung GmbH in accordance with § 22 para 1 No. 1 WpHG.

HSB Vermögensverwaltung GmbH & Co. KG, Berlin, notified the company in accordance with § 21 para 1 WpHG that its voting rights in DEAG Deutsche Entertainment AG fell short of the threshold of 10% on October 5, 2004 and amounted to 9.616%. 1.744% are attributable to HSB Vermögensverwaltung GmbH & Co. KG in accordance with § 22 para 2 WpHG.

HSB Verwaltung GmbH, Berlin, notified the company in accordance with § 21 para 1 WpHG that its voting rights in DEAG Deutsche Entertainment AG fell short of the threshold of 10% on December 5, 2004 and amounted to 9.616%. 7.872% are attributable to it in accordance with § 22 para 1 No. 1 WpHG and 1.744% in accordance with § 22 para 2 WpHG.

Mrs Heidrun Schwenkow, Berlin, notified the company in accordance with § 21 para 1 WpHG that her voting rights in DEAG Deutsche Entertainment AG exceeded the threshold of 5% on October 5, 2004 and amounted to 9.616%. 7.872% are attributable to her in accordance with § 22 para 2 WpHG.

Altira AG, Frankfurt am Main, notified the company on March 18, 2009 on behalf and by order of

1.) Heliad Equity Partners GmbH & Co. KGaA, Grüneburgweg 18, 60322 Frankfurt am Main,

2.) Altira Heliad Management GmbH (formerly doing business as Sigma Capital Management GmbH), Grüneburgweg 18, 60322 Frankfurt am Main, 3.) Altira Aktiengesellschaft, Grüneburgweg 18, 60322 Frankfurt am Main,

4.) Angermayer, Brumm & Lange Unternehmensgruppe GmbH, Steinwaldstraße 11, 95676 Wiesau,

in accordance with §§ 21 para 1, 22 para 1 sentence 1 no. 1 WpHG that

1. Voting rights of Heliad Equity Partners GmbH & Co. KGaA in DEAG Deutsche Entertainment AG, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 5.98% (corresponding to 1,481,000 voting rights).

2. Voting rights of Altira Heliad Management GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 5.98% (corresponding to 1,481,000 voting rights). These voting rights are attributable to Altira Heliad Management GmbH in accordance with § 22 para 1 sentence 1 no. 1 WpHG as personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA, in the amount of 5.98% (corresponding to 1,481,000 voting rights).

3. Voting rights of Altira Aktiengesellschaft in DEAG Deutsche Entertainment AG, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 5.98% (corresponding to 1,481,000 voting rights). These voting rights are attributable to Altira Aktiengesellschaft in accordance with § 22 para 1 sentence 1 no. 1 WpHG through the subsidiary Altira Heliad Management GmbH controlled by it as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in the amount of 5.98% (corresponding to 1,481,000 voting rights).

4. Voting rights of Angermayer Brumm & Lange Unternehmensgruppe GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on March 17, 2009 in accordance with § 21 para 1 WpHG the thresholds of 3% and 5% and amount on that day to 8.97% (corresponding to 2,221,000 voting rights). These voting rights are attributable to Angermayer Brumm & Lange Unternehmensgruppe GmbH through its subsidiary Altira Aktiengesellschaft and the subsidiary Altira Heliad Management GmbH controlled by the latter as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in accordance with § 22 para 1 sentence 1 no 1 WpHG in the amount of 5.98% (corresponding to 1,481,000 voting rights).

The chain of controlled companies is as follows:

- Heliad Equity Partners GmbH & Co. KGaA holds directly in accordance with § 21 para 1 WpHG 5.98% in DEAG Deutsche Entertainment AG.

- Altira Heliad Management GmbH (previously doing business as Sigma Capital Management GmbH) is the personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA.

- Altira Heliad Management GmbH in turn is a subsidiary of Altira Aktiengesellschaft.

- Angermayer Brumm & Lange Unternehmensgruppe GmbH is the parent company of Altira Aktiengesellschaft.

Altira AG, Frankfurt am Main, notified the company on June 5, 2009 on behalf and by order of

1.) Heliad Equity Partners GmbH & Co. KGaA, Grüneburgweg 18, 60322 Frankfurt am Main

2.) Altira Heliad Management GmbH, Grüneburgweg 18, 60322 Frankfurt am Main

3.) Altira Aktiengesellschaft, Grüneburgweg 18, 60322 Frankfurt am Main

4.) Angermayer, Brumm & Lange Unternehmensgruppe GmbH, Steinwaldstraße 11, 95676 Wiesau

in accordance with §§ 21 para 1, 22 para 1 sentence 1 No. 1 WpHG (German Securities Trading Act) that

1. The voting rights of Heliad Equity Partners GmbH & Co. KGaA in DEAG Deutsche Entertainment AG, Berlin, exceeded on June 2, 2009 in accordance with § 21 para 1 WpHG the thresholds of 10% and 15% and amount on that day to 15.72% (corresponding to 3,896,330 voting rights).

2. The voting rights of Altira Heliad Management GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on June 2, 2009 in accordance with § 21 para 1 WpHG the thresholds of 10 and 15% and amount on that day to 15.72% (corresponding to 3,896,330 voting rights). These voting rights are attributable to Altira Heliad Management GmbH in accordance with § 22 para 1 sentence 1 No. 1 WpHG as

personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA in the amount of 15.72% (corresponding to 3,896,330 voting rights).

3. The voting rights of Altira Aktiengesellschaft in DEAG Deutsche Entertainment AG, Berlin, exceeded on June 2, 2009 in accordance with § 21 para 1 WpHG the thresholds of 10% and 15% and amount on that day to 15.72% (corresponding to 3,896,330 voting rights). These voting rights are attributable to Altira Aktiengesellschaft in accordance with § 22 para 1 sentence 1 No. 1 WpHG through the subsidiary Altira Heliad Management GmbH controlled by it as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in the amount of 15.72% (corresponding to 3,896,330 voting rights).

4. The voting rights of Angermayer Brumm & Lange Unternehmensgruppe GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on June 2, 2009 in accordance with §§ 21 para 1 WpHG the thresholds of 10% and 15% and amount on that day to 18.71% (corresponding to 4,636,330 voting rights). These voting rights are attributable to Angermayer Brumm & Lange Unternehmensgruppe GmbH through its subsidiary Altira Aktiengesellschaft and the subsidiary Altira Heliad Management GmbH controlled by the latter as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in accordance with § 22 para 1 sentence 1 No. 1 WpHG in the amount of 15.72% (corresponding to 3,896,330 voting rights).

Heliad Equity Partners GmbH & Co. KGaA, Frankfurt am Main, Germany informed the company in accordance with § 27a para 1 WpHG on June 23, 2009 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany, ISIN: DE0005513907, WKN: 551390 reached or exceeded the threshold of 10% and/or a higher threshold.

- The investment serves the implementation of strategic goals.

- The reportable company intends to obtain further voting rights within the next 12 months through acquisition or otherwise.

- The reportable company seeks to influence the appointments to the issuer's administrative, management and/or supervisory bodies.

- The reportable company does not seek a material change in respect of the capital structure of the company, in particular in view of the relationship of own to third party financing and dividend policy.

- Concerning the origin of the funds, they are 100% own funds which were raised by the reportable company to finance the acquisition of the voting rights.

Altira AG, Frankfurt am Main, notified the company on July 22, 2009 on behalf and by order of

1.) Heliad Equity Partners GmbH & Co. KGaA, Frankfurt am Main, Germany

2.) Altira Heliad Management GmbH, Frankfurt am Main, Germany

3.) Altira Aktiengesellschaft, Frankfurt am Main, Germany

4.) Angermayer, Brumm & Lange Unternehmensgruppe GmbH, Wiesau, Germany

in accordance with §§ 21 para 1, 22 para 1 sentence 1 No.1 WpHG that

1. The voting rights of Heliad Equity Partners GmbH & Co. KGaA in DEAG Deutsche Entertainment AG, Berlin, exceeded on July 22, 2009 in accordance with § 21 para 1 WpHG the threshold of 20% and amount on that day to 20.99% (corresponding to 5,201,816 voting rights).

2. The voting rights of Altira Heliad Management GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on July 22, 2009 in accordance with § 21 para 1 WpHG the threshold of 20% and amount on that day to 20.99% (corresponding to 5,201,816 voting rights). These voting rights are attributable to Altira Heliad Management GmbH in accordance with § 22 para 1 sentence 1 No. 1 WpHG as personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA, in the amount of 20.99% (corresponding to 5,201,816 voting rights).

3. The voting rights of Altira Aktiengesellschaft in DEAG Deutsche Entertainment AG, Berlin, exceeded on July 22, 2009 in accordance with § 21 para 1 WpHG the threshold of 20% and amount on that day to 20.99% (corresponding to 5,201,816 voting rights). These voting rights are attributable to Altira Aktiengesellschaft in accordance with § 22 para 1 sentence 1 No. 1 WpHG through the subsidiary Altira Heliad Management GmbH controlled by it as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in the amount of 20.99% (corresponding to 5,201,816 voting rights).

4. The voting rights of Angermayer Brumm & Lange Unternehmensgruppe GmbH in DEAG Deutsche Entertainment AG, Berlin, exceeded on June 22, 2009 the threshold of 20% and amount on that day to

20.99% (corresponding to 5,201,816 voting rights). These voting rights are attributable to Angermayer Brumm & Lange Unternehmensgruppe GmbH through its subsidiary Altira Aktiengesellschaft and the subsidiary Altira Heliad Management GmbH controlled by the latter as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in accordance with § 22 para 1 sentence 1 No. 1 WpHG in the amount of 20.99% (corresponding to 5,201,816 voting rights).

Altira AG, Frankfurt am Main, notified the company on October 1, 2009 on behalf and by order of

1.) Heliad Equity Partners GmbH & Co. KGaA, Frankfurt am Main, Germany

2.) Altira Heliad Management GmbH, Frankfurt am Main, Germany

3.) Altira Aktiengesellschaft, Frankfurt am Main, Germany

4.) Angermayer, Brumm & Lange Unternehmensgruppe GmbH, Wiesau, Germany

in accordance with §§ 21 para 1, 22 para 1 sentence 1 Nr. 1 WpHG that

1. The voting rights of Heliad Equity Partners GmbH & Co. KGaA in DEAG Deutsche Entertainment AG, Berlin, ISIN DE000A0Z23G6, WKN A0Z23G, exceeded on September 30, 2009 in accordance with § 21 para 1 WpHG the threshold of 25% and amount on that day to 25.12% (corresponding to 3,111,975 voting rights).

2. The voting rights of Altira Heliad Management GmbH in DEAG Deutsche Entertainment AG, Berlin, ISIN DE000A0Z23G6, WKN A0Z23G, exceeded on September 30, 2009 in accordance with § 21 para 1 WpHG the threshold of 25% and amount on that day to 25.12% (corresponding to 3,111,975 votes). These voting rights are attributable to Altira Heliad Management GmbH in accordance with § 22 para 1 sentence 1 No. 1 WpHG as personally liable partner (general partner) of Heliad Equity Partners GmbH & Co. KGaA, in the amount of 25.12% (corresponding to 3,111,975 voting rights).

3. The voting rights of Altira Aktiengesellschaft in DEAG Deutsche Entertainment AG, Berlin, ISIN DE000A0Z23G6, WKN A0Z23G, exceeded on September 30, 2009 the threshold of 25% and amount on that day to 25.12% (corresponding to 3,111,975 voting rights). These voting rights are attributable to Altira Aktiengesellschaft in accordance with § 22 para 1 sentence 1 No. 1 WpHG through the subsidiary Altira Heliad Management GmbH controlled by it as personally liable partner of Heliad Equity Partners GmbH & Co. KGaA in the amount of 25.12% (corresponding to 3,111,975 voting rights).

4. The voting rights of Angermayer Brumm & Lange Unternehmensgruppe GmbH in DEAG Deutsche Entertainment AG, Berlin, ISIN DE000A0Z23G6, WKN A0Z23G, exceeded on September 30, 2009 in accordance with § 21 para 1 WpHG the threshold of 25% and amount on that day to 25.12% (corresponding to 3,111,975 voting rights). These voting rights are attributable to Angermayer Brumm & Lange Unternehmensgruppe GmbH through its subsidiary Altira Aktiengesellschaft and the subsidiary Altira Heliad Management GmbH controlled by the latter as personal liable partner of Heliad Equity Partners GmbH & Co. KGaA in accordance with § 22 para 1 sentence 1 No. 1 WpHG in the amount of 25.12% (corresponding to 3,111,975 voting rights).

Mr David Bongartz, New York, USA, notified the company in accordance with § 21 para 1 WpHG (German Securities Trading Act) that his voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Deutschland, ISIN: DE000A0Z23G6, securities identification code WKN A0Z23G exceeded the threshold of 3% of voting rights on July 27, 2010 and amounted to 3.00% (corresponding to 371,670 voting rights) on that day.

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on April 18, 2011 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 3% of the voting rights on April 11, 2011 and amounted to 4.04% on that day (this corresponds to 500,315 voting rights).

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on April 18, 2011 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 5% of the voting rights on April 14, 2011 and amounted to 6.98% on that day (this corresponds to 865,291 voting rights).

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on December 12, 2011 that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 10% of the voting rights on December 8, 2011 and amounted to 10.30% on that day (this corresponds to 1,285,256 voting rights).

Plutus Holdings 2 Limited, Road Town, Tortola, British Virgin Islands, notified the company in accordance with § 21 para 1 WpHG on December 13, 2011 by correction of the notification of December 12, 2011, that its voting rights in DEAG Deutsche Entertainment Aktiengesellschaft, Berlin, Germany exceeded the threshold of 10% of the voting rights on December 8, 2011 and amounted to 10.37% on that day (this corresponds to 1,285,256 voting rights).

The following company made a notification in 2011 and until the preparation of the financial statements in accordance with § 21 para 1 WpHG:

Company	Actual share in voting rights	Date of publication	Threshold crossed or undercut
Plutus Holdings 2 Limited	4,04%	18.04.2011	3%
Plutus Holdings 2 Limited	6,98%	18.04.2011	5%
Plutus Holdings 2 Limited	10,37%	13.12.2011	10%

56. Personal data

Executive Board

Prof. Peter L. H. Schwenkow	
Place of residence	Berlin
Profession	Chief Executive Officer
Responsibility within the Group	Strategic Business Development and Operations, Sales, Marketing, Public Relations
Group retainers	Administrative Board Member of Good News Production AG, Glattpark (CH), Administrative Board Member of The Classical Company AG, Zurich (CH) Administrative Board Member of Derinho AG, Glattpark (CH) Administrative Board Member of Starclick Entertainment AG, Zurich (CH) Board member of Raymond Gubbay Ltd., London (UK)
Shares held as at 31.12.2011	1,085,362

Christian Diekmann	
Place of residence	Berlin
Profession	Executive Board Member (CFO, COO), Businessman
Responsibility within the Group	Operations, Marketing, Sales, Human Resources, Finance, Investor Relations
Group retainers	Administrative Board Member of Good News Production AG, Glattpark (CH), Administrative Board Member of The Classical Company AG, Zurich (CH) Administrative Board Member of Derinho AG, Glattpark (CH) Administrative Board Member of Starclick Entertainment AG, Zurich (CH) Board member of Raymond Gubbay Ltd., London (UK) Supervisory Board Member of DEAG Classics AG, Berlin
Shares held as at 31.12.2011	2,000

Supervisory Board

Wolf-D. Gramatke

Place of residence	Hamburg
Position on Supervisory Board	Chairman
Profession	President of Great-Minds Consultants GmbH, Hamburg
Retainers on other boards	Supervisory Board Chairman of Pixelpark AG, Berlin (until 01.08.2011) Supervisory Board Vice-Chairman of Pixelpark AG, Berlin (as of 02.08.2011) Supervisory Board Vice-Chairman of Senator Entertainment AG, Berlin Other: Member of the media business committee of the Hamburg Chamber of Commerce
Group retainers	Chairman of the Supervisory Board of DEAG Classics AG, Berlin
Shares hold as at 31.12.2011	-

Christine Novakovic

Place of residence	Feusisberg (Switzerland)
Position of Supervisory Board	Vice-Chairman
Profession	Head Corporate & Institutional Clients UBS AG, Zurich (Switzerland)
Retainers on other boards	Administrative Board Member of UCC AG, Zurich (Switzerland) Board member of Earth Council, Geneva (Switzerland)
Group retainers	-
Shares held as at 31.12.2011	-

Ralf Flore

Place of residence	Bäch (Switzerland)
Position on Supervisory Board	Supervisory board member
Profession	Diploma economist, Industrial Businessmann Managing Director of Constellation Capital AG, Freienbach (Switzerland)
Retainers on other boards	President of the administrative board of Häsler Holding AG, Möhlin (Switzerland) Member of the advisory board of ibis acam Holding GmbH, Vienna (Austria)
Group retainers	-
Shares held as at 31.12.2011	11,000

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

57. Date and release of the publication

The Executive Board of DEAG has approved the Consolidated Financial Statements and the Combined Management Report and Group Management Report on March 30, 2012.

Berlin, March 30, 2012

DEAG Deutsche Entertainment Aktiengesellschaft

The Executive Board

Prof. Peter L.H. Schwenkow

Christian Diekmann

Independent Auditor's Report

We have audited the consolidated financial statements, including the balance sheet, the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the Notes as well as the combined management report and the Group management report for the fiscal year from January 1, 2011 to December 31, 2011 prepared by DEAG Deutsche Entertainment Aktiengesellschaft. The preparation of the consolidated financial statements and combined management report and Group management report in accordance with IFRS as applicable within the EC and, in addition, in accordance with the commercial law provisions to be applied pursuant to § 315a para 1 HGB (German Commercial Code) is the responsibility of the statutory representatives of the company. Our responsibility is to express an opinion on the basis of our audit of the consolidated financial statements and combined management report and group management report.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements adopted by the German Institute of Public Auditors (IDW). These require us to plan and perform the audit in such a way that we are able to judge with sufficient reliability whether the consolidated financial statements are free from misstatements that would have a material impact on the presentation of the assets, financial and income position of the company as provided by the consolidated financial statements of the company, prepared in conformity with the applicable generally accepted accounting principles and by the combined management report and the Group management report. The scope of the audit was defined taking into consideration information on the business activities as well as the economic and legal circumstances of the Group and the expectations regarding possible errors. Within the framework of the audit, evidence on the effectiveness of the internal financial controls and of the values reported and information given in the consolidated financial statements and in the combined management report and Group management report is assessed primarily on the basis of random checks. The audit includes assessing the financial statements of the entities included in the consolidated financial statements, the determination of the entities to be consolidated, the accounting and consolidation principles applied and material estimates made by the statutory representatives as well as the evaluation of the overall presentation of the consolidated financial statements and the combined management report and Group management reports. We believe that our audit provides a sufficiently reliable basis for our opinion.

Our audit has not resulted in any qualifications.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as applicable within the EU, as well as with the additional commercial law provisions to be applied pursuant to § 315a para 1 HGB (German Commercial Code) and give a true and fair view of the Group's asset, financial and income position in accordance with such provisions. Both the combined management report and the Group management report are in conformity with the consolidated financial statements, provide an accurate view of the Group's position and accurately describe the opportunities and risks of future developments.

Berlin, March 30, 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

ppa. Pfeiffer
Wirtschaftsprüfer

Rehmer
Wirtschaftsprüfer

DEAG Deutsche Entertainment Aktiengesellschaft

Balance Sheet Summany (according to HGB)

Assets in EUR'000	31.12.2011	31.12.2010
Intangible assets and tangible fixed assets	109	38
Financial assets	8,431	8,479
Fixed assets	**8,540**	**8,517**
Receivables and prepaid expenses	16,929	17,931
Cash, cash equivalents and securities	2,777	142
Total current assets	**19,706**	**18,073**
Aktiva	**28,246**	**26,590**

Passiva in TEUR	31.12.2011	31.12.2010
Share capital	12,388	12,388
Capital reserve	542	542
Retained income	682	367
Net earnings	3,766	2,505
Shareholders´ equity	**17,378**	**15,802**
Accruals	**935**	**1,024**
Liabilities to financial institutions	1,983	2,606
Other liabilities	7,950	7,158
Total liabilities	**9,933**	**9,764**
Total equity and liabilities	**28,246**	**26,590**

DEAG Deutsche Entertainment Aktiengesellschaft

Statement of Income (according to HGB)

in TEUR	Financial statement 1.1. - 31.12.2011	Financial statement 1.1. - 31.12.2010
Distribution costs	-735	-365
General and administration costs	-4,064	-4,045
Other operating income and expenses	3,210	3,907
Interest income/ expenses	-58	-324
Depreciation of financial assets and marketable securities	-14	-1,588
Income from investments and participations	3,265	2,739
Result of ordinary business activities	**1,604**	**324**
Income tax and other taxes	-28	-17
Net income	**1,576**	**307**
Net earnings/ loss carried forward	2,505	2,259
Withdrawals from capital reserve	0	0
Earnings of abbreviated cpaital decrease	0	0
Allocation to retained earnings	0	0
Alloccation to statutory reserve funds	-315	-61
Accumulated profit	**-315**	**2,505**

Corporate Governance Report

The Executive Board and the Supervisory Board dealt continuously with the further development of the Corporate Governance within the company in fiscal 2011. The amendments to the German Corporate Governance Code in the version of 26.05.2010 were taken into account by the Executive Board and the Supervisory Board. In accordance with Clause 3.10 of the German Corporate Governance Code (DCGK) the Executive Board and the Supervisory Board report about the Corporate Governance of the company as follows:

Declaration of Conformity

The Executive Board and the Supervisory Board of DEAG Deutsche Entertainment Aktiengesellschaft made the annual legally required Declaration of Conformity in respect of the German Corporate Governance Code in accordance with § 161 AktG (German Stock Corporation Act) on 14.12.2011. The wording of the declaration of conformity is as follows:

“The recommendations of the German Corporate Governance Code (DCGK) were complied with in the version amended on 26.05.2010, except for the following deviations:

1. No Committees were set up by the Supervisory Board. For a Supervisory Board, which is only composed of three members, every matter which requires a contribution of the Supervisory Board can be dealt with through the direct involvement of all Supervisory Board members. An increase in efficiency of the Supervisory Board activities is not to be expected through the setting up of Committees against this backdrop. (5.3.1 to 5.3.3 DCGK)

2. The interim reports are not made available publicly within 45 days of the end of the reporting period. The publications are made within the framework of the statutory periods in each case. An earlier publication would involve a significantly higher personnel and organizational expenditure and hence considerable extra costs in view of several non-listed subsidiaries and investees outside Germany. (7.1.2 DCGK)

3. The D&O insurance for the Supervisory Board does not provide for a deductible, since this does not appear to be appropriate or necessary in view of the moderate amount of the Supervisory Board compensation for influencing behavior. (3.8 DCGK)

4. At Annual Meetings there is no possibility for votes by correspondence. The shareholders have always had the possibility to give instructions on voting to a representative for voting rights made available by the company. The exercise of the voting right is hence easily possible for all shareholders who do not participate in the Annual Meeting. Vote by correspondence could, by contrast, involve administrative extra expenses and additional costs. (2.3.3 DCGK).“

Composition of the Supervisory Board

In accordance with Clause 5.4.1 DCGK the Supervisory Board should be composed in such a way that its members have, as a whole, the required knowledge, abilities and expert experience to properly complete their tasks. From the Supervisory Board’s point of view, these criteria are met by the existing Supervisory Board.

The Supervisory Board is to specify concrete goals for its composition, taking into account the specific situation of the company, the international activities, potential conflicts of interest and an age limit to be specified for the member of the Supervisory Board as well as diversity. These concrete goals are in particular to provide for a sufficient number of female members. Against the backdrop of these specifications, the Supervisory Board strives for compliance with the following criteria in terms of the composition of the body:

- At least one member of the Supervisory Board should have international experience.
- At least one member of the Supervisory Board should be a woman.
- The term of a member of the Supervisory Board should end upon completion of the 75th year of age.

All three goals have already been implemented.

Ownership of shares of the company

Stock option programs and similar securities-based incentive schemes of the company do not exist. The two members of the Executive Board held a total of 1,087,362 shares of the company effective 31.12.2011; the member of the Supervisory Board Ralf Flore held 11,000 shares of the company.

Compensation system for the Executive Board and the Supervisory Board

Explanations on the compensation system and the individual compensation of the members of the Executive Board and the Supervisory Board can be found in the compensation report under Item 2.7 of the combined management report and group management report and under Item 30 of the notes to the consolidated financial statement of this annual report.

During fiscal 2011 the Supervisory Board members received compensation (in kEUR) for their activity as follows:

Board Member	Fixed Compensation	variable Compensation	Other Benefits	Total Emoluments (in kEUR)
Wolf-D. Gramatke	29	15	2	46
Christine Novakovic	18	10	-	28
Ralf Flore	10	5	2	17
Total	**57**	**30**	**4**	**91**

Declaration on corporate governance

The declaration on corporate governance in accordance with § 289a HGB (German Commercial Code) is reproduced in Item 2.9 of the combined management report and group management report.

Risk management

As far as risk management is concerned, we refer to the detailed explanations in the risk report under Item 4 of the combined management report and group management report.

IMPRINT

Editing and Coordination
DEAG Deutsche Entertainment AG
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The Annual Report and current information on DEAG are posted on the internet at
http://www.deag.de/ir

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