313music JWP AG

Consolidated financial statements 2008

CONSOLIDATED MANAGEMENT DISCUSSION

OF

313 MUSIC JWP AKTIENGESELLSCHAFT

FOR FINANCIAL YEAR

2008

Business and general environment

Economic framework conditions

State of the economy

Since autumn 2008 the global economy has been in a downswing, primarily triggered by the housing market crisis in the USA. This resulted in a worldwide crisis on the financial markets and an economic downturn of an unprecedented scale.

In the euro zone, the recession has been aggravated by the collapse in world trade. Private consumption increased far short compensating for the large decline in exports. The economy is not expected to reach a bottom until the middle of 2009 before recovering during the course of 2010. Coordinated stimulus programmes have been initiated in an attempt to tackle the recession. Unemployment is expected to rise noticeably, which means that private consumption will not be able to contribute to economic recovery in the near term.

Germany's economy is very much dependent on exports and so will not develop contrary to the euro zone.

Sector developments

According to the Federal Music Industry Association (BVMI), the German recorded music industry's sales fell 4.7% from EUR 1,652 million to EUR 1,575 million compared with the prior year. It is small comfort that the drop in sales in Germany was less than in the other four largest music markets. The German music market was able to increase its global market share from 6.6% to 7.6% and thus remains the fourth largest market after the USA, Japan and Great Britain.

Particularly significant was the decline in the unit sales for singles formats of some 30%. Music DVDs also dropped more than average at almost 15%. Unit sales of CD albums remained relatively stable with a drop of 2.4%.

Revenues from other parts of the music value-added chain such as licenses, merchandising or advertising revenue, artist management and also concert and ticket income, which are becoming ever more important, are not included in the above figures.

The growth of the digital market was not able to offset the decline in physical recorded music sales. The digital market in Germany accounted for some 7% (prior year: 6%) of the entire music sales. Compared with the prior year, downloads of individual tracks increased 4.7 million (12%) to 44.6 million units sold. The growth rate for CD album downloads rose 50% from 2.6 million in 2007 to 3.9 million in 2008. Ring tones, which are very popular above all among young consumers, lost a great deal of their attractiveness. The 4.1 million ring tones sold were 50% down compared with prior year figures.

Following a slight drop in illegal downloads in 2007, the latest BVMI burner study reported an unfortunate shift in this trend for the recorded music industry in 2008. It is assumed that more than 300 million songs were illegally downloaded from the Internet in 2008.

Group business model and organisational structure

313music JWP AG produces and publishes music recordings with various artists, and also purchases and exploits recordings from other producers. Our 313 Music GmbH subsidiary, in which we hold 51% of the shares, is also active in this segment with its own label. In addition, 313 Music GmbH is active in artist management. We cover the event management segment via our 45% stake in Manfred Hertlein Veranstaltungs GmbH. We intend to continue developing our publishing activities which cover the intellectual property of composers and song writers. To this end, we will continuously establish new copyrights for exploitation by our Transcontinent Musikverlag OHG subsidiary. The 313music JWP AG registered offices are in Unterföhring near Munich.

Our foreign subsidiaries include VI Music Holding Inc., Puerto Rico, in which 313 Music JWP AG holds 50% plus one share. This acts as a holding company for our 50% investment in VI Music LLC, which is also based in Puerto Rico. The purpose of this company is the production and publishing of musical works, in particular in the American region. The remaining shares in VI Music LLC are held by the Universal Music Group, which also handles the worldwide distribution of the VI Music label. VI Music Holding Inc. sold its shares in VI Music LLC to Universal retroactively as of 1 January 2009. This transaction marks the end of 313music JWP AG's operative music business in the American market following the sale of its remaining shares in American HOT JWP Music Inc., Miami at the beginning of 2008. We also sold our shares in VI Music Holding Inc. retroactively as of 1 January 2009.

Furthermore, 313music JWP AG held 100% of the shares in both ALDACO entertainment GmbH and White Records GmbH, both based in Unterföhring. As of 1 January 2008, ALDACO entertainment GmbH was merged with White Records GmbH, which was renamed Seven Days Music GmbH at the same time.

Distribution partners

313music JWP AG does not distribute the finished products itself, but works together with top-ranking external partners. Distribution of physical recorded music is handled by Sony Music Entertainment GmbH (previously SonyBMG) for the German-speaking region, and we distribute the productions of our Puerto Rican investment in the US market via the Universal Music Group.

In the strongly growing online retail segment, we have been cooperating with Zebralution GmbH, one of the world's leading specialists for digital distribution, since July 2007. The company guarantees very good availability and placement of titles with all key digital retailers. Zebralution's distribution partners include AOL, Apple iTunes, Jamba, MusicNet, Napster, T-Online, Universal Music Online, VirginMega and many others.

There are individual distribution agreements for 313 Music GmbH label productions.

Strategy

The predominant strategic goal at 313music JWP AG is to strengthen the existing lines of business of all the group companies and also to enter new ones so as to restore greater earnings stability in the long term. In the traditional segment of music productions this entails above all signing up new artists and young talent, broadening the repertoire through intensified cooperation with established labels and producers and increasing the portfolio by focused acquisitions of back catalogues. Besides the physical distribution of recorded music we see great opportunities in the rising use of online retailing. We are also pushing ahead with publishing activities, i.e. the exploitation of music rights. The intended sale of our investments in the American region will enable 313music JWP AG to concentrate on its core business in the German-speaking music market.

When entering additional market segments, 313music JWP AG will focus above all on artist and event management. This will enable us in the long term to participate in ever larger parts of the marketing chain in the music industry and thus secure the existence of our company group for the future.

Control system and governance

The 313music JWP AG management board uses the group strategy as the basis for defining suitable actions to implement it. The successful outcome is measured using various performance indicators. These include sales, EBIT (earnings before interest and tax), cash flow and net profit. These target variables are continuously checked to analyze whether they are being met.

Following the resignation of Volker Neumüller as managing director on 12 August 2008 and the retirement of Thomas M. Stein on 31 August 2008, Klaus Munzert was appointed acting CEO on 11 September 2008.

The management board's work is continuously monitored by the supervisory board. As of 31 December 2008, this board comprised: Jürgen Uhlemann as supervisory board chairman, Dr. Thomas Griebe as deputy supervisory board chairman and Karl-Heinz Klempnow.

The 2008 consolidated financial statements of the Company were drawn up under the provisions of the International Financial Reporting Standards (IFRS). Parent company 313music JWP AG financial statements are produced pursuant to the accounting standard of the German Commercial Code (HGB).

Summary of business developments in 2008

Unfortunately, the restructuring program for the operative segment initiated in 2007 did not lead to the anticipated success in the year under report. In an extremely difficult market environment, our artists' releases did not fulfil their sales expectations. Furthermore, high return volumes from prior-year releases and own samplers not taken up by the market once again impacted the planned sales development. Compared with the prior year, Group sales from continued operations rose 30% from EUR 2,999,000 to EUR 3,882,000. This does not include the operations of the Puerto Rican investment which have been sold to Universal under the disposal of the shares in VI Music LLC or the sales under the Transcontinent copyrights, which were sold in 2007. Repositioning of our local artists under contract, the disposal of the Puerto Rican investments and also revaluation of shares in affiliated companies resulted in higher writedowns compared with the prior year. The Company reported a consolidated net loss of EUR 11,542,000 in financial year 2008 (prior year: EUR -7,262,000) before minority interests. These figures include losses from the discontinued operations of EUR -3,969,000 in 2008 and EUR -256,000 in the prior year.

Significant events in 2008

Completed capital increase

The second tranche of the capital increase resolved in November 2007 was fully placed by mid January 2008. The remaining 483,333 shares were subscribed for by private and strategic investors in a non-public private placement at the defined subscription price. Altogether, 313music JWP AG thus issued 2,083,333 new shares for a subscription price of EUR 1.20 per share under the capital measure which generated funds of EUR 2.5 million.

Claims for damages against former management board members

At the beginning of April 2008 the 313music JWP AG supervisory board sued former management board members for damages. After completion of the special audits at the HOT JWP Music Inc., Miami, subsidiary, the former management board members were directed in writing to reimburse the Company for the incurred loss, which is provisionally estimated at EUR 1.9 million. This amount encompasses solely the audit and consultant costs and also the loan payments which were in company's view granted impermissibly. If the loss is not made good, court action will be taken against Messrs White and Nußbaum.

Expansion of the cooperation with Sony

Over the next three years, Sony will exclusively exploit the 313music JWP AG back catalogue. This extensive pool of licenses includes recordings by well-known artists such as Hansi Hinterseer, Roland Kaiser, Engelbert, David Hasselhoff, Tony Marshall and Die Firma. The new albums by Hansi Hinterseer and Heino have also been exclusively licensed to Sony. The rights to the back catalogue will remain as an asset in 313music JWP AG. This contract enables 313music JWP AG to ensure optimum exploitation of the catalogue for its artists and at the same time provides the opportunity to concentrate primarily on developing the artist roster not licensed to Sony and new signings to the Company. These productions will also be marketed by the Company under the existing distribution agreement with Sony.

Earnings, Financial and Asset Situation

Key group figures	2008	2007
Sales revenues	3,882,000	2,999,000
EBITDA	-3,929,000	-4,181,000
EBIT	-7,084,000	-4,921,000
Net loss	-11,542,000	-7,262,000
Cash flow as per DVFA/SG	-8,387,000	-6,522,000
Investments	6,000	604,000
Employees (as of 31 Dec)	13	19

Group sales

In financial year 2008, 313music JWP AG group sales from continued operations amounted to EUR 3.9 million, an increase of EUR 1.0 million compared with the prior year. Parent company 313 Music JWP AG generated sales of approx. EUR 2.9 million, following EUR 2.6 million in the prior year. 313 Music GmbH increased its sales from EUR 0.4 million to EUR 0.9 million; here it should be borne in mind that the GmbH was consolidated only on 1 August 2007. Newly acquired copyrights enabled the publishing unit to generate sales of EUR 0.1 million from continued operations.

Group sales development

in € million	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS
Group sales	27.9	23.3	11.7	3.0	3.9

The most important releases in financial year 2008 included the productions by Mark Medlock and Thomas Godoj. After the albums "Mr. Lonely" and "Dreamcatcher" came Mark Medlock's third album "Cloud Dancer". In addition, Mark Medlock was awarded the ECHO Prize and the COMET Award as best newcomer. Thomas Godoj, the winner of the fifth Deutschland sucht den Superstar series, released his debut album "Plan A!", which went straight to number 1 in the German charts.

A new signing in 2008 was the Swedish group Rednex, who achieved fame with their international No. 1 hit "Cotton Eye Joe". As the first title for the European Football Championship we released the title "Football Is Our Religion".

Also punctually for the European Football Championship 313music JWP AG released football anthem "Ein Stern, der Deinen Namen trägt" by Stefan Peters feat. Gotthilf Fischer that spent 5 weeks in the charts.

In 2008, there were two releases by Hansi Hinterseer: the folksy album "Ein kleines Edelweiß", that went gold in Austria, and the more catchy album "Für immer".

Autumn 2008 saw another highlight: the new album from Mike Krüger. The popular entertainer was back in the studio after a 10-year break and recorded the CD "ZWEIOHRNASE" before an enthusiastic audience in the Rolf Liebermann Studio, Hamburg.

The Company released the long awaited album to the children's series "Shaun das Schaf" in cooperation with TV station WDR. The CD "Disco in der Scheune" contains the title song sung by comedian Ralf Schmitz that shot to the top of the German Charts at the beginning of the year.

With the Chill Out Lounge series we entered new territory. This is a multi-part compilation series in a high quality digipack cover. The songs were selected by producer J. Deere together with top-ranking song writers from the Lounge segment.

Earnings development

The 313music JWP AG consolidated net loss from continued and discontinued operations rose from EUR 7.3 million to EUR 11.5 million. In 2008, the continued operations led to a loss of EUR -7.6 million (prior year: EUR -7.0 million).

Based on the number of shares outstanding in mid-year of 9,043,055 (prior year: 7,088,889) this results in a loss of EUR -0.95 per share (prior year: EUR -1.02 per share) for 2008 from continued and discontinued operations and of EUR -0.84 per share (prior year: EUR -0.99 per share) from continued operations. These figures relate to the net loss before minority interests.

The group gross earnings fell despite higher revenue from continued operations by EUR 1,083,000 to EUR 422,000. The production costs rose from EUR 1.5 million to approx. EUR 3.5 million. This included approx. EUR 1.0 million value adjustments to advance artist license payments in the Label unit at 313music JWP AG.

In the year under report, EBIT (earnings before interest and tax) amounted to approx. EUR -7.1 million after EUR -4.9 million in the prior year. Distribution costs were reduced from EUR 3.0 million to EUR 1.9 million. Owing to restructuring within the parent company, the distribution and production costs in 2008 are not directly comparable with the prior year. General and administrative costs rose slightly from approx. EUR 3.0 million to EUR 3.2 million. This was partly due to an increase in legal and consulting costs of approx. EUR 0.4 million. Group personnel expenses from continued operations fell once again from EUR 1.0 million to EUR 0.6 million. The increase in other expenses by EUR 1.7 million to EUR 2.6 million is due to unscheduled writedowns mainly at 313 Music GmbH.

Adjusted for depreciation and amortization (from continued and discontinued operations), which rose from EUR 740,000 to EUR 3,155,000, EBITDA (earnings before interest, tax and depreciation and amortisation) amounted to EUR -3.9 million after EUR -4.2 million in 2007. The increase in depreciation and amortization is largely due to revaluations of intangible assets.

Group earnings development

in € million	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS
EBIT	4.3	4.9	-2.2	-4.9	-7.1
Net income/loss	2.3	3.3	-8.1	-7.3	-11.5

The HGB financial accounts of **313music JWP AG** report a loss of EUR 7.7 million after EUR 4.8 million in the prior year.

Business development broken down by segments

Continued operations	Segment revenues 31.12.2008 EUR ,000	Segment revenues 31.12.2007 EUR ,000	Segment earnings 31.12.2008 EUR ,000	Segment earnings 31.12.2007 EUR ,000
Label	2.940	2.641	-4.667	-4.758
Artist management	878	358	-83	-68
Other	64	0	36	-76
Total of continued operations	3.882	2.999	-4.714	-4.902
Pro-rata net profit for the period affiliated companies			-168	0
Goodwill amortization			-34	-14
Derecognition of catalogue rights			-2.290	0
Income from investments			0	24
Financial asset writedowns			-50	-350
Pre-tax profits (continued operations)			-7.256	-5.242

	EUR ,000	EUR ,000	EUR ,000	EUR ,000
Label	1.204	1.957	-638	-1.560
Artist management	0	0	0	0
Other	0	212	285	1.305
Total of discontinued operations	1.204	2.169	-353	-255
Pro-rata net profit for the period affiliated companies			0	0
Writedowns and amortization of goodwill			-3.587	0
Income from investments			0	0
Writedowns on financial investments			0	0
Pre-tax profits (discontinued operations)			-3.940	-255
Income taxes **(continued and discontinued operations)**			-346	-1.765
Total sales and net income/deficit	5.086	5.168	-11.542	-7.262

313music JWP AG currently structures its operations into two primary segments: "Label" encompasses music productions and the marketing of the parent company's license rights. The activities of 313 Music GmbH are reported in Artist Management. "Other" mainly involves the exploitation of newly acquired copyrights of Transcontinent Musikverlag OHG.

In the financial year, the "Label" segment reported total sales from continued operations of EUR 2.9 million after EUR 2.6 million in the prior year. The net loss improved year-on-year slightly from EUR -4.8 million to EUR -4.7 million.

In the "Artist Management" segment, revenues from continued operations increased from EUR 0.4 million to EUR 0.9 million. This segment reported a loss of EUR -83,000 after EUR -68,000 in the prior year. It should be borne in mind that it was not consolidated until 1 August 2007.

The "Other" segment reported revenues from continued operations of EUR 0.1 million.

Cash flow statement

Group cash flow statement Summary in EUR ,000	1.1.-31.12.2008	1.1.-31.12.2007
Cash flows from operating operations	-1,614	-1,641
Cash flows from investment activities	297	727
Cash flows from financing activities	581	1,313
Cash change in cash and cash equivalents	-736	399
Financial funds at the beginning of the period	1,568	1,158
Financial funds at the end of the period	832	1,568

Cash flow as per DVFA/SG for financial year 2008 is EUR -8,387,000 (prior year: EUR -6,522,000). The cash used in operating operations was EUR 1,614,000 (prior year: EUR 1,641,000). The payments for income taxes and interest are included in the cash used in operating operations. In the period under report, the Group received income tax refunds of EUR 8,000 (prior year: EUR 192,000). The interest payments in the period amounted to EUR 7,000 (prior year: EUR 22,000). The proceeds from interest rose from EUR 27,000 in the prior year to EUR 53,000 in 2008.

Investment activities resulted in total cash received of EUR 297,000 (prior year: cash received EUR 727,000). The prior year cash received is mainly due to further proceeds from the sale of Transcontinent Musikverlag OHG copyrights.

The cash received from financing activities was EUR 581,000 (prior year: EUR 1,313,000) and results in the main from the capital increase carried out in January 2008.

The cash and cash equivalents comprise cash in hand and balances at banks and corresponds to the liquid funds reported in the balance sheet.

Investments

313music JWP AG did not carry out any material investments in financial year 2008.

The group depreciation and amortization rose from EUR 740,000 to EUR 3,155,000. The increase in depreciation and amortization resulted in the main from revaluations of intangible assets.

Graphic: Group investments

in € million	2004 IFRS	2005 IFRS	2006 IFRS	2007 IFRS	2008 IFRS
Investments	1.1	0.8	3.4	0.6	0.0

Consolidated balance sheet

The 313music JWP AG group balance sheet total fell sharply year-on-year and as at the end of 2008 was EUR 12.7 million (prior year: EUR 24.4 million including adjustment for goodwill write-down of EUR 3.6 million). Significant effects on the asset side resulted from the reduction in trade accounts receivable from EUR 1.2 million to EUR 0.5 million and liquid funds from EUR 1.6 million to EUR 0.8 million. The other accounts receivable fell sharply from EUR 4.5 million to EUR 0.4 million partly due to large value adjustments to advance license payments to artists (EUR 1.0 million) and the profit distribution by Transcontinent Musikverlag OHG (EUR 2.0 million). The short-term assets fell year-on-year on balance from EUR 7.7 million to EUR 5.3 million.

Long-term assets, which altogether fell from EUR 16.6 million to EUR 7.4 million, declined primarily due to depreciation and amortization of intangible assets of EUR 8 million. Of this, altogether EUR 4.3 million are attributable to VI Holding Inc. and VI Music LLC and EUR 2.3 million to 313 Music GmbH and the former ALDACO entertainment GmbH. The investment in affiliated companies was stated at EUR 793,000 after EUR 960,000 in the prior year.

On the liabilities side, short-term liabilities increased from EUR 5.1 million to approx. EUR 6.0 million. This included EUR 2.9 million (prior year: --) liabilities in conjunction with assets held for sale. Long-term liabilities fell from EUR 2.4 million to EUR 0.8 million. Altogether, there was a reduction from EUR 7.5 million to EUR 6.8 million.

Compared with the prior year, equity capital fell EUR 10.9 million to EUR 5.9 million. The second tranche of the capital increase successfully placed at the beginning of 2008 led to an increase in subscribed capital as of the balance sheet date from EUR 8,600,000 to EUR 9,083,333. The net loss was completely offset against capital reserves. The equity ratio fell to 46.4% from 69.0% in the prior year.

Net assets and financial position (EUR ,000)	31.12.2008	%	31.12.2007	%
Current assets	5,320	42	7,733	32
Non-current assets	7,362	58	16,639	68
Total assets	**12,682**	**100**	**24,372**	**100**
Short-term liabilities	5,995	47	5,103	21
Long-term liabilities	805	7	2,442	10
Equity capital	5,882	46	16,827	69
Total equity and liabilities	**12,682**	**100**	**24,372**	**100**

In the balance sheet of the parent company 313music JWP AG, which reported a drop in total assets of EUR 9.3 million from EUR 17.8 million to EUR 8.5 million, fixed assets fell from EUR 11.2 million to EUR 7.0 million and current assets from EUR 6.6 million to EUR 1.5 million. Liquid funds dropped from EUR 1.2 million to approx. EUR 0.4 million.

Social report

At the end of 2008 313music JWP AG had a group-wide headcount of 13 employees compared with 19 at the end of 2007. Of these, 5 persons were employed in Puerto Rico/USA as in the prior year. As of 31 December 2007, parent company 313 Music JWP AG had a total headcount of 5 employees.

There is no entitlement to retirement benefits; there is no employees' co-determination body.

Supplementary report

The Company sold its shares in VI Music LLC, San Juan / Puerto Rico, which was jointly managed with Universal, retroactively to 1 January 2009. Likewise retroactively to 1 January 2009 313music JWP AG sold its investment in VI Music Holding Inc, which served as a pure holding function for the investment in VI Music LLC.

In Q2, 2009, 313music JWP AG exercised its option and intends thus to increase the stake in Manfred Hertlein Veranstaltungs-GmbH by a further 6% to 51%.

At the beginning of 2009 the Company was served legal action relating to claims for damages totalling EUR 667,000 by three investors. As part of its defence 313music JWP AG joined the former management board members Jack White, Frank Nussbaum and Thomas M. Stein to the proceedings. Following the earlier threats of legal action, the Company had an expert opinion produced on the matter. This expert opinion completely rebuts the allegations against the Company that form the basis for the claims for damages. By law the Company is liable for breaches by its executive bodies; however the Company assumes that there will be no financial impact.

During the course of the court action for damages relating to his breach of duty when auditing the financial statements of the American company in 2004 and 2005, the Company reached a settlement with Richard Shapiro, the former HOT JWP Music Inc., Miami, auditor. The agreed amount has since been received in full by 313music JWP AG.

The German Financial Reporting Enforcement Panel (Prüfstelle für Rechnungslegung -DPR) has exhaustively reviewed the past consolidated financial statements. There were no criticisms at all with respect to the individual financial statements of 313music JWP AG. The DPR did, however, identify an estimation error for the Puerto Rican subsidiaries in the consolidated financial statements as of 31 December 2005. This estimation error has been corrected appropriately in this year's consolidated financial statements. For more a detailed presentation, we refer to point 3.5 in the Consolidated Notes.

Risk report

Risk policy

The 313music JWP AG business model and business activities have inherent risks that cannot be completely excluded despite all care being taken. The central function of the group-wide risk policy is to identify them as early as possible and then control and reduce them. Here, our policy is to exploit opportunities and take risks only when a reasonable contribution to shareholder value can be expected. At all management levels, risk awareness among employees is reinforced by the continuous dealing with risks and the regular reporting duty.

Risk management system

At the end of reporting year 2007, 313music JWP AG introduced a risk management system based on an internal monitoring system, group controlling, regular contact with subsidiary and associated companies and monitoring various early warning indicators. Possible risks are identified with the help of performance and early warning indicators, documented, assessed with respect to impact and probability and controlled.

A key component of the system is a group-wide company report produced quarterly and from spring 2009 on monthly. This is used to monitor and assess revenue and expenditure for all projects. The regular reports or alerts when certain risk thresholds are reached ensure that risks are recognised in good time and immediately communicated to the responsible management so that prompt countermeasures can be initiated.

In 2008, monitoring focused on the following risk categories, which could and unfortunately actually did influence our business development and also our net assets, financial position and earnings:

Macro-economic risks

As an international company, 313music JWP AG is affected by events in the global economy. These include in particular a downturn of the economy in the markets of importance for us, namely German-speaking countries, the USA and Puerto Rico. We limit the resulting risks through detailed market observation and try to transfer the various effects to our forecasts. As part of the risk minimisation, we followed the disposal of our investment in HoT JWP Music Inc. with the disposal of the Puerto Rican companies VI Music LLC and VI Music Holding Inc. due to the economic aspects and also because they are no longer of any strategic significance for us.

General decline in sales figures in the recorded music sector

Specific risks also arise in the industry environment in which the Company operates. Falling sales of and shrinking margins on CDs have been affecting the music industry for years. To tackle this development, 313music JWP AG has acquired participating interests in companies, realigned itself and tapped new sources of revenue. By expanding our range of activities in particular with respect to artist and event management we are striving to share in all the artists' income sources and thus supplement recorded music sales.

Illegal downloads

Illegal music downloads constitute a general risk for the industry. In our opinion, the only long-term solution to this is to offer legal downloads at prices that make illegal downloads no longer worthwhile in the light of possible criminal prosecution. 313music JWP AG is making good progress here with online distribution partner Zebralution, which adapted early to the market situation. The entire music industry takes rigorous legal action to tackle breaches of copyright. Between 2003 and 2008 the number of illegal downloads fell from 602 million to 316 million. However, the Federal Music Industry Association has reported that illegal downloads have increased by 4 million compared with the prior year. A further problem is the proliferation of private copying, i.e. exchanging and copying of music files via hard disks or MP3 players.

Almost 25% of all music products are purchased over the Internet. 313music JWP AG recognised this trend and is responding by offering all products via the appropriate online service providers. As a result, we ensure that the Company can participate in this source of revenue to the full.

Seasonal fluctuations

Seasonal fluctuations are inherent in the music business. Experience shows that more than 50% of the recorded music industry's annual sales are generated in the last quarter of each year. During this period, international and national stars also tend to release their productions. There is a peak at the end of the year, with returns impacting the start of the next year. Furthermore, factors such as major football events lead to changes in consumer behaviour. To anticipate these developments, titles are produced that reflect these highlights and released in good time before the events.

External tax audits

313music JWP AG is currently the subject of a comprehensive external tax audit for 2003 to 2006. The audit has yet to be completed. No provisions were made in the 2008 financial statements as no definitive and auditable report has been received and currently no financial consequences are anticipated.

Loss of artists

We counter the sales risk from loss of artists by broadening our repertoire. This reduces dependence on individual artists and cushions losses of individual acts.

Returns

With respect to returns, the Company is bound by the agreements of its distribution partners. In contracts concluded directly with companies in the NTO (Non Traditional Outlet) segment, we strive for standard or reduced percentage returns rights. In the run-up to releases we hold discussions with our distribution partners so as to produce more precise forecasts for release dates and sales levels in order to avoid greater returns. Furthermore, we are in regular contact with our partners so that we can sell returned goods as quickly as possible to other customers. Here, we benefit from our good contacts in the NTO segment. One-off events such as termination of business relationships are beyond our scope of influence.

Employee fluctuation

We estimate the risks from retirement of employees in key positions in our Company as low. Every employee works not only in their core role but also in other functions so that a possible loss can be compensated.

Exchange-rate risk

Exchange-rate risks at 313music JWP AG are also regarded as low and currently are not hedged.

Legal risks

We work together with qualified external advisers so as to reduce legal risks. We minimize the financial consequences of possible liability or damage/loss incidents by taking out suitable insurance. There is Directors & Officers Liability Insurance for the senior executives at 313music JWP AG.

Overall risk

The management board has taken up all possibilities and had taken the expected development and risks in the future development of the Company into account as plausibly as possible and has produced the financial statements as of 31 December 2008 under the going concern assumption.

Under the existing financial planning for this going concern assumption and the assumed plausible budgeted figures, the risks confronting the Company are in the management board's present view controllable and do not jeopardize the existence of the Company. This applies, however, only to a limited extent in so far as the Company is not materially affected by external factors after the adopted restructuring. The revenues assumed in the financial plans from the direct marketing of artist productions and back catalogues which are not part of the catalogue license agreement with Sony must be generated so as to ensure the liquidity of the Company in the medium and long term. On the signing of the catalogue license agreement the Company received an advance payment on royalties, the amount of which the parties agreed to keep confidential. 313music JWP AG currently does not assume that there will be further payments from Sony under and for the term of this agreement.

The Company's liquidity is currently secured. However, it cannot be ruled out that additional capital measures will be necessary.

Outlook

General economy

Despite the numerous efforts of governments and central banks, no economic turnaround is in sight. According to the Institute for the World Economy (IfW), the global recession, aggravated by the continued unsettling of the financial markets and the depression of the real estate market, is expected to continue until at least the middle of this year. Only towards the end of the year a moderate recovery in the global economy can be expected, with a 2.1% increase in global GDP coming only in 2010. For the USA, for example, the IfW forecasts a decline in gross domestic product of -1.8% for the current year, with the euro zone expected to suffer a drop of some 3.3%. From the current estimates by leading economic research institutes, the real gross domestic product in Germany will fall between 5% to 8%.

Music industry

The Federal Music Industry Association (BVMI) expects the negative trend in unit sales of physical recorded music (singles, music DVDs, etc.) to continue in the coming years with the exception of the "CD album" format. One positive aspect, however, is the continuing high growth in the market for downloads.
The increasing willingness to forego copy protection (DRM – digital rights management) and also the market entrance of new competitors and differentiated product offerings may result in new impulses for the record market.

However, the music industry must exploit more keenly other potential from distribution platforms apart from physical recorded music and the online music market, if it is to counter the drop in sales. The demand for digital formats in particular is expect to rise unabated. A new and already appreciable trend is music playable on mobile phones. The first cooperation agreements between mobile phone manufacturers and music labels have already been signed and are beginning to bear fruit. From 2011, this marketing variant is expected to reach USD 7.3 billion and thus account for a considerable share of the entire music market.

Revenues from licenses, artist management, concert and ticket sales and also merchandising are becoming increasingly important for companies operating in the music market. Individual market segments such as songs in German have not lost any of their popularity. German hit and folk music above all has positive prospects and this sector expects increases in recorded music sales, in the download segment and in the audience numbers at concerts.

Prospective development of the Group

313music JWP AG will stick to the course adopted at the end of 2008 and strive to generate corresponding sales and necessary margin contributions through additional focused acquisitions of rights to artists and their productions. The cost structure has been adjusted to reflect the short and medium-term sales expectations. The optimized cost structures and concentration on our core competencies should enable us to improve the earnings situation.

One of our strategic goals is to continue exploiting the significant potential of the marketing chain in the music industry. We will expand the artist and event management lines of business and also our publishing activities and so achieve greater independence from pure recorded music sales. Furthermore, we will be focusing more strongly on the fast-growing online segment as a response to the changes in the sector. Furthermore, selective catalogue acquisitions will be used as and when they come on the market and are economically attractive to boost the Company's substance further. In the long term, this will lead to more robust earnings and planning.

Early 2009 saw the first benefits for the Group from our intensive cooperation with established label and producers.

With Mike Krüger 313music JWP AG signed up one of the great names in the comedy segment and released his music/comedy album "ZWEIOHRNASE". The famous entertainer will be on tour throughout Germany until the end of May.

Flowin Immo et Les Freaqz, who represented Bremen in this year's Bundesvision Song Contest in Potsdam, have released their new album "Immoment" at the end of April.

Another new signing for 313music JWP AG is Umberto Tozzi, the Italian superstar. He released his new live album 'Non Solo – live' including the hit singles "Gloria", "Gente di Mare", "Ti amo" and 6 new studio recordings. During the course of his career, the world-famous and popular Italian singer and songwriter has sold over 32 million records.

In addition, the Hip Hop Formation "Die Firma" won a platinum award for the hit "Die Eine 2005" and in March released the first best of album in their 10-year band career. A new studio album is planned for summer 2009.

The Company had another hit with the song 'Numero Uno' by radio and TV star comedian Matze Knop, which entered the charts at 34. To support the release, he appeared in numerous TV shows such as "Willkommen bei Carmen Nebel" and "Wetten, dass ..?!". The comedian's second single is in the pipeline and will no doubt be much to the delight of his fans.

Hansi Hinterseer, for years one of the most successful artists, also achieved another gold award in Austria for his current album "Für immer". The new hit album from Hansi Hinterseer will be released to coincide with his popular fan walking tour and open air concert in August 2009.

We have high hopes from the music production unit of our subsidiary 313 Music GmbH for the release of “Miss Kiss Kiss Bang” by Alex Christensen with Oscar Loya, who will be representing Germany this year at the Eurovision Song Contest on 16 May 2009.

In addition, there was a new single and chart hit "Tränen" from Kate Hall, this time as a duet with DJ Ötzi, which stormed into the charts.

Other releases include Hamburg Hip Hop legend Das BO with the song "Mein eigener Film" and also the DSDS talent show semi-finalist Linda Teodosius with her new single "Love Sux".

Currently management does not plan to increase the headcount.

Remuneration report pursuant to Section 314 Subs. 1 No. 6 Commercial Code

The remuneration report presents the principles and the structure of the remuneration of the management and the supervisory boards. It forms part of the group management discussion and follows the recommendations of the German Corporate Governance Code with the exception of the individualised disclosure of the remuneration.

Remuneration of the management board

The size and structure of the management board remuneration reflects the size of the Company, its economic and financial situation and also the Company's success in the competitive environment. There is also a reasonable relationship between total remuneration and individual remuneration components to the tasks of the various management board members, their personal performance and the performance of the entire board.

The remuneration of the management board include fixed and variable components. The management board remuneration system comprises a fixed annual remuneration paid in equal monthly salaries. There is no share option plan.

The remuneration of the management board members in FY 2008 was as follows:

in EUR '000	**Fixed**	**Variable**	**Long-term**	**Total**
Klaus Munzert (since 11 September)	40	0	0	**40**
Thomas M. Stein (until 31 August)	187	0	0	**187**
Volker Neumüller (until 12 August)	32	0	0	**32**
Total	**259**	**0**	**0**	**259**

The management board members' contracts for services do not include any parachute clauses.

Remuneration of the supervisory board

The members of the supervisory board receive both reimbursement of expenses and also remuneration comprising fixed and variable components. The fixed remuneration component is EUR 3,000 per annum. If a dividend of more than EUR 0.20 per share is resolved, the variable remuneration component will be EUR 1,000 per full EUR 0.10 of the higher dividend resolved. The chairman receives twice the fixed and variable amounts.

The remuneration is payable on the day after the shareholders' meeting at which the discharge of the members of the supervisory board is resolved.

A supervisory board member retiring during a financial year receives remuneration pro rata.

The remuneration of the supervisory board members in FY 2008 was as follows:

in EUR	**Fixed**	**Variable**	**Total**
Jürgen Uhlemann	4.500,00	0	**4.500,00**
Dr. Thomas Griebe	1.750,00	0	**1.750,00**
Karl-Heinz Klempnow	3.000,00	0	**3.000,00**
Manfred Atzert	1.500,00	0	**1.500,00**
Stefan Grau	1.250,00	0	**1.250,00**
Total	**12.000,00**	**0**	**12.000,00**

Disclosures under Section 315 Subs. 4 Commercial Code

Composition of the subscribed capital

On 31 December 2008, the Company's capital stock amounted to EUR 9.083.333,00 divided into 9,083,333 no-par bearer shares. The shares thus represent a nominal value of EUR 1.00 per share. There is only one share type.

Restrictions relating to voting rights or the transfer of shares

There is no restricted transferability of shares. All shares have the same voting rights (one vote per share). The Company is not aware of any restrictions with respect to voting rights or transfer arising from agreements among shareholders.

Direct or indirect shareholdings exceeding 10%

On 31 December 2008 Effecten-Spiegel AG held altogether 18.17% of the capital stock. The Company is not aware of any other shareholders with a stake of more than 10%.

Owners of shares with special rights

There are no share-related special rights. The right granted under Section 4.1.1 of the Articles of Association to appoint a member of the supervisory board is coupled to the condition that Jack White is a shareholder of the Company.

Control of voting rights for employee shareholders

In so far as company employees also hold interests in the share capital, they exercise their control rights like any other shareholder as per statutory provisions and the Articles of Association. No control of voting rights is exercised.

Provisions relating to appointment and removal of management board members

The members of the Company's management board are appointed and removed by the supervisory board pursuant to Section 84 Corporation Act. Section 84 Subs. 3 Corporation Act also stipulates that removal during the period of appointment is possible only for good cause. Pursuant to Section 4.2.8 of the Articles of Association the supervisory board resolves on appointment and removal of management board members by simple majority of the votes cast (as for all other matters unless a different majority is obligatory by law). Under Section 5 of the current version of the Articles of Association the management board comprises one or several persons, with the precise number being defined by the supervisory board. The supervisory board appoints a management board chairman. Management board members shall not have reached the age of 68 upon appointment.

Changes to the Articles of Association are made pursuant to Section 179 Subs. 2 Corporation Act in conjunction with Section 3.3.2 of the Articles of Association by simple majority of the votes cast and – to that extent contrary to the law which envisages a majority of 75% of the share capital represented – a simple majority of the share capital represented at the passing of the resolution stock unless otherwise obligatory by law. Since the shares in the Company provide a proportional voting right, the additional requirement of a majority of the share capital does not constitute a further obstacle; changes to the Articles of Association are resolved if the number of yes votes exceeds the number of no votes. In addition, the supervisory board is authorised to change the Articles of Association, in so far as the change only relates to the external appearance of the Articles of Association (Section 4.3.3 of the Articles of Association).

Management board powers with respect to issuing and repurchasing shares

There is authorized share capital under Section 2.3 of the Articles of Association of 27 August 2008. The shareholders' meeting has empowered the management board, with the approval of the supervisory board to increase the Company's capital stock by up to EUR 4,500,000 in one or several tranches of bearer shares to the legally permitted amount against cash or payment in kind by 26 August 2013. The shareholders' subscription rights can be excluded for the reasons stated in the Articles of Association. This authorized share capital allows the Company to respond flexibly to existing needs for finance as it arises without having to await the next annual general meeting.

Agreements for the event of a change of control

The Company has not entered into any agreements conditional on a change of control following a takeover offer.

Confirmation of the balance sheet

We declare to the best of our knowledge that in compliance with the accounting regulations to be applied for reporting the consolidated report gives a fair presentation of the net assets, financial position and results of operations of the Group and that the management report describes the course of business including the business results and the Group's situation such that it gives a fair presentation and description of the key opportunities and risks in the Group's expected development.

Unterföhring, 13 July 2009

The management board

Klaus Munzert

IFRS-Consolidated balance sheet 31. December 2008
313music JWP AG
Unterföhring

ASSETS

	Explanatory Notes	31.12.2008 EUR'000	31.12.2007 EUR'000
Current Assets			
Liquid fluids	5.1	832	1.568
Securities	5.2	100	150
Trade account receivables	5.3	471	1.206
Inventories	5.4	47	319
Other receivables	5.5	407	4.490
Subtotal receivables		1.857	7.733
For sale available noncurrent assets	5.6	3.463	0
Total current receivables		5.320	7.733
Noncurrent assets			
Tangible assets	5.7	332	470
Intangible assets	5.8	6.237	14.196
Financial assets	5.9	793	960
Deferred taxes	5.10	0	1.013
Total noncurrent assets		7.362	16.639
Total assets		12.682	24.372

LIABILITIES

	Explanatory Notes	31.12.2008 EUR'000	31.12.2007 EUR'000
Current Liabilities			
Trade account payables	5.11	618	1.047
Loans and current portion of noncurrent loans	5.12	654	4
Provisions	5.13	930	1.358
Liabilities due to affiliated persons	5.14	0	457
Other liabilities	5.15	76	1.895
Tax accruals	5.16	380	342
Passive accruals and deferrals	5.15	487	0
Subtotal liabilities		3.145	5.103
Debt linked to assets used for amortization	5.6	2.850	0
Total current liabilities		5.995	5.103
Noncurrent liabilities			
Passive acrruals	5.15	805	0
Loans	5.17	0	1.758
Deferred taxes	5.10	0	684
Total noncurrent liabilities		805	2.442
Total liabilities		6.800	7.545
Shareholders' equity			
Capital stock	5.18	9.083	8.600
Paid -in capital	5.18	0	3.139
Exchange-rate corrections	5.18	-170	-226
Retained profit / loss	5.18	-6.074	-639
Equity capital attributable to group shareholders		2.839	10.874
Minority interest	5.18	3.043	5.953
Total shareholders' equity		5.882	16.827
Total liabilities		12.682	24.372

313music JWP AG

Unterföhring

Consolidated Income Statement

From January 1st to December 31st, 2007

	Explanatory Notes	1.1.-31.12.2008 EUR'000	1.1.-31.12.2007 EUR'000
Continued businesses			
Consolidated sales	6.1	3.882	2.999
Cost of sales	6.2	-3.460	-1.494
Gross profit on sales		**422**	**1.505**
Selling costs	6.3	-1.947	-3.043
General and administrative costs	6.4	-3.233	-2.993
Other income	6.5	290	338
Other expense	6.6	-2.595	-847
Exchange rate profit		-21	119
Operation profit / loss		**-7.084**	**-4.921**
Interest Income	6.7	53	27
Interest expense	6.7	-7	-22
Expenses from associated companies	6.8	-168	0
Income from Investment		0	24
Amortization of financial assets	6.9	-50	-350
Earnings / profit befor interest and taxes		**-172**	**-321**
Result after interest		**-7.256**	**-5.242**
Income tax	6.10	-317	-1.764
Result after taxes from continued businesses		**-7.573**	**-7.006**
Discontinued businesses			
Result from discontined businesses	7	-382	-256
Loss in value from discontined businesses	7	-3.587	0
Result from discontined businesses		**-3.969**	**-256**
Net loss for the year		**-11.542**	**-7.262**
Therefrom falls upon:			
Shareholder of the parent company		-8.631	-7.210
Minority shareholder		-2.911	-52
		-11.542	**-7.262**
Result per Stock (Euro per Stock)			
From continued and discontinued businesses (undiluted)	10	-0,95	-1,02
From continued businesses (undiluted)	10	-0,84	-0,99

313music JWP AG
Unterföhring

Consolidated Cash Flow Statement

	1.1.- 31.12.2008 EUR'000	1.1.- 31.12.2007 EUR'000
Net loss / profit for the year	-11.542	-7.262
Additions / disposal of fixed assets	3.155	740
Cash-Flow according to the DVFA/SG method	-8.387	-6.522
Results of the outflow of intanible assets	0	0
Results of the disposal of fixed assets	31	-4
Loss in value of assets for disposal	3.587	0
Changes in deferred taxes	329	2.074
Foreign-currency losses	0	-199
Loss from evaluation of securities of current assets	50	350
Share of losses from associated companies	167	0
Other expenses/earnings that are ineffective	402	-134
Result of sale of business units	-285	-1.259
Payment from the sale of current assets securities	0	294
Increase / decrease in trade account receivable	554	2.588
Increase / decrease in inventories	272	-42
Increase / decrease in other assets	3.394	1.188
Increase / decrease in trade accounts payable	-429	477
Increase / decrease of accruals	-315	0
Increase / decrease of passive accruals and deferrals	1.292	0
Change in other liabiliteis	-2.276	-452
Cash for / from operating activities	-1.614	-1.641
Payments for investments in tangible assets	-6	-42
Payment for investments in intangible assets	0	-562
Deposits from the sale of assets	18	34
Deposits from the sale of immaterial assets	285	2.325
Payments for the purchase of shares in consolidated companies less purchased net cash	0	-528
Payment for the purchase of shares in associated companies	0	-500
Cash for / from investing activities	297	727
Deposits from capital increase	540	1.600
Deposits from loans	41	524
Payments from payback of loans	0	-811
Inflow / outflow of funds from financing	581	1.313
Effective change of the financial fund	-736	399
Financial fund at the beginning of the period	1.568	1.158
Changes in the financial fund due to exchanges rates	0	11
Cash and cash equivalents at the end of the period	832	1.568

Schedule of Changes in Fixed Assets
313music JWP AG, Unterföhring
December 31, 2008

Assets analysis 2008

	Purchase costs 01.01.2008	Reclassifi-cations/ Change in scope of consolidation	Additions	Disposals	Exchange rate difference (discontinued businesses)	31.12.2008	Depreciation / Amortization 01.01.2008	Reclassifi-cations/ Change in scopeof consolidation	Additions (thereof discontinued businesses)	Disposals	Reclassifi-cations	Exchange rate difference	31.12.2008	Book value 31.12.2008	Book value 31.12.2007
I. Tangible assets	786	-88	6	115	0	589	316	-50	74 (17)	66	17	0	257	332	470
1. Land and building	0	0	0	0	0	0	0	0	0 (0)	0	0	0	0	0	0
2. Other plant, operating and office equipment	268	-47	6	115	0	112	115	-30	27 (8)	66	8	0	38	74	153
3. Improvements to third-party property	518	-41	0	0	0	477	201	-20	47 (9)	0	9	0	219	258	317
II. Intangible assets	21.253	-8.731	0	0	35	12.557	7.057	-3.788	3.081 (39)	0	39	9	6.320	6.237	14.196
1. Catalogs and music master rights	13.088	-846	0	0	35	12.277	3.408	-165	3.044 (39)	0	39	9	6.257	6.020	9.680
2. Goodwill	8.149	-7.885	0	0	0	264	3.637	-3.623	34 (0)	0	0	0	48	216	4.512
3. Software	16	0	0	0	0	16	12	0	3 (0)	0	0	0	15	1	4
4. Other intangible assets	0	0	0	0	0	0	0	0	0 (0)	0	0	0	0	0	0
	22.039	-8.819	6	115	35	13.146	7.373	-3.838	3.155 (56)	66	56	9	6.577	6.569	14.666

Assets analysis 2007

	Purchase costs 01.01.2007	Change in scope of consolidation	Additions	Disposals	Exchange rate difference	31.12.2007	Depreciation / Amortization 01.01.2007	Change in scope of consolidation	Additions (thereof discontinued businesses)	Disposals	Reclassifi-cations	Exchange rate difference	31.12.2007	Book value 31.12.2007	Book value 31.12.2006
I. Tangible assets	985	7	42	238	-10	786	430	1	98 (20)	208	0	-5	316	470	555
1. Land and building	0	0	0	0	0	0	0	0	0 (0)	0	0	0	0	0	0
2. Other plant, operating and													0		
office equipment	453	7	38	225	-5	268	268	1	47 (11)	198	0	-3	115	153	185
3. Improvements to third-party property	532	0	4	13	-5	518	162	0	51 (9)	10	0	-2	201	317	370
II. Intangible assets	19.329	2.514	562	1.056	-96	21.253	6.762	0	642 (81)	330		-17	7.057	14.196	12.567
1. Catalogs and music master rights	11.212	2.466	562	1.056	-96	13.088	3.131	0	624 (81)	330	0	-17	3.408	9.680	8.081
2. Goodwill	8.101	48	0	0	0	8.149	3.623	0	14 (0)	0	0	0	3.637	4.512	4.478
3. Software	16	0	0	0	0	16	8	0	4 (0)	0	0	0	12	4	8
4. Other intangible assets	0	0	0	0	0	0	0	0	0 (0)	0	0	0	0	0	0
	20.314	2.521	604	1.294	-106	22.039	7.192	1	740 (101)	538	0	-22	7.373	14.666	13.122

Change in the group equity
313music JWP AG
Unterföhring

	Parent company					Minority shares			Group equity
	Paid-up equity		Generated group equity	Other group-results	Equidity of the parent company			Equity of minorities	
	Subscribed Capital	Capital reserve	Balance sheet profit / l	Equitty difference from currency conversation		Minority capital	Equity difference from currency conversions		
As per 31 December 2006	7.000	16.159	-6.825	-139	16.195	4.909	7	4.916	21.111
Capital increase	1.600	241			1.841			0	1.841
Change in the consolidated group					0	876		876	876
Group results for the year			-7.210		-7.210	-52		-52	-7.262
Other group results				-87	-87	48	-6	42	-45
Total group results					-7.297			-10	-7.307
Withdrawals from capital reserves		-13.261	13.261		0			0	0
Other changes			135		135	171		171	306
As per 31 December 2007	8.600	3.139	-639	-226	10.874	5.952	1	5.953	16.827
Capital increase	483	57			540			0	540
Group results for the year			-8.631		-8.631	-2.911		-2.911	-11.542
Other group results				56	56	2		2	58
Total group results					-8.575			-2.909	-11.484
Withdrawals from capital reserves		-3.196	3.196		0			0	0
Reposting minorities					0		-1	-1	-1
As per 31 December 2008	9.083	0	-6.074	-170	2.839	3.043	0	3.043	5.882

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OF

313 MUSIC JWP AKTIENGESELLSCHAFT, UNTERFÖHRING

FOR FINANCIAL YEAR

2008

1 Group

Parent company 313music JWP AG ("313 AG") produces and publishes music recordings with various artists, and also purchases and exploits recordings from other producers. In addition to this music productions business unit, we are active in artist management via our subsidiary 313 Music GmbH, in which we hold 51% of the shares. This allows us to participate not only in recorded music sales but in all an artist's revenues. We cover the event management segment via our 45% stake in Manfred Hertlein Veranstaltungs GmbH. We intend to continue developing our publishing activities commenced in 2001 that cover the intellectual property of composers and song writers. To this end, we will continuously establish new copyrights for exploitation by our Transcontinent Musikverlag OHG subsidiary. The 313 AG registered offices are in Unterföhring near Munich.

Foreign subsidiaries include VI Music Holding Inc., Puerto Rico, in which 313 AG holds 50% plus one share. This acts as a holding company for the 50% investment in VI Music LLC, which is also based in Puerto Rico. The purpose of this company is the production and publishing of musical works, in particular in the American region. The remaining shares in VI Music LLC are held by Universal Music Group, which also handles the worldwide distribution of the VI Music label. The shares in VI Music LLC were sold to Universal Music Group retroactively as of 1 January 2009. We also sold our shares in VI Music Holding Inc. retroactively as of 1 January 2009. The shares in US HOT JWP Music Inc., Miami, in which 313 AG still held a 48.3% stake in 2007, were sold as of 1 January 2008.

Furthermore, 313 AG held 100% of the shares in both ALDACO entertainment GmbH (ALDACO) and White Records GmbH, both based in Unterföhring. As of 1 January 2008, ALDACO was merged with White Records GmbH, which was subsequently renamed Seven Days Music GmbH, Unterföhring.

313 AG is a stock corporation based in Unterföhring/Germany. In Q3, 2007 the Company's registered offices were relocated from Berlin to Unterföhring. The address of the registered offices is Münchner Strasse 135, 85774 Unterföhring. The Company is listed on the Prime Standard segment of Frankfurt Stock Exchange under security identification number 508750. The Company's management and supervisory boards have issued the Declaration of Conformity with the Corporate Governance Code pursuant to Section 161 Corporation Act and made it continuously available to the shareholders on the 313 AG website.

All assets and liabilities are measured on the basis of the going-concern principle. Assets and liabilities are presented as short- or long-term items in the balance sheet as per their maturity. Assets and liabilities are classified as short-term in so far as they are realised or due within twelve months from the end of the reporting period. Owing to the presentation of the consolidated financial statements in EUR '000, there may be in places rounding differences in particular items or overall of at least up to +/- EUR 1,00. The consolidated income statement is structured as per the cost of sales method. The consolidated financial statements as of 31 December 2008 were released for publication by the Company's management board on 13 July 2009.

2 Principles for the consolidated financial statements

2.1 Financial year

The financial year is the calendar year.

2.2 IFRS accounting

The present consolidated financial statements as of 31 December 2008 were drawn up in accordance with the International Financial Reporting Standards (IFRS), as compulsory in the EU, valid as of the balance sheet date and the supplementary commercial law regulations to be applied on the basis of Section 315a Subs. 1 Commercial Code. The accounting standards were continuously applied during the entire reporting period and without any changes on the prior year.

2.3 New Standards and Interpretations

In the year under report, all new and revised standards and interpretations in the main up to IFRS 8, where binding from 1 January 2008 and of relevance for the 313 Group were applied in the consolidated financial statements. The initial application of these new provisions did not lead to any material effects on the consolidated financial statements. In detail these are:

- IAS 39 "Financial Instruments: Recognition and Measurement and IFRS 7 "Financial Instruments: Disclosures" governs the accounting and disclosure requirements for financial instruments not only for industrial companies but also banks and similar financial institutions. The changes were made in the light of the developments on the financial markets and apply under certain conditions to reclassifications, for example, of financial assets previously accounted for as "measured at fair value through the income statement" to other categories. The changes became effective on 17 October 2008.

Furthermore, we decided to apply the new IFRS 8 "Operating Segments", which supersedes the previous IAS 14 "Segment Reporting", early (compulsory for reporting periods beginning on or after 1 January 2009), not lastly due to the geographic realignment of the Group. This requires the presentation of segments as per the legal units and thus reflecting the reporting units. The defined segments "Label" (313 AG), "Artist Management" (313 Music GmbH) and "Other" (Seven Days Music GmbH and Transcontinent). The prior year will be adjusted accordingly.

Standards, Supplements and Interpretations for future financial years can be divided into those approved by the European Union (A) and those not yet approved (B):

A. Approved provisions

- IAS 1 "Presentation of Financial Statements" (revised September 2007; to apply for reporting periods beginning on or after 1 January 2009)
- IAS 23 "Borrowing Costs" (revised March 2007; to apply for reporting periods beginning on or after 1 January 2009)
- IAS 32 "Financial Instruments: Presentation" (revised February 2008; to apply for reporting periods beginning on or after 1 January 2009)
- IFRS 1 "First-time adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements", here elimination of the definition of the cost method and Omnibus Standard "Improve-

ments to IFRSs" (both published May 2008; to apply for reporting periods beginning on or after 1 January 2009)

-IFRS 2 "Share-based Payments" (revised January 2008; to apply for reporting periods beginning on or after 1 January 2009)

-IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" (to apply for reporting periods beginning on or after 1 March 2007 as per IASB, due to the approval by the European Union compulsory initial application date is however FY 2009)

- IFRIC 12 "Service Concession Arrangements" (to apply for reporting periods beginning on or after 1 January 2008)

-IFRIC 13 "Customer Loyalty Programmes" (to apply for reporting periods beginning on or after 1 July 2008, due to the approval by the European Union compulsory initial application date is however FY 2009, too)

-IFRIC 14 "IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (according to IASB to apply for reporting periods beginning on or after 1 July 2008, due to the approval by the European Union compulsory initial application date is envisaged for financial years beginning on or after 31 December 2008)

The option to apply the Standards and Interpretations early was apart from IFRS 8 not taken up.

B. Not yet approved provisions

-IFRS 1 "First-time Adoption of International Financial Reporting Standards" here: merely improvement of the structure of the statements, however no technical changes (published 27 November 2008, to apply for reporting periods beginning on or after 1 July 2009)

-IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements", here "Full Goodwill Method" and "Share transactions without loss of control" (to apply for business combinations with acquisition dates on or after 1 July 2009)

-IFRS 7 changes for "Enhanced disclosures about fair value measurements and liquidity risk" (published 5 March 2009; to apply for reporting periods beginning on or after 1 January 2009)

-IAS 39 "Financial Instruments: Recognition and Measurement" relating to permissible underlying transactions within hedge accounting (published in July 2008; application retroactively for financial years beginning on or after 1 July 2009)

-IFRIC 9 and IAS 39 changes concerning "Embedded Derivatives" (published 12 March 2009; to apply for reporting periods beginning on or after 30 June 2009)

-IFRIC 15 "Agreements for the Construction of Real Estate" (to apply for reporting periods beginning on or after 1 January 2009)

- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (to apply for reporting periods beginning on or after 1 October 2008)
- IFRIC 17 "Distributions of Non-cash Assets to Owners" (published November 2008, to apply for reporting periods beginning on or after 1 July 2009)
- IFRIC 18 "Transfers of Assets from Customers" (published 29 January 2009, to apply for reporting periods beginning on or after 1 July 2009)

The 313 AG management assumes that the application of Standards and Interpretations approved or not yet approved by the European Union will have no or no material affects on the net assets, financial position and results of operations.

2.4 Currency

All amounts in the consolidated financial statements are stated in EUR thousand (EUR '000) – apart from disclosures on earnings per share.

2.5 Scope of consolidation

Besides 313 AG, Unterföhring, the fully consolidated companies include all subsidiaries in which 313 AG directly or indirectly holds the majority of the voting rights. Inclusion in the consolidated financial statements commences with the date on which 313 AG gains the possibility of control. Compared with 31 December 2007, there were formally no changes in the scope of consolidation apart from the merging of subsidiaries.

313 Music GmbH, Berlin ("313 Music")
The company specialises in the management of artists and has its own label. In Q2, 2007, 313 AG acquired an investment of 51% in 313 Music GmbH; the company has been included in the scope of consolidation of the Group since 1 August 2007. The remaining shares of the company are held by managing director Volker Neumüller, who also sat on the parent company's management board from September 2007 until his leaving in August 2008. On November 20, 2007, the registered offices of 313 Music GmbH were moved from Hamburg to Berlin.

Seven Days Music GmbH, Unterföhring (previously White Records GmbH, Unterföhring, "Seven Days")
The company is a 100% subsidiary of 313 AG and was initially consolidated in Q3, 2007. The company's purpose is the production, distribution and exploitation of music productions, in particular as recorded sound and video products, related media and in the form of marketing by transfer

of data and also the acquisition and exploitation of copyrights. With effect from 1 January 2008 ALDACO entertainment GmbH was merged with White Records GmbH as acquiring rights holder, and then renamed Seven Days Music GmbH.

ALDACO entertainment GmbH, Unterföhring ("ALDACO")

The company became a 100% subsidiary of 313 AG in mid 2007 and was initially consolidated in Q3, 2007. The company's purpose is music, media, artist and marketing management, media business, music publishing and event organisation and also marketing consulting. With effect from 1 January 2008, the company was merged with White Records GmbH, Unterföhring. Then White Records GmbH was renamed in Seven Days Music GmbH.

Transcontinent Musikverlag OHG, Unterföhring ("Transcontinent")

Founded in 1961, the company is active in music publishing. As such, the company is mainly involved in the exploitation of copyrights. 99% of the shares are held by 313 AG and 1% of the shares by Seven Days, previously White Records GmbH. Retroactively to 1 January 2007, Transcontinent Musikverlag GmbH changed its legal form to Transcontinent Musikverlag OHG. The company's registered offices were relocated from Berlin to Unterföhring.

VI Music Holding, Inc., San Juan/Puerto Rico ("VI Holding")

313 AG holds 50% and one share in the company. The remaining 50% are held by Mr Juan Vidal, San Juan/Puerto Rico. The company's purpose is to serve as the holding company for the investment in VI Music LLC and to distribute the accruing profits from the investment.
As with the assets and liabilities of the joint venture, VI Music LLC, San Juan/Porto Rico, the assets and liabilities of this company are stated as of 31 December 2008 under the items "non-current assets available for sale" and "liabilities directly associated with assets available for sale", because the investment was sold retroactively to 1 January 2009.

2.6 Joint Venture

VI Music LLC, San Juan/Puerto Rico ("VI LLC")

The company's purpose is to produce and publish works of music. VI Music Holding Inc. and Universal Music Group each hold 50% of the company, and hence the company is included only pro rata (50%) in the consolidated financial statements.
The joint venture and the parent company are disclosed under discontinued operations, because 313 AG sold the company to Universal Music Group retroactively to 1 January 2009.

There are no contingent liabilities, no joint obligations were entered into with the joint venturer to the benefit of the joint venture. Likewise, there are no other guarantees or commitments.

Further disclosures on the Joint Venture, such as assets and liabilities and also revenues and expenses, can be found under Note 5.6.

2.7 Associated companies

HOT JWP Music. Inc., Miami/USA

The purpose of the company is to acquire related rights and copyrights and their exploitation. The exploitation of related rights includes the production, reproduction and distribution of recorded media of all and any kind. The stake, which last stood at 48.3 percent, was sold with effect from 1 January 2008.

Manfred Hertlein Veranstaltungs GmbH, Würzburg ("Manfred Hertlein")

The purpose of the company is the planning, preparation, staging and handling of all and any kind of events, advance ticket selling for all and any kind of events, the management of artists and the marketing of exploitation rights of all and any kind, in particular in the field of music and also services as a promotion agency. The investment in this company was increased from 20% to 45% in December 2007, since then the associated company has been included in the consolidated financial statements under the at-equity method. 10% of the shares were each acquired in May 2000 and in July 2001. As of 31 December 2008, a pro-rata post-tax loss for 313 AG of approx. EUR 168,000 was computed on the basis of a combined tax rate of 30.5%.
The total assets of Manfred Hertlein Veranstaltungs GmbH, Würzburg amount to EUR 7,273,000 (prior year: EUR 4,513,000). There are liabilities to the amount of EUR 7,017,000 (prior year: EUR 4,317,000). There are receivables of EUR 673,000 (prior year: EUR 566,000) and liquid funds of EUR 4,558,000 (prior year: EUR 2,729,000). From revenues of EUR 9,157,000 (prior year: EUR 10,119,000), the company generated a net income of EUR -539,000 (prior year: EUR -275,000). The company is overindebted on a balance-sheet basis. The deficit not covered by equity capital amounts altogether to EUR 587,000 (prior year: EUR 49,000). According to the management, however, it will probably remain a going concern and positive margin contributions will be generated in future. In this context, reference is made to the Financial Markets Stabilisation Act of 18 October 2008 which amended Section 19 Subs. 2 Insolvency Code.

The balance sheet date of Manfred Hertlein Veranstaltungs GmbH is identical to that of the parent company.

There are no contingent liabilities, no joint obligations were entered into with the partner company to the benefit of the associated company. Likewise, there are no other guarantees or commitments.

3 Presentation of the key accounting principles

3.1 Declaration of Compliance

The consolidated financial statements were drawn up in accordance with the International Financial Reporting Standards, as they apply in the EU.

3.2 Consolidation principles

Capital consolidation

The financial statements of the individual subsidiaries are included in the consolidated financial statements under the acquisition method pursuant to IFRS 3 "Business Combinations". The acquired assets and liabilities are measured at their fair values on the acquisition date regardless of any minority interests. Then, the acquisition costs of the interests are offset against the pro-rata revalued equity capital of the subsidiary. Differences between the acquisition costs and the pro-rata revalued equity capital are accounted for as goodwill under intangible assets, in so far as positive differences are involved. If the purchase price of the investment is less than the fair value of the acquired assets, the difference is immediately taken to profit or loss in the year of the acquisition. The minority interests arise pro-rata from the assets, liabilities and contingent liabilities measured at fair value.

Debt and revenue consolidation, elimination of intercompany profit and also shares of minority shareholders

All receivables and liabilities, revenue, expenses and revenues and also intercompany gains or losses within the Group are eliminated during consolidation. The tax accruals and deferrals required under IAS 12 were applied to temporary differences from consolidation. There is a corresponding adjustment item for voting rights in fully consolidated subsidiaries not held by the Group.

Joint Ventures

The assets and liabilities, equity capital and also the earnings contributions from joint ventures are included in the 313 AG consolidated financial statements pro rata, i.e. in proportion to the holding. The aforementioned consolidation principles are applied accordingly.

Shareholdings in associated companies

Companies in which the parent company holds between 20% and 50% of the voting rights and exercises significant influence over their operating and financial policies as of the balance sheet date ("associated companies") are accounted for under the equity method. On the date of the initial inclusion of associated companies the investment is recognised at its acquisition cost. A positive difference between the acquisition costs of the acquired shares and the pro-rata acquired assets measured at fair value at the acquisition date constitutes goodwill that is included under amortised equity recognition and hence subject to impairment tests. If the revalued equity capital accruing to the Group during purchase price allocation exceeds the acquisition costs of the acquired shares, the difference is immediately posted to profit or loss in the year of the acquisition. In the subsequent periods, the book value is adjusted by the changes in the equity capital accruing to the Group. Pro-rata losses accruing to the Group that exceed the total investment in the associated company, comprising amortised equity value and also other long-term receivables, are excluded. An impairment test is carried out where there is an indication that the investment value may be impaired.

3.3 Segment report

The segment report was drawn up under the new IFRS 8. For the reasons for the early application of IFRS 8, see 2.3 New Standards and Interpretations. The objective of the segment report is to provide information about the Group's key activities. An operating segment is a group of assets and operating activities that provides products or services which differ in their opportunities and risks from those of other operations.

3.4 Currency translation

The financial statements of foreign group companies are converted from the pertinent domestic currency directly into euros pursuant to IAS 21 "The Effects of Changes in Foreign Exchange Rates", because the foreign companies conduct their business independently from a financial, economic and organizational perspective (functional currency concept). Accordingly, property, plant and equipment, other assets and liabilities are converted at the closing rate on the balance sheet date. Equity capital is converted at historical exchange rates. Expenses and revenues are converted incrementally at the average exchange rates for the quarter (prior year: annual average exchange rate).

Equity capital subject to initial consolidation after acquisition of foreign subsidiaries is converted with the historical rate for the acquisition date as of the pertinent balance sheet date.
The differences from currency translation are reported separately under equity capital.
Whilst the subsidiary is included in the scope of consolidation, conversion differences are updated under consolidated equity capital. When a company is deconsolidated, the conversion differences attributable to that company are reversed to profit or loss.

The Group's major exchange rate, the US dollar, has developed as follows:

Country		Closing rate		Average rate	
		31.12.2008	31.12.2007	2008	2007
		EUR			
USA, Puerto Rico	1 USD =	0,7095	0,6793	0,6834	0,7297

In the separate balance sheets of the consolidated companies drawn up in local currencies, currency receivables and currency liabilities were measured for profit or loss with the rate on the balance sheet date.

3.5 Adjustments of prior-year disclosures

An audit by the Deutsche Prüfstelle für Rechnungslegung (DPR) revealed that the 2005 consolidated financial statements were incorrect concerning the accounting of the VI LLC goodwill to the amount of EUR 3,623,000.
According to the findings of the DPR, during the initial consolidation of VIDAL Investments Inc. in 2001 the arising goodwill was allocated to a "Distribution" segment. In financial years 2002 to 2004 the goodwill was allocated to the "Label" segment. In 2005 the "Distribution" segment was discontinued on disposal of the majority interest in VIDAL Investments Inc., but the pro-rata goodwill accruing to this segment (EUR 3,623,000) was not retired.
This error was rectified when drawing up the consolidated financial statements as of 31 December 2008 by reducing the prior-year disclosures for goodwill and accumulated profit/loss each by EUR 3,623,000 pursuant to IAS 8.42 (b).

In 2007 the Group disposed of practically the entire copyrights held by the Transcontinent publishing unit. This transaction was classified in the prior year in the since discontinued "Publishing" segment. Accordingly, for the prior year this segment was also completely presented in the income statement and also in the flow of funds statement under discontinued operations. In August 2008 Transcontinent received EUR 285,000 under this disposal and therefore this amount was also disclosed under discontinued operations for financial year 2008. This amount served the purchasers of the rights to use the Transcontinent publishing catalogue temporarily to secure possible claims for a reduction of the acquisition price. The remaining copyrights and new copyrights acquired by Transcontinent are presented under "continued" operations.

The prior-year figures in the flow of funds statement were adjusted in that an amount of EUR 94,000, which had been presented in the line "Changes in cash and cash equivalents due to consolidation", is now reported in the line "Disbursements for the acquisition of shares in consolidated companies less net cash acquired". Furthermore, the "Profit/loss on the disposal of intangible assets" of EUR -1,599,000 was moved to the newly included line "Gains from disposal of operations". Other lines were changed as a result of this change. The line "Profit accruing to minority interests" (EUR -52,000) is no longer presented, the amount was instead incorporated in the "Annual net deficit on the income statement".

In 2008, the structure of the income statement was changed. The pertinent prior-year figures were adjusted accordingly. A distinction was made between "continued" and "discontinued" operations. Furthermore, the items "Other income", "Other expenses" and "Exchange rate gains/losses" were presented within the operating income. The annual net deficit now contains the results accruing to the shareholders of the parent company and also to the minority shareholders. The profit or loss accruing to pertinent owner groups are stated in an of-which item.

The Company has decided to apply IFRS 8 "Operating Segments" for the first time with effect from 1 January 2008. This has led to a change in the segmentation of operations. The prior-year figures were accordingly adjusted.

3.6 Use of estimates

When drawing up the consolidated financial statements in accordance with the International Financial Reporting Standards the company management must make estimates and assumptions that influence both the amount of assets and liabilities disclosed and also the reported revenues and expenses during the financial year. The actual results may deviate from these estimates. The estimates are made under consideration of the principle of giving the most faithful presentation.

Estimates are in particular necessary when measuring the recognition of associated companies and judging the value of goodwill and other intangible assets. There was no disclosure of deferred taxes on loss carryforwards in the financial year due to the sustainable loss situation.
The market environment of 313 AG, which is active in the music business, is largely one subject to considerable short-lived trends and fluctuating music tastes. Furthermore, there are uncertainties and hard to estimate risks arising from the production of new events, fluctuating royalty income and also from music and internet piracy.

The estimates which form the basis of the impairment test for judging the value of the Transcontinent goodwill and also other intangible assets with limited useful lives and also of the investment value of associated companies are based on financial plans. The budget figures assumed for future revenues and expenses are greatly dependent on the development in music trends and the success of artists under contract to the Company. Catalogue exploitations can be estimated with sufficient reliability, because both expenses and revenues are constant. The estimates also include the assumed new releases for the period under analysis. Here too, a forecast for the future was made on the basis of the past sales figures. Ultimately it is a question of whether consumers take up the music and the artists with the new releases. For this reason alone, the estimates in the business model are subject to considerable uncertainties.
Further explanations of assumptions and estimates are given in the disclosures to the individual items in the financial statements. All the assumptions and estimates are based on the circumstances and judgements on the balance sheet date. Estimating the future development of business was based on the economic environment in the industries and regions in which the Group is active as considered realistic at the time the estimates were made. On the date the consolidated financial statements were drawn up, there was nothing to suggest a need for a significant change in the underlying assumptions and estimates.

4 Recognition and accounting policies

The financial statements of all the companies included in the consolidated financial statements were drawn up on the reference date of the consolidated financial statements. The accounting policies have not changed compared with the prior year. Hence, the annual financial statements were drawn up under the going-concern assumption as in the past. The going-concern assumption was reviewed on the basis of a finance plan in which the revenues and the expenses were ascertained by way of estimates.
These estimates are also subject to considerable uncertainties that arise from the business model (see Note 3.6).

4.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand, sight deposits, overdrafts and other short-term highly liquid financial assets with an original term of up to three months. Overdrafts taken up are stated in the balance sheet as liabilities to banks under current financial liabilities. Liquid funds are measured at their nominal value.
Business transactions in currencies other than the functional currency are converted with the exchange rate on the date of the business transaction.

4.2 Financial assets

A **financial instrument** is a contract which leads to a financial asset for one company and at the same time to a financial liability or an equity capital instrument for another company. Financial assets include in particular cash and cash equivalents, trade accounts receivable and also other loans granted and receivables, investments held to maturity and original and derivative financial assets held for trading.

Financial assets are measured on initial recognition with their fair value, which corresponds to their acquisition costs. For all financial assets whose changes in fair value are later not taken to profit or loss, the transaction costs directly attributable to the acquisition are taken into consideration. The fair values recognised in the balance sheet are generally the market prices of the financial assets. In so far as these are not directly available, they are calculated using current parameters.
For the subsequent measurement as of the balance sheet date financial assets are categorised as loans granted by the Company and receivables, assets held for trading, financial assets held to maturity and available for sale. The classification depends on the purpose for which the pertinent instrument was acquired. Based on this categorisation, the subsequent measurement is as follows:

Cash and cash equivalents are recognised at their nominal value. Amounts in a foreign currency are measured at the average rate on the balance sheet date.

Trade accounts receivable and also other short-term receivables are measured – where appropriate applying the effective interest rate method – initially at fair value and on subsequent balance sheet dates at amortised acquisition costs. The impairments, which are made in the form of individual valuation adjustments, make sufficient allowance for expected credit risks; if there are doubts about recoverability, there is recognition at the lower recoverable amount. Specific defaults lead to derecognition of the receivables in question. Receivables in foreign currencies are measured at the average rate on the balance sheet date.

The other original financial assets are categorised as "available for sale" and are measured at their fair value. Subsequent gains and losses from measurement at fair value are taken directly to equity capital. This is not the case when permanent or significant impairments and also currency-related value changes in debt instruments are involved; these are taken to profit or loss. Only upon retirement of the financial assets are the accumulated gains and losses recognised under equity capital from measurement at fair value are taken to profit or loss in the income statement. The **interests** allocated to this category are measured at acquisition costs in the 313 Music JWP Group, however, because the market value of these shares cannot be determined reliably.

On subsequent measurement of financial assets which are allocated to the "held for trading" category, the gains and losses are taken to profit or loss.

The purchases and disposals of **securities** are accounted for on the settlement date.

Additional disclosures on financial instruments

Book values, values stated and fair values by measurement categories

313 AG has based the classification of financial instruments on the measurement categories under IAS 39, because the risk distribution within these measurement categories is similar.

The following tables show the book values and fair values of each category of financial assets and liabilities as of 31 December 2008 and 31 December 2007.

In EUR '000	Measure-ment category	Book value 31 December 2008	Balance sheet value under IAS 39				Fair Value 31 December 2008
			Amortised cost	Cost	Fair Value taken to balance sheet	Fair Value taken to profit or loss	
Financial assets							
Trade accounts receivable	**LaR**	471	471				471
Receivables from related persons	**LaR**	1	1				1
Other financial assets	**LaR**	326	326				326
Securities	**HfT**	100				100	100
Bank balances and cash in hand	**AfS**	832			832		832
Total financial assets		**1,730**	**798**	**0**	**832**	**100**	**1,730**
Financial liabilities							
Debt and current portion of long-term debt	**OL**	654	654				654
Trade accounts payable	**OL**	618	618				618
Loans	**OL**	0	0				0
Other financial liabilities	**OL**	35	35				35
Total financial liabilities		**1,307**	**1,307**	**0**	**0**	**0**	**1,307**
Aggregated by measurement categories pursuant to IAS 39:							
Loans and Receivables **(LaR)**		798	798	0	0	0	798
Available for Sale **(AfS)**		832	0	0	832	0	832
Other Liabilities **(OL)**		1,307	1,307	0	0	0	1,307
Held for Trading **(HfT)**		100	0	0	0	100	100

In EUR '000	Measure-ment category	Book value 31 December 2007	Balance sheet value under IAS 39				Fair Value 31 December 2007
			Amortised cost	Cost	Fair Value taken to balance sheet	Fair Value taken to profit or loss	
Financial assets							
Trade receivables	**LaR**	1,206	1,206				1,206
Other financial assets	**LaR**	3,898	3,898				3,898
Securities	**HfT**	150				150	150
Bank balances and cash in hand	**AfS**	1,568			1,568		1,568
Total financial assets		**6,822**	**5,104**	**0**	**1,568**	**150**	**6,822**
Financial liabilities							
Debt and current portion of long-term debt	**OL**	4	4				4
Trade accounts payable	**OL**	1,047	1,047				1,047
Loans	**OL**	1,758	1,758				1,758
Other financial liabilities	**OL**	2,334	2,334				2,334
Total financial liabilities		**5,143**	**5,143**	**0**	**0**	**0**	**5,143**
Aggregated by measurement categories pursuant to IAS 39:							
Loans and Receivables **(LaR)**		5,104	5,104	0	0	0	5,104
Available for Sale **(AfS)**		1,568	0	0	1,568	0	1,568
Other Liabilities **(OL)**		5,143	5,143	0	0	0	5,143
Held for Trading **(HfT)**		150	0	0	0	150	150

Determination of fair values

The book value of financial instruments such as receivables and liabilities corresponds in the main to the market value due to the short terms of these financial instruments.

The book value of liabilities to banks corresponds in the main to the market value for variable interest rates. For fixed-rate financial liabilities, the market value is determined on the basis of the interest rates for corresponding residual terms / repayment structures prevailing on the balance sheet date.

The Company does not use derivative financial instruments.

Disclosures on the income statement

The following table shows the net gains or losses on financial instruments included in the income statement.

EUR '000	**2008**	**2007**
Loans and Receivables (LaR)	-1,206	-1,666
Available for Sale (AfS)	53	257
Held for Trading (HfT)	-50	-350
Other Liabilities (OL)	-9	-26
	-1,212	**-1,785**

The net losses attributable to the "Loans and Receivables" category are recognised under the other operating expenses and comprise in the main impairments and uncollectible receivables, as in the prior year.

In 2008, the "Available for Sale" category comprises in the main attributable gains from interest income of EUR 53,000 (prior year: EUR 257,000).

The net losses attributable to the "Held for Trading" category result from impairments.

The net losses attributable to the "Other Liabilities" category result from interest expenses for sub-year financial liabilities.

4.3 Inventories

The inventories are measured pursuant to IAS 2 "Inventories" at acquisition and production costs or the lower net realisable value. The production costs include the directly attributable material and wage costs and also pro-rata overheads (based on normal operating capacity). The acquisition or production costs do not include any borrowing costs. The acquisition and production costs are determined on the basis of weighted average costs. The net realisable value is the estimated sales proceeds less the necessary variable selling costs achievable in the normal course of business.

4.4 Intangible assets

The intangible assets include the protected music rights at amortised estimated production costs contributed in 1998 by Mr Jack White and also other acquired protected music rights, capitalised own production and recording, software and also goodwill. With the exception of the goodwill acquired for consideration, the intangible assets are measured at their acquisition and production costs less accumulated depreciation pursuant to IAS 38 "Intangible Assets". Borrowing costs are not recognised. The music rights are amortised on a straight-line basis over the estimated useful lives of 16 and 20 years. Apart from the goodwill, there are only intangible assets with limited useful lives.

However, in 2008 there was a complete unscheduled write-off of the music rights of 313 Music and ALDACO capitalised on initial consolidation.

Goodwill is not amortised on a scheduled basis but subjected to an annual impairment test.

For the prior year, an error correction under IAS 8 led to the retrospective write-down on goodwill attributable to the consolidation of the VI Companies of EUR 3,623,000 and under the accounting of discontinued operations a further EUR 3,587,000 were written off, leaving a net asset of EUR 612,000, which corresponds to the disposal price.

Lastly, as of 31 December 2008 only the goodwill attributable to Transcontinent is reported.

4.5 Property, plant and equipment

The items of property, plant and equipment mainly include furniture, fixtures and equipment and also tenant's fixtures. On the acquisition date, the items are measured at their acquisition or production costs. Borrowing costs were not capitalised. In subsequent periods, property, plant and equipment are recognised at their historical acquisition and production costs less scheduled depreciation. The depreciation is on a straight-line basis over the expected useful lives.

The following useful lives are applied:

Furniture, fixtures and equipment:	3 -13 years
Tenant's fixtures:	5 - 9 years

Where there are indications of impairment, an impairment test is carried out pursuant to IAS 36 (Note 4.6).

Book gains and losses from retirements are realised in profit or loss on the date of the retirement.

4.6 Impairments

Carried goodwill is subjected to an impairment test pursuant to IAS 36 "Impairment of Assets" at least once a year. In so far as the recoverable amount falls below the book value of the goodwill, impairment is to be taken to profit or loss. Any impairment requirement is recognised under other operating expenses. Value recoveries in goodwill are not permitted under IAS 36.

Intangible assets apart from goodwill and also items of property, plant and equipment with limited useful lives are subjected to an impairment test under IAS 36, if there are indications that the recoverable amount of the asset may be less than the book value (triggering events). The recoverable amount is the larger of fair value less costs to sell and the value in use. The fair value less costs to sell corresponds to the recoverable amount less costs to sell an asset under normal market conditions. The value in use is determined using the expected future payment flows that the asset will probably generate given unchanging use over the period of use.
If the reason for an impairment recognised in previous periods no longer applies, then a value recovery up to an amount not exceeding the amortised book value is applied, unless the asset in question is goodwill.
As the market capitalisation of the 313 Group has fallen below the net assets there was a potential external indicator for impairment of intangible assets and also items of property, plant and equipment. This was viewed as a trigger event requiring an impairment test for the three various Hot catalogue exploitation rights and a scheduled impairment test of the Transcontinent pursuant goodwill to IAS 36. Furthermore, an impairment test for the shares in the associated company, Manfred Hertlein, was carried out by analogy to IAS 36. Concerning the use of estimates, see Note 3.6.

4.7 Taxes on income and profits

Taxes on income and profits were recognised pursuant to IAS 12 "Income Taxes". Under this method, there is balance-sheet oriented accrual and deferral of deferred tax receivables and liabilities. The tax effects arising from temporary differences between accounting and tax balance sheet values of assets and liabilities that reverse in future financial years are recognised. They are determined on the basis of tax rates and tax legislation expected to apply on the anticipated date of the reversal of the differences. In addition, deferred tax receivables are in general recognised for tax loss carryforwards. In so far as the realization of deferred tax receivables is improbable, an impairment is applied and deferred tax receivables may not then be recognised. Owing to the sustainable loss situation of 313 AG the prior-year capitalised deferred taxes for loss carryforwards were completely reversed in 2008 apart from an amount to cover deferred taxes liabilities.

4.8 Financial liabilities

In so far as they relate to financial instruments in the meaning of IAS 39 "Financial Instruments: Recognition and Measurement" and not coupled with a hedging instrument, liabilities are accounted for at amortised acquisition costs using the effective interest rate method. Current liabilities are recognised at the repayment or settlement amount, which approximates to the fair value.

4.9 Provisions

Pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" provisions are formed for current legal or constructive obligations to third parties from past events that are more likely than not to lead to an outflow of resources which can be reliably estimated. Provisions are measured on the basis of the settlement amount with the most probable occurrence or where the probabilities are the same at the expected value of the settlement amounts. Long-term provisions with a remaining term of more than one year are recognised at their settlement amount discounted to the balance sheet date.

4.10 Leases

Leases in which a substantial share of the opportunities and risks associated with the title remain with the lessor are classified as operating leases. Payments relating to an operating lease are recognized in the income statement on a straight-line basis over the life of the lease.

4.11 Recognition of revenue

Revenues are recognised when it is probable that the economic benefit will accrue to the Group and the amount of the revenue can be reliably determined.

Revenue is recognised in accordance with IAS 18 "Revenue". This requires the Company to recognise revenue from sales when the purchaser holds and can dispose over the economic title and revenue from services rendered including the products involved after complete rendering.

Besides the revenue from selling recorded media, in which the recognition of revenue is based on the pertinent general commercial-law principles, the group companies generate revenue from the exploitation of music licence rights. This is based on licence rights which the group companies hold for certain countries and for a certain period of time which - in so far as the licences are limited - can be up to fifty years.

With effect from 1 October 2008 a so-called catalogue licence agreement was concluded with Sony Music Entertainment (Germany) GmbH (previously SonyBMG). Under this agreement, the parent company, 313 AG, receives advance licence payments. These advance licence payments are reversed pro-rata over the total term of the agreement on a monthly basis and posted as sales revenue.

4.12 Recognition of expenses

Operating expenses are recognised as an expense when the service is used and as of the date they arise.
Interest expenses are accrued in the finance costs.

4.13 Government grants

The Company does not receive any government grants.

4.14 Earnings per share

The earnings per share are determined pursuant to IAS 33 "Earnings per Share". In this context, the basic earnings per share are reported because no equity rights with dilution effects were issued.

5 Notes on individual balance sheet items

Owing to the reposting of the VI Holding and VI LLC assets and liabilities to the items "non-current assets available for sale" and "liabilities directly associated with assets available for sale" the individual balance sheet items are not always fully comparable.

5.1 Liquid funds

The liquid funds of EUR 832,000 (prior year: EUR 1,568,000) are in the main balances at banks.
The liquid funds are not subject to any restrictions of use.

5.2 Securities

The securities reported under current assets are classified as "held for trading". They are measured at fair value on the date of acquisition and on the balance sheet date. The resulting gains or losses are recognised as profit or loss in the income statement.

The book value of the securities amounts to EUR 100,000 (prior year: EUR 150,000). In FY 2008, gains from the disposal of securities of EUR 0,000 (prior year: EUR 73,000) and losses of EUR 50,000 (prior year: losses EUR 350,000) were taken to profit or loss.

5.3 Trade accounts receivable

The trade accounts receivable amount to EUR 471,000 (prior year: EUR 1,206,000).

The trade accounts receivable comprise the following:

In EUR '000	**31.12.2008**	**31.12.2007**
Gross receivables		
Trade receivables	472	2,327
Individual valuation adjustments	-1	-1,121
Total	**471**	**1,206**

Breakdown of trade accounts receivable by companies included in the consolidated financial statements:

In EUR '000	**31.12.2008**	**31.12.2007**
313 Music JWP AG	382	845
313 Music GmbH	80	142
Transcontinent Musikverlag OHG	9	16
Seven Days Music GmbH	0	0
VI Music LLC	0	200
VI Music Holding Inc.	0	3
Total	**471**	**1.206**

Impairments:

In EUR '000	2008	2007
Impairments on 1.1.	1,121	3
Use	3	3
Reversals (value recoveries for originally written-down receivables)	0	0
Additions in the period under report (expense for impairments)	1	1,121
Repostings to discontinued operations	1,118	0
Impairments on 31.12	**1**	**1,121**

The impairments for receivables are generally recognised in valuation accounts. The probability of a receivable not being collectible is estimated on a case-by-case basis. When receivables are classed as uncollectible, the corresponding impaired asset is derecognised.

In 2007 VI Holding completely wrote off receivables against Vidal Investments Inc. of EUR 1,118,000 in profit or loss, because the recoverability of the receivables could no longer be ensured. Owing to the retrospective disposal as of 1 January 2009, the impairment was reposted to non-current assets available for sale.

The trade accounts receivable have a term of less than one year.

The following table shows the credit risk entailed in the trade accounts receivable:

EUR '000	Gross receivables	Of which: as of the balance sheet date neither impaired nor overdue	Of which: as of the balance sheet date not impaired and overdue since the following days			Of which: impaired
			Less than 30 days	Between 31 and 90 days	More than 90 days	
Trade accounts receivable as of 31 December 2008	472	275	69	119	8	1
Trade accounts receivable as of 31 December 2007	2,327	1,055	122	4	25	1,121

Gains and losses are recognised in consolidated profit or loss when the loans and receivables are derecognised or impaired.

Foreign-currency receivables are posted at the exchange rate on the date in question. The exchange-rate risk from receivables in foreign currencies is not hedged.

There were no restrictions of use or pledges as collateral in either the current or prior financial years.

5.4 Inventories

The inventories of EUR 47,000 (prior year: EUR 319,000) include in the main unsold recorded music and audio-visual carriers. Impairments of EUR 7,000 have been deducted from the stocks. In FY 2007 VI LLC made impairments on inventories of EUR 107,000.

Inventories of the continued and discontinued operations of EUR 331,000 (prior year: EUR 915,000) were recognised as an expense.

As of the balance sheet date, no inventories were used to secure liabilities. There were no significant orders as of the balance sheet date requiring accounting pursuant to IAS 11 (long-term production contracts).

5.5 Other receivables

The other receivables of EUR 407,000 (prior year: EUR 4,490,000) comprise the following:

In EUR '000	**31.12.2008**	**31.12.2007**
Other receivables	171	1.005
Advance payments to artistes	154	1.887
Receivables from related persons	1	0
Receivables from loans	0	1.006
Total other financial receivables	326	3.898
Tax receivables	75	318
Deferred expense	6	274
Other receivables	**407**	**4.490**

The other receivables have terms of up to one year. As in the prior year, the other receivables include deposits given for the offices in Unterföhring (EUR 8,000) and additionally in the prior year for the music studio in Berlin of EUR 6,000.

The accrued expense amounts to EUR 6,000 (prior year: EUR 274,000). In the prior year, the expense related to an advance payment for consulting services and constitutes a non-financial other receivable. Accrued expense and tax receivables are not included in the financial receivables.

The following table shows the credit risk entailed in the other financial receivables:

EUR '000	Gross receivables	Of which: as of the balance sheet date neither impaired nr overdue	Of which: as of the balance sheet date not impaired and overdue since the following dates			Of which: impaired
			Less than 30 days	between 31 and 90 days	More than 90 days	
Other financial receivables as of 31 December 2008	1,302	31	0	0	296	976
Other financial receivables as of 31 December 2007	4,562	3,608	0	0	290	664

Impairments:

In EUR '000	**2008**	**2007**
Impairments on 1.1.	664	1,290
Use	664	1,290
Reversals (value recoveries for originally written-down receivables)	0	0
Additions in the period under report (expense for impairments)	976	664
Impairments on 31.12	**976**	**664**

The impaired receivables of 2007 were derecognised in 2008.

The addition to impairments relates to advance payments to artists.

There were no restrictions of use or pledges as collateral in either the current or prior financial years.

Foreign-currency receivables are posted at the exchange rate on the date. The exchange-rate risk from receivables in foreign currencies is not hedged, because accounting is mainly in euros.

5.6 Non-current assets available for sale and liabilities directly associated with assets available for sale

As already mentioned, 313 AG sold the two companies VI Holding and VI LLC retroactively to 1 January 2009.

The main groups of assets and liabilities allocated to operations classified as available for sale as of the balance sheet date include:

In EUR '000	**31.12.2008**	**31.12.2007**
Liquid funds	4	
Inventories	11	
Other current assets and deferred items	2.095	
Property, plant and equipment	22	
Music rights	642	
Goodwill	4.262	
Deferred taxes	13	
Assets held for sale before impairments	**7.049**	**0**
Liabilities	-1	
Liabilities to related persons	-53	
Other current liablities and deferred items	-1.518	
Long-term loans	-1.209	
Deferred taxes	-3	
Long-term provisions	-66	
Liabilities in conjunction with assets held for sale	**-2.850**	**0**
Net assets held for sale	**4.199**	**0**
Expected consideration from the sale of net assets held for sale	612	0
Recognised impairments on net assets held for sale	**-3.587**	**0**
Assets held for sale before impairments	7.050	0
Recognised impairments	-3.587	0
Non-current assets held for sale	**3.463**	**0**

For the Joint Venture VI LLC, the following disclosures are additionally made:

In EUR '000	31.12.2008	31.12.2007
Current assets	721	945
Non-current assets	3.336	3.627
Total	4.057	4.572
Current liabilities	1.438	1.385
Non-current liabilities	69	7
Total	1.507	1.392
Net	**2.550**	**3.180**
	2008	**2007**
Revenue	1.322	2015
Expenses	-1.989	-2655
Net	**-667**	**-640**

In the presentation, the goodwill which in fact accrues to VI Holding (EUR 1,590,000 as of 31 December 2007), and in certain calculations was allocated to VI LLC (see Note 5.7), was not included in the non-current assets. The impairment expense on the VI Companies (EUR 3,587,000) charged in 2008 was not included in the above presentation, either.

5.7 Property, plant and equipment

The development of property, plant and equipment is presented in the consolidated fixed asset schedule (see note 5.8).

Composition of property, plant and equipment:

In EUR '000	31.12.2008	31.12.2007
Furniture, fixtures and equipment	113	268
Tenant's fixtures	477	518
Vehicles	0	0
Accumulated depreciation and impairments	-257	-315
Property, plant and equipment	**332**	**470**

In the financial year, scheduled depreciation on property, plant and equipment of EUR 74,000 (prior year: EUR 98,000) was recognised, EUR 17,000 of which is accounted for by discontinued operations.

No property, plant and equipment was used as collateral. There are no obligations to acquire property, plant and equipment.

5.8 Intangible assets

The development of intangible assets is presented in the consolidated fixed asset schedule and at the end of this Note.

As of 31 December 2008 and 2007, the intangible assets comprise the following:

In EUR '000	31 December 2008	31 December 2007
Goodwill	264	8,149
Catalogues and music rights	12,277	13,088
Software	16	16
Accumulated depreciation	-6,272	-3,420
Error Correction Goodwill VI Music LLC	0	-3,623
Impairment of Seven Days goodwill	-48	-14
Total	**6,237**	**14,196**

In the year under report, the scheduled depreciation and amortisation of assets amounts to EUR 790,000 (prior year: EUR 642,000), EUR 39,000 of which is accounted for by discontinued operations. The unscheduled depreciation and amortisation amount to EUR 2,291,000, EUR 2,199,000 (prior year: EUR 0,000) of which is accounted for by 313 Music catalogue rights and EUR 92,000 (prior year: EUR 0,000) by catalogue rights of the former ALDACO

With the exception of goodwill, all intangible assets have limited useful lives.

No intangible assets were assigned to secure receivables. There are no obligations to acquire intangible assets.

The book values of goodwill of EUR 216,000 (prior year: after error correction EUR 4,512,000) resulting from capital consolidation comprise the following:

In EUR '000	31.12.2008	31.12.2007
	216	216
ALDACO entertainment GmbH	45	45
White Records GmbH	3	3
VI Music LLC	0	6.295
VI Music Holding Inc.	0	1.590
Total	**264**	**8.149**
Error correction Goodwill VI Music LLC	0	-3.623
Impairments of ALDACO and White Records goodwill	-48	-14
Total	**216**	**4.512**

The change compared with the previous reporting period of EUR 4,296,000 results almost entirely from reposting the goodwill for VI LLC and VI Holding to non-current assets available for sale. Owing to the merger of ALDACO with White Records GmbH and the subsequent renaming of White Records GmbH to Seven Days Music GmbH, the goodwill of both were completely written off.

Review of the value of goodwill

IAS 36 requires mandatory annual reviews of the value of goodwill. Besides the annual impairment test there is monitoring for triggering events that indicate impairment of assets or cash generating units (CGU).

The level for the goodwill impairment test is based on the internal and external reporting structure (management approach). In line with IAS 36, the impairment test is to be carried out either at the level of the segments defined in the segment report or at the level of an individual smaller CGU or a smaller group of CGUs. The level for the impairment test was chosen as subsidiaries defined as individual, independent CGUs.

An impairment expense is to be recognised when the recoverable amount of a CGU is lower than its book value plus the book value of the allocated goodwill. The recoverable amount is the larger value from the fair value less costs to sell and the value of the expected inflow of funds from using the asset (Value in Use). The starting point of the impairment test is the value concept fair value less costs to sell on the basis of the DCF method. The future free cash flow is discounted to the valuation date using a suitable interest rate.

The assumed values for the Transcontinent impairment test are based on developments in the past and reflect the expectations for the future. With respect to the growth opportunities and also the possible development of the market long-term growth in free cash flow of 0 percent per annum (prior year: 2 percent) is expected. The discount rate derived from the costs of capital amounts to 8.75 percent (prior year: 7.6 percent). Determining the discount rate is based on the Capital Asset Pricing Model (CAPM).

The impairment test is based on planning for the future. Here, it should be borne in mind that the difficult general market situation can lead to shifts. This has been allowed for by carrying out the impairment test annually.

The comparison of the CGUs' book value plus goodwill with the recoverable amount did not result in any impairment requirement.
Concerning the use of estimates, see Note 3.6.

The goodwill of CGU VI Music LLC still recognised in the prior year results originally from the acquisition of the shares in VIDAL Investments Inc. Owing to internal group restructuring measures, the goodwill of VIDAL Investments Inc. was transferred to the companies VI LLC and VI Holding newly founded in 2005. For the purpose of the 2007 impairment test, the goodwill for VI Holding resulting from the aforementioned restructuring was attributed to the book value of VI LLC for reasons of simplification. Owing to its holding function, VI Holding does not conduct any independent operative business.

Owing to the correction of an error in the accounting for VI LLC goodwill in 2005, the value stated in the prior year was retroactively reduced by EUR 3,623,000 in 2008. For further information concerning this correction, we refer to Note 3.5 “Adjustments of prior-year disclosures”.

Review of the value of intangible assets with limited useful lives

Impairment tests were also carried out for intangible assets with limited useful lives, such as catalogue rights and capitalised artist management contracts.

The impairment tests carried out for the various Hot catalogue elements did not result in any additional impairment requirement. The tests were carried out in the main as for goodwill impairment test. Here too, the 8.75 percent discount rate derived from the costs of capital was used for the valuation model. Determining the discount rate is based on the Capital Asset Pricing Model (CAPM).

The impairment tests for the catalogue rights and capitalised artist management contracts of 313 Music and also the catalogue rights of the former ALDACO each resulted in an impairment requirement. In the light thereof, the management decided to completely write off the remaining residual book values of EUR 2,199,000 for 313 Music and of EUR 92,000 for the former ALDACO as of 31 December 2008 on an unscheduled basis.

Development of the consolidated fixed assets in financial year 2008

Acquisition/production costs

	As of 1.01.2008	Repostings/ change of scope of consolidation	Additions	Disposals	Currency difference (discontinued operations)	As of 31.12.2008
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Property, plant and equipment						
1. Properties and buildings	0	0	0	0	0	0
2. Other plant, furniture, fixtures and equipment	268	-47	6	115	0	112
3. Tenant's fixtures	518	-41	0	0	0	477
	786	-88	6	115	0	589
Intangible assets						
1. Catalogues and music rights	13,088	-846	0	0	35	12,277
2. Goodwill	8,149	-7,885	0	0	0	264
3. Software	16	0	0	0	0	16
4. Other intangible assets	0	0	0	0	0	0
	21,253	-8,731	0	0	35	12,557
	22,039	-8,819	6	115	35	13,146

Depreciation and amortization **Residual book values**

	As of 1.01.2008	Transfers/ change of scope of consolidation	Additions (of which discontinued operations)	Disposals	Reclassification (discontinued operations)	Currency difference (discontinued operations)	As of 31.12.2008	Book value 31.12.2008	Book value 31.12.2007
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Property, plant and equipment									
1. Properties and buildings	0	0	0 (0)	0	0	0	0	0	0
2. Other plant, furniture, fixtures and equipment	115	-30	27 (8)	66	8	0	38	74	153
3. Tenant's fixtures	201	-20	47 (9)	0	9	0	219	258	317
	316	-50	74 (17)	66	17	0	257	332	470
Intangible assets									
1. Catalogues and music rights	3,408	-165	3,044 (39)	0	39	9	6,257	6,020	9,680
2. Goodwill	3,637	-3,623	34 (0)	0	0	0	48	216	4,512
3. Software	12	0	3 (0)	0	0	0	15	1	4
4. Other intangible assets	0	0	0 (0)	0	0	0	0	0	0
	7,057	-3,788	3,081 (39)	0	39	9	6,320	6,237	14,196
	7,373	-3,838	3,155 (56)	66	56	9	6,577	6,569	14,666

Development of the consolidated fixed assets in financial year 2007

Acquisition/production costs

	As of 1.01.2007	Change of scope of consolidation	Additions	Disposals	Currency difference	As of 31.12.2007
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Property, plant and equipment						
1. Properties and buildings	0	0	0	0	0	0
2. Other plant, furniture, fixtures and equipment	453	7	38	225	-5	268
3. Tenant's fixtures	532	0	4	12	-5	518
	985	7	42	238	-10	786
Intangible assets						
1. Catalogues and music rights	11,212	2,466	562	1,056	-96	13,088
2. Goodwill	8,101	48	0	0	0	8,149
3. Software	16	0	0	0	0	16
4. Other intangible assets	0	0	0	0	0	0
	19,329	2,514	562	1,056	-96	21,253
	20,314	2,521	604	1,294	-106	22,039

	Depreciation and amortization							**Residual book values**	
	As of 1.01.2007	Change of scope of consolidation	Additions (of which discontinued operations)	Disposals	Reclassification	Currency difference	As of 31.12.2007	Book value 31.12.2007	Book value 31.12.2006
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Property, plant and equipment									
1. Properties and buildings	0	0	0 (0)	0	0	0	0	0	0
2. Other plant, furniture, fixtures and equipment	268	1	47 (11)	198	0	-3	115	153	185
3. Tenant's fixtures	162	0	51 (9)	10	0	-2	201	317	370
	430	1	98 (20)	208	0	-5	316	470	555
Intangible assets									
1. Catalogues and music rights	3,131	0	624 (81)	330	0	-17	3,408	9,680	8,081
2. Goodwill	3,623	0	14 (0)	0	0	0	3,637	4,512	4,478
3. Software	8	0	4 (0)	0	0	0	12	4	8
4. Other intangible assets	0	0	0 (0)	0	0	0	0	0	0
	6,762	0	642 (81)	330	0	-17	7,057	14,196	12,567
	7,192	1	740 (101)	538	0	-22	7,373	14,666	13,122

5.9 Shares in associated companies

In EUR '000	31.12.2008	31.12.2007
Shares in associated companies	960	1.962
Acceptance of pro rata post-tax loss	-167	0
Impairments of associated companies	0	-1.002
Financial assets	**793**	**960**

The impairments of interests (EUR 1,002,000) applied in the prior year relate to the writedown of the investment in HOT JWP Music Inc accounted for using the at-equity method. As of 31 December 2008, shares in associated companies contain solely the book value of the shares in Manfred Hertlein Veranstaltungs GmbH (EUR 793,000; prior year: EUR 960,000). When allocating the acquisition price as of 31 December 2007 for the 25% interest purchased it was determined that the entire purchase price of EUR 500,000 for the 25% share in Manfred Hertlein is attributable to goodwill. The remaining 10% each of the shares in Manfred Hertlein were acquired for altogether EUR 460,000 in May 2000 and in July 2001.

5.10 Deferred taxes

The deferred tax receivables/liabilities are reported in the balance sheet as follows:

In EUR '000	31.12.2008	31.12.2007
Deferred tax receivables	**0**	**1.013**
of which loss carryforwards	0	1.013
Deferred tax liabilities	**0**	**-684**
of which intangible assets	0	-684
Deferred taxes	**0**	**329**

Deferred tax receivables and liabilities can be offset when there is a legally enforceable corresponding legal claim to offset and when the deferred taxes relate to the same tax authorities.

Deferred taxes for temporary differences are recognised at the tax rate expected for the date of the reversal of such differences. Owing to the amortisation of catalogue rights in 2008 at the 313 GmbH and Seven Days (previously White Records and ALDACO), the deferred taxes liabilities were also reversed in profit or loss. As of 31 December 2008 a combined tax rate of 27.38 percent (prior year: 28,08 percent) would be applied for companies based in Germany and 7 percent (prior year: 7 percent) for companies based in Puerto Rico. The lowering of income tax rates under the corporation tax reform from 2008 and the related reduction of the domestic tax rate for determining deferred taxes arising in the prior year led to a one-off deferred tax expense of approx. EUR 911,000.

A deferred tax claim is recognised in so far as it is probable after deduction of corresponding deferred taxes expenses that sufficient taxable income will be available. Owing to the current general economic situation and the difficult situation confronting the music industry in particular, in the period under report the deferred taxes of EUR 1,013,000 still recognised in the prior year, EUR 1,001,000 of which were accounted for by 313 AG, were completely derecognised and reposted and merely deferred tax receivables covering the deferred tax liability on amortised production costs for the Jack White music catalogue, which amounted to EUR 1,593,000 as of 31 December 2008 net, were reported. Thus, deferred taxes on loss carryforwards of approx. EUR 4,480,000 (prior year: approx. EUR 2,526,000) were not formed.

The following amounts were offset:

Deferred tax receivables

In EUR '000	**31.12.2008**	**31.12.2007**
Deferred tax receivables		
Deferred tax receivables		
realised after more than 12 months	436	1.506
Deferred tax liabilities		
Deferred tax liabilities		
realised after more than 12 months	436	493
	0	**1.013**

Deferred tax liabilities

In EUR '000	**31.12.2008**	**31.12.2007**
Deferred tax receivables		
Deferred tax receivables		
realised after more than 12 months	0	39
Deferred tax liabilities		
Deferred tax liabilities		
realised after more than 12 months	0	723
	0	**684**

The deferred tax receivables of the prior year result mainly from tax loss carryforwards. The major part of the underlying loss carryforwards does not expire under tax law. The loss carryforwards of the prior year for the Puerto Rican companies expire as follows:

In EUR '000	**31.12.2008**	**31.12.2007**
Deferred tax receivables on loss carryforwards expire in		
2012	0	1
2013	0	6
2014	0	35
	0	**42**

EUR 0,000 (prior year: EUR 31,000) of the deferred tax receivables is accounted for by the costs of raising equity capital deducted directly from equity capital.

5.11 Trade accounts payable

In EUR '000	31.12.2008	Of which remaining term		31.12.2007	Of which remaining term	
		Up to 1 year	More than 1 year		Up to 1 year	More than 1 year
Trade accounts payable	618	618	0	1,047	1,047	0

EUR 600,000 (prior year: EUR 1,012,000) of the trade accounts payable relate to 313 AG.

5.12 Debt and current portion of long-term debt

In EUR '000	31 December 2008	Of which remaining term		31 December 2007	Of which remaining term	
		Up to 1 year	More than 1 year		Up to 1 year	More than 1 year
Loans	654	654	0	0	0	0
Liabilities to banks	0	0	0	4	4	0

The loans relate to a loan by Universal Music Group (UMG) of EUR 612,000 and a loan of EUR 42,000 by the chairman of the supervisory board, Mr Jürgen Uhlemann.
The liabilities to banks related to overdrafts of 313 AG (EUR 0,000, prior year: EUR 1,000) and VI LLC (EUR 0,000, prior year: EUR 3,000).

5.13 Provisions

In EUR '000	Artist royalties and GEMA fees	Returns	Uncertain liabilities	Total
01.01.08	**110**	**836**	**412**	**1.358**
Repostings	-8	-111	119	0
Additions	338	69	494	901
Use	102	725	427	1.254
Reversal	0	0	75	75
Change in scope of consolidation	0	0	0	0
31.12.08	**338**	**69**	**523**	**930**

In EUR '000	Artist royalties and GEMA fees	Returns	Uncertain liabilities	Total
01.01.07	**214**	**215**	**488**	**917**
Additions	110	836	380	1.326
Use	-214	-215	-482	-912
Reversal	0	0	0	0
Change in scope of consolidation	0	0	26	26
31.12.07	**110**	**836**	**412**	**1.358**

The aforementioned provisions are short-term; a payment outflow within the next 12 months is regarded as probable.

The uncertain liabilities include personnel provisions EUR 85,000, (prior year: EUR 43,000), provisions for financial statements and audit costs EUR 107,000, (prior year: EUR 88,000) and provisions for legal and consulting costs EUR 134,000, (prior year: EUR 48,000).

There are provisions of EUR 99,000 (prior year: EUR 17,000) for the management and supervisory boards.

The reversals of provisions are recognised under other operating results.

Since no provisions of foreign consolidated companies are reported as of the balance sheet date of the prior year, the provisions schedule does not include any effects from changes in exchange rates.

5.14 Liabilities to related persons

In EUR '000	31.12.2008	Of which remaining term		31.12.2007	Of which remaining term	
		Up to 1 year	More than 1 year		Up to 1 year	More than 1 year
Liabilities to related persons	0	0	0	457	457	0

A loan of EUR 42,000 (prior year: EUR 0,000) from the chairman of the supervisory board, Mr Jürgen Uhlemann, is reported under Note 5.12 “Debt and current portion of long-term debt”.

The EUR 450,000 liabilities to related persons of the prior year related in the main to the outstanding acquisition price instalment under the acquisition of the investment in 313 GmbH from Mr Volker Neumüller.

5.15 Other liabilities and deferrals

The other liabilities include:

In EUR '000	**31.12.2008**	**31.12.2007**
Tax liabilities		
Wage tax	4	17
Sales tax	30	0
Other taxes	7	1
Liabilities for social security	0	0
Other non-financial liabilities	**41**	**18**
Liabilities to employees	2	108
Other liabilities	33	1,769
Other financial liabilities	**35**	**1,877**

In EUR '000	31.12.2008	Of which remaining term		31.12.2007	Of which remaining term	
		Up to 1 year	More than 1 year		Up to 1 year	More than 1 year
Other liabilities	76	76	0	1,895	1,895	0

The deferrals (EUR 1,292,000 prior year: EUR 0,000) result from licensing the 313 AG music catalogue to Sony Music Entertainment (Germany) GmbH (Sony). The receipts constitute revenues for a certain period of time after the balance sheet date. Revenue is recognised monthly pro-rata over the term of the contract.

5.16 Tax liabilities

In EUR '000	31.12.2008	Of which remaining term		31.12.2007	Of which remaining term	
		Up to 1 year	More than 1 year		Up to 1 year	More than 1 year
Other liabilities	380	380	0	342	342	0

As in the prior year, the disclosure relates mainly to trade tax liabilities of EUR 365,000 (prior year: EUR 342,000) pertaining to the disposal of the rights to use the Transcontinent publishing catalogue at a profit in Q3, 2007.

5.17 Loans

In EUR '000	31.12.2008	Of which remaining term		31.12.2007	Of which remaining term	
		Up to 1 year	More than 1 year		Up to 1 year	More than 1 year
Loans	0	0	0	1,758	0	1,758

The prior year long-term loans of Vidal Investments, Inc., San Juan/Puerto Rico EUR 0,000; (prior year: EUR 1,158,000) and Universal Music Group, Santa Monica, California, USA EUR 0,000; (prior year: EUR 600,000) are reported. Interest is not charged on either loan and they mature on 1 January 2010.

It is assumed that owing to the short maturities the fair values reflect the book value of these financing instruments.

5.18 Equity capital

Subscribed capital

As of 31 December 2008, the entire number of approved common shares amounts to 9,083,333 (prior year: 8,600,000). The shares have a theoretical value of 1 euro per share (no-par common shares).

The first tranche of the capital increase resolved in November 2007 was placed in December 2007. 1,600,000 new shares were subscribed for. As a result, 313 AG received EUR 1,600,000 as of the balance sheet date 31 December 2007.

The second tranche of the capital increase resolved in November 2007 was placed in January 2008. 483,333 new shares were subscribed for. As a result, 313 AG received EUR 580,000.

Capital reserves

The amount by which the subscribed shares exceeded the portion of capital stock was posted as a share premium in the capital reserves.

As of 31 December 2007, the capital reserves were increased by the EUR 241,000 (EUR 320,000 premium less EUR 79,000 costs of raising the capital) the Company received from the aforementioned capital increase and now amount to EUR 16,400,000. The funds were received by the parent company after the balance sheet date.

To offset the losses in prior years and in the period under report, an amount of EUR 13,261,000 was reversed from the parent company's capital reserves and offset with the reported accumulated loss of that amount as of 31 December 2007, leaving the parent company with an accumulated profit/loss of EUR 0,000.

In the consolidated financial statements as of 31 December 2007 this left capital reserves of EUR 3,139,000.

In 2008, the capital reserves were increased by the EUR 57,000 (EUR 97,000 premium less EUR 40,000 costs of raising the capital) the Company received from the aforementioned capital increase to EUR 3,196,000 and then offset with the accumulated loss as in the separate financial statements.

Authorized capital

The shareholders' meeting on 27 August 2008 empowered the management board to increase the capital stock by up to EUR 4,500,000.00 (Authorized Capital 2008/I) by issuing bearer shares against cash or payment in kind by 26 August 2013. The management board and the supervisory board are also empowered to exclude the shareholders' subscription rights. The management board has yet to make use of this right.

Accumulated profit/loss

The accumulated profit/loss encompasses the accumulated results of the Group. The development of the accumulated loss in the period under report is presented in the statement of changes in equity.

As of 31 December 2007, the 313 AG accumulated accounting loss of EUR 13,261,000 was completely offset with amounts reversed from the capital reserves. For the consolidated financial statements as of 31 December 2007 this resulted in an accumulated profit/loss of EUR 2,984,000. After allowance for the error correction in the accumulated profit/loss of 31 December 2006 (see Note 3.5 “Adjustments of prior-year disclosures”) - namely the goodwill correction at VI LLC of EUR 3,623,000 - the accumulated loss as of 31 December 2007 amounts to EUR -639,000.
As of 31 December 2008, the deficit of EUR 8,631,000 accruing to the parent company was offset with the entire remaining capital reserves of EUR 3,196,000, so that the parent company's accumulated loss now amounted to EUR -6,074,000.

Equity differences due to currency translation

The currency differences arise from the translation of the assets and liabilities held by foreign subsidiaries and also the income statement.
In the year under report, EUR -170,000 (prior year: EUR -226,000) are reported here; EUR 0,000 (prior year: EUR 0,000) of which is accounted for by minority interests.

Dividends

Dividends may only be declared and disbursed from the Company's accumulated profit/loss and retained earnings as reported in the German commercial-law separate financial statements. These amounts differ from profit carried forward as reported in the present IFRS consolidated financial statements. As of 31 December 2008, 313 AG reported an accumulated loss of EUR 4,338,000 (prior year: EUR 0,000) in its German commercial-law financial statements. In the prior year the net deficit of EUR 4.8 million and also a loss carried forward of EUR 8.4 million were offset completely (EUR 13.2 million) with the capital reserves.

Minority interests

The minority interests relate to the minority holdings arising from the initial consolidation of attributable shares of assets and liabilities and also the profits accruing to them and currency differences. In 2008, a loss of EUR -802,000 accrued to minority interests from continued operations, and hence minority interests from continued operations as of 31 December 2008 amount to EUR 62,000. The remaining amount, namely EUR 2,981,000, accrued to the minority interests from the VI companies, in other words discontinued operations. In 2008 a loss of EUR 2,109,000 accrued to these minority interests.

5.19 Contingent liabilities and contingent assets:

Contingent liabilities

With respect to the possible contingent liabilities in connection with allegedly intended legal action against 313 AG we refer to the Note "Events after the balance sheet date".

Contingent assets

At the end of October 2007 the special audits ordered by 313 AG relating to the former US subsidiary HOT JWP Music Inc., Miami/USA, were concluded and the results published. In this context, 313 AG may have claims for damages against former senior executives and the management of the former US subsidiary. In this matter, claims for damages have since been filed.

Under the contractual agreements to sell the rights to use the Transcontinent publishing catalogue in 2007, the purchaser deposited an instalment on the acquisition price of EUR 285,000 in a trustee account. The instalment was to secure the purchaser's possible claims for a reduction of the acquisition price. In August 2008 this instalment of the acquisition price was also disbursed. This was recognised in 2008 under discontinued operations.

5.20 Leases

Rented assets are measured as financial leases if these are in substance to be regarded as asset purchases with long-term financing. All other rented assets are accounted for as operative leases. Rental payments for operative leases are recognised as expenses in the consolidated income statement.

The Group uses only operative leases, and this primarily for company vehicles and office equipment. (For further details see Note 12.)

The Group does not act as a lessor.

5.21 Financial risks/risk management system

As a group, 313music JWP AG is exposed during the course of the ordinary business activities in the main to credit risks that can have an influence on net assets, financial position and results of operations. There are no material interest rate risks. Furthermore, there is a currency risk, which has, however, been considerably reduced by the disposal of the two Puerto Rican companies.

There is a credit risk in that the value of assets could be affected if transaction partners cannot meet their obligations. The credit risk for trade accounts receivable and other assets includes the default risk of customers. For years, 313 AG has been working together with the same customers and thus knows their creditworthiness. If there are uncollectible receivables, individual valuation adjustments are made.

The liquidity risk describes the risk that a company cannot sufficiently meet its financial obligations. The Company does not finance its operative business with external financing.

The following financial obligations will probably lead to the following (not discounted) payments in the coming years:

EUR '000	Book value	Undiscounted contractually agreed cash flows for financial liabilities						
		2008	2009	2010	2011	2012	2013	2014
as of 31.12.2008								
Loans	654		654					
Trade accounts receivable	618		618					
Liabilities to related persons	0		0					
Other financial liabilities	35		35					
as of 31.12.2007								
Loans	1,762			1,762				
Trade accounts receivable	1,047	1,047						
Liabilities to related persons	457	457						
Other financial liabilities	1,877	1,877						

6 Notes on the income statement

In the prior year, the "Publishing" operations was classified under discontinued operations due to the selling of publishing rights to significant parts of the Transcontinent publishing catalogue. With respect to the receipt of EUR 285,000, this unit and also the Puerto Rican VI-Companies are presented as discontinued operations for 2007 and 2008. Further information on this can be found under Note 7 "Effects of unusual items and transactions on net assets, financial position and earnings".

The early application of IFRS 8 led to a redefinition of business segments. An entity approach is now applied in internal reporting. This requires the presentation of segments as per the legal units and thus reflecting the reporting units. The defined segments "Label" (L/313 AG), "Artist Management" (K/313 Music) and "Other" (S/Seven Days Music GmbH and Transcontinent). The prior-year figures were adjusted accordingly.

Despite this adjustment, the two years presented are not fully comparable because, for example, the "Artist management" segment has only been part of the Group since 1 August 2007.

6.1 Sales revenue

The sales revenue was generated by the following companies and in the following segments:

In EUR '000		31.12.2008	31.12.2007
313 Music JWP AG	L	2.940	2.641
313 Music GmbH from 01.08.2007)	K	878	358
Transcontinent Musikverlag OHG		52	0
Seven Days Music GmbH		12	0
Total Other	S	64	0
Sales revenue		**3.882**	**2.999**

With effect from October 2008, 313 AG licensed the rights to the music catalogue in return for advance licence payments which are posted as sales revenue monthly pro-rata over the term of the contract.

Transcontinent Verlag (Other) received revenue from royalty disbursements from the exploitation company (GEMA). GEMA collects royalties from the exploitation of musical performance and mechanical reproduction rights. Furthermore, this includes licences granted to third parties (e.g. reprint permission) and granting of synchronisation rights.

6.2 Production costs

The production costs incurred in the financial year break down to the companies as follows:

In EUR '000		31.12.2008	31.12.2007
313 Music JWP AG	L	3.047	1.317
313 Music GmbH (from 01.08.2007)	K	373	159
Transcontinent Musikverlag OHG		0	0
Seven Day Music GmbH		40	18
Total Other	S	40	18
Production costs		**3.460**	**1.494**

The 313 AG production costs mainly relate to production costs EUR 227,000, (prior year: EUR 0,000) and costs of distribution EUR 295,000, (prior year: EUR 436,000), licence expenses for artists EUR 649,000, (prior year: EUR 274,000) and depreciation on advance licence payments to artists EUR 976,000, (prior year: EUR 0,000), depreciation on music exploitation rights EUR 596,000, (prior year: EUR 491,000), depreciation on inventories EUR 0,000, (prior year: EUR 107,000) and decrease in inventories including inventory writedowns for 2008 EUR 249,000, (prior year: EUR 62,000 increase in inventory) and also depreciation on property, plant and equipment EUR 55,000, (prior year: EUR 76,000).

6.3 Distribution costs

The reported costs break down to the companies as follows:

In EUR '000		31.12.2008	31.12.2007
313 Music JWP AG	L	1.702	2.924
313 Music GmbH (from 01.08.2007)	K	245	119
Transcontinent Musikverlag OHG		0	0
Seven Days Music GmbH		0	0
Total Other	S	0	0
Distribution costs		**1.947**	**3.043**

The 313 AG distribution costs relate in the main to the fees to Sony for the sales of recorded music and image media EUR 479,000, (prior year: EUR 850,000), expenses for promotion EUR 427,000, (prior year: EUR 805,000), GEMA fees EUR 340,000, (prior year: EUR 485,000), press and media costs EUR 243,000, (prior year: EUR 409,000). In 2008 in particular travelling expenses, distribution and services costs of altogether EUR 170,000 are still included.

6.4 General and administrative costs

The general and administrative costs break down to the companies as follows:

In EUR '000		31.12.2008	31.12.2007
313 Music JWP AG	L	2.841	2.862
313 Music GmbH (from 01.08.2007)	K	359	107
Transcontinent Musikverlag OHG		21	0
Seven Days Music GmbH		12	0
Total Other	S	33	0
General and administrative costs		**3.233**	**2.969**

The general administrative costs at the AG mainly include legal and consulting costs EUR 1,419,000, (prior year: EUR 992,000), wages and salaries EUR 605,000, (prior year: EUR 966,000) including social insurance contributions and also travel and entertainment costs. EUR 233,000 were incurred for bookkeeping, costs for preparing and auditing the annual and consolidated financial statements in 2008. In addition, the general and administrative costs expenses include from operating leases for the leasing of studios and company vehicles and also costs for the annual general meeting and stock exchange listing.

6.5 Other revenues

In EUR '000		31.12.2008	31.12.2007
313 Music JWP AG	L	266	324
313 Music GmbH (from 01.08.2007)	K	10	12
Transcontinent Musikverlag OHG		14	0
Seven Days Music GmbH		0	0
Total Other	S	14	0
Other revenues		**290**	**336**

The other revenues at the AG comprise EUR 64,000 (prior year: EUR 190,000) from the reversal of provisions, EUR 46,000 (prior year: EUR 12,000) non-period revenues, EUR 18,000 (prior year: EUR 4,000) proceeds from the sale of fixed assets and EUR 126,000 (prior year: EUR 3,000) other income. The other revenue for 2008 includes the revenue from the posting of a receivable of EUR 108,000.

6.6 Other expenses

In EUR '000		31.12.2008	31.12.2007
313 Music JWP AG	L	293	743
313 Music GmbH (from 01.08.2007)	K	2.198	101
Transcontinent Musikverlag OHG		12	0
Seven Days Music GmbH		92	0
Total Other	S	104	0
Other exenses		**2.595**	**844**

In the year under report the other expenses at 313 AG amounted to EUR 293,000 (prior year: EUR 743,000). These include in the main bad debts of EUR 197,000 (prior year: EUR 698,000), donations of EUR 1,000 (prior year: EUR 31,000), supervisory board remuneration of EUR 34,000 (prior year: EUR 30,000) and fixed asset retirements with book values of EUR 49,000 (prior year: EUR 28,000).

At 313 Music and Seven Days the entire amount is accounted for by unscheduled writedown of the residual book value carried until the end of the year for the hidden reserves revealed on consolidation - in the main music catalogue rights and capitalised business relationships and artist contracts. The original amount of hidden reserves revealed in 2007 amounted to EUR 2,366,000 at 313 Music and EUR 100,000 at ALDACO.

6.7 Net interest income

In financial year 2008, interest income and expenses arose in the following group companies:

In EUR '000		31.12.2008	31.12.2007
313 Music JWP AG	L	36	27
313 Music GmbH (from 01.08.2007)	K	3	0
Transcontinent Musikverlag OHG		14	0
Seven Days Music GmbH		0	0
Total Other	S	14	0
Interest income		**53**	**27**
313 Music JWP AG	L	6	22
313 Music GmbH (from 01.08.2007)	K	1	0
Transcontinent Musikverlag OHG		0	0
		0	0
Total Other	S	0	0
Interest expenses		**7**	**22**
Net interest income		**46**	**5**

6.8 Income/loss from associated companies

In the year under report, post-tax earnings from associated companies - Manfred Hertlein – of EUR -168,000 (prior year: EUR 0,000) were received.

6.9 Impairments of financial assets

The total amount of the depreciation on the 313 Group financial assets relates to the EUR 50,000 (prior year: EUR 350,000) loss of value on securities held as current assets arising in the financial year.

6.10 Taxes on income

The reported expenses and revenues from taxes on income comprise the following:

In EUR '000	31.12.2008	31.12.2007
Continued operations		
Current tax expense	-8	1
Deferred tax expense/receivable(-)	325	1.763
	317	**1.764**
Discontinued operations		
Current tax expense	34	46
Deferred tax expense/receivable(-)	-5	-45
	29	**1**
Total expense	346	1.765

As in the prior year, the current tax expense arose entirely in Germany. The tax expense of the discontinued operations arose entirely from trade income tax at Transcontinent.

The deferred taxes include an expense of EUR 1,001,000 from the derecognition of deferred tax receivables, formed in the prior year on loss carryforwards at 313 AG, because realization of loss carryforwards is currently not considered as probable. There were offsetting effects from the resolution and derecognition of deferred taxes expenses at 313 Music (EUR 649,000) and Seven Days (EUR 27,000), because the reason for carrying the deferred taxes as liabilities no longer applied due to the impairment of the residual book values of the capitalised music catalogue rights and business relationships and artist contracts.

In the prior year there were in particular EUR 901,000 deferred tax expenses from the impairment of the deferred tax receivables on loss carryforwards whose realization in the years after the planning horizon was not considered as probable. In addition, the lowering of income tax rates under the corporation tax reform from 2008 and the related reduction of the domestic tax rate for determining deferred taxes from 38.9% to 28.08% led to a deferred tax expense of EUR 911,000.
Commencing with the pre-tax earnings of the 313 Group and the theoretical taxes on income thereon at a domestic tax rate of 28.1% (prior year: 38.9%) the tax reconciliation to the current taxes on income is as follows:

In EUR '000	31.12.2008	31.12.2007
Pre-tax earnings continued operations	-7.256	-5.242
Pre-tax earnings discontinued operations	-3.940	-256
Pre-tax earnings	**-11.196**	**-5.498**
Domestic tax rate	28,1%	38,9%
Expected income tax expense/income(-)	**-3.146**	**-2.138**
Impairment deferred tax assets on loss carryforwards from prior years	1.001	901
Non-recognistion of deferred tax assets on net loss	3.146	1.883
Derecognition to profit/loss of difference amounts for which deferred taxes were not formed	0	0
Use and reversal of deferred taxes on asset/liability (in prior year) difference amounts	-676	-319
Effect of changes in tax legislation	0	911
Tax rate differences foregin companies	0	498
Tax postings for prior years	26	0
Other effects	-5	29
Total expense income taxes	**346**	**1.765**
Effective tax rate	-3,1%	-32,1%

See Note 9 “Segment information” for information about the determination of the pre-tax earnings from continued and discontinued operations.

There are no interlocking relationships for tax purpose within the Group.

6.11 Scheduled and unscheduled depreciation and amortisation

The depreciation and amortisation recognised in financial year 2008 comprise the following:

In EUR '000	31.12.2008	31.12.2007
Continued operations		
Goodwill	34	14
Other intangible assets (scheduled)	716	547
Other intangible assets (unscheduled)	2.291	0
Property, plant and equipment	58	78
Depreciation for continued operations	**3.099**	**639**
Discontinued operations		
Goodwill	0	0
Other intangible assets	39	81
Property, plant and equipment	17	20
Depreciation for discontinued operations	**56**	**101**
Total depreciation	**3.155**	**740**

For goodwill from continued operations there was goodwill amortisation of EUR 34,000 (prior year: EUR 14,000). In 2008, EUR 31,000 (prior year: EUR 14,000) of this is accounted for by the former ALDACO and EUR 3,000 by the former White Records and now Seven Days.

In other intangible assets from continued operations, there was EUR 714,000 (prior year: EUR 543,000) amortisation on catalogues and music rights. In addition to the scheduled depreciation and amortisation, there were unscheduled writedowns on 313 Music and ALDACO catalogue rights and capitalised artist management contracts of altogether EUR 2,291,000. There was software amortisation of EUR 3,000 (prior year: EUR 4,000).

For property, plant and equipment from continued operations, there was EUR 58,000 (prior year: EUR 78,000) depreciation on furniture, fixtures and equipment and tenant's fixtures.

All the scheduled depreciation from continued operations was recognised for production costs as in the prior year, whereas the unscheduled depreciation and amortisation were recognised under other operating expenses.

6.12 Employee benefits

Personnel expenses (continued operations) in the Group fell compared with the previous financial year by EUR 146,000 to EUR 880,000 (prior year: EUR 1,026,000). There are defined contribution plans within the meaning of IAS 19. The employer's contribution to statutory pension insurance amounted to EUR 33,000 (prior year: EUR 29,000). There were no contributions to pension insurance for the management board members pursuant to Section 1 Sentence 4 Social Legislation Code VI. The reduction in personnel expenses results in the main from the reduction in the number of employees including management board members.

There are no defined benefit post-employment plans within the meaning of IAS 19.
No termination benefits or share-based remuneration components have been agreed.

7 Effects of unusual items and transactions on net assets, financial position and earnings

Profit/loss from discontinued operations and recognised impairments from discontinued operations

Profit/loss from these operations is as follows:

In EUR '000		31.12.2008	31.12.2007
Discontinuation Publishing		251	1.259
Discontinuation VI-Companies		-633	-1.515
Recognised impairments from discontinued operations (VI-Companies)		-3.587	0
		-3.969	**-256**

A Discontinuation of "Publishing"

In 2007 the Group disposed of practically the entire copyrights held by the Transcontinent publishing unit. This transaction was classified in the prior year as the in the meantime discontinued "Publishing" segment.

In August 2008 Transcontinent received EUR 285,000 under this disposal and therefore this amount was also disclosed under discontinued operations for financial year 2008. This amount served the purchasers of the rights to use the Transcontinent publishing catalogue temporarily to secure possible claims for a reduction of the acquisition price.

The sale of the rights to use the Transcontinent publishing catalogue in Q3, 2007 led to cash inflows of EUR 2,325,000 and a positive contribution to earnings of EUR 1,553,000. The sale of the rights of use meant a constructive discontinuation of the "Publishing" segment, because since the disposal there have been no appreciable activities in the sense of copyrights exploitation. The income generated by selling the rights to use the Transcontinent publishing catalogue less Transcontinent's exploitation losses incurred up to the disposal and plus its operating profit up to the disposal is reported separately to the amount of EUR 1,259,000 in the income statement as "Profit/loss from discontinued operations". There follow further disclosures pursuant to IFRS 5 on the discontinued "Publishing" operations:

In EUR '000	31.12.2008	31.12.2007
Operating income	0	317
Operating expenses	0	-611
Tax result relating to operating income	0	0
Operating earnings	0	-294
Pre-tax earnings from sale of catalogue	285	1.599
Tax result relating to sale of catalogue	-34	-46
Result from discontinued operations	**251**	**1.259**
Cash flow from operating activities	0	-37
Cash flow from financing activities	0	-2.175
Cash flow from investment activities	285	2.325
Change in cash and cash equivalents	285	113

B Discontinuation of "VI-Companies"

313 AG sold the two Puerto Rican VI-Companies, VI Holding and VI LLC, retroactively as of 1 January 2009. The disposal proceeds is considerably below the book value of the net assets of the VI Companies and an impairment of EUR 3,587,000 was posted to profit or loss in the year under report in addition to the EUR 3,623,000 goodwill writedown to be applied retroactively for the prior year for the error correction.

The earnings components attributable to discontinued operations recognised in the income statement are as follows. The comparative figures concerning the earnings and cash flows from discontinued operations were adjusted accordingly to allow for the operations categorised as available for sale in the current business period.

In EUR '000	31.12.2008	31.12.2007
Result from discontinued "VI" operations		
Sales revenues	1.204	1.957
Other income	159	374
	1.363	2.331
Expenses	-2.001	-3.891
Pre-tax earnings	-638	-1.560
Income tax expense	5	45
	-633	-1.515
Impairment expense from measuring "VI" operations at fair value	-3.587	0
Attributable income tax expense	0	0
	-3.587	0
Net income from discontinued "VI" operations	-4.220	-1.515
Profit/loss from retirement of the operations	0	0
Attributable income tax expense	0	0
	0	0
Result from discontinued operations	**-4.220**	**-1.515**
Cash flows from discontinued operations		
Cash flow from operating activities	-28	-169
Cash flow from investing activities	0	0
Cash flow from financing activities	0	61
Total change in cash and cash equivalents	-28	-108

Of the net loss in 2008 of EUR -4,220,000 from the "VI" discontinued operations EUR -2,111,000 is allocated to the parent company and EUR -2,109,000 to the minority interests.

As of 31 December 2008, the VI operations were categorised and accounted for as available for sale, see Note 5.6 for further information.

Other unusual business transactions with effects on net assets, financial position and earnings

Financial year 2008

In 2008, the deferred tax receivables on loss carryforwards of EUR 1,001,000 formed in the prior year were completely derecognised. This led to a tax expense of the same amount.

The business relationships, artist contracts and music catalogue rights capitalised under the acquisition of 313 Music and Seven Days in 2007 (see Note 8 “Acquisition of companies) of EUR 2,366,000 at 313 Music and EUR 100,000 at Seven Days with their residual book values of EUR 2,199,000 and EUR 92,000 were completely written off on an unscheduled basis. The expense is recognised under other operating expenses. There were offsetting effects from the derecognition of deferred taxes liabilities of EUR 617,000 and EUR 26,000.

An analysis of carried amounts of advance licence payments to artists led to the forming of an impairment of EUR 976,000 on advance licence payments to artists.

Prior year

As the originally long-term receivables against Vidal Investments Inc. are now expected to be uncollectible, these were completely derecognised in financial year 2007, which led to expenses of EUR 1,118,000.

8 Acquisition of companies

In contrast to 2007 no companies, company units or shares in associated companies were acquired in 2008.

In Q3, 2007 the following shares in companies active in the exploitation of music rights and event management were acquired:

	ALDACO	313 Music	Manfred Hertlein
Acquired holding in %	100,0	51,0	25,0
Initial consolidation date[1]	01.07.2007	01.08.2007	31.12.2007

[1]For Manfred Hertlein date of initial at-equity inclusion

Since the date of their initial consolidation, the acquired companies have contributed EUR 357,000 to consolidated sales and EUR -145,000 to consolidated profit or loss.

If the companies had been acquired as of 1 January 2007, the consolidated sales would have been EUR 6,150,000 and consolidated profit or loss EUR -3,652,000; these amounts were calculated on the basis of the Group's accounting policies, whereby the results of the subsidiaries were adjusted for additional depreciation and amortisation of assets and also resulting tax effects which would have been necessary if initial consolidation had already been carried out as of 1 January 2007.

The acquired net assets and goodwill are as follows:

	ALDACO	313 Music	Manfred Hertlein
	EUR '000	EUR '000	EUR '000
Acquisition price:			
Payment rendered	160	450	500
Outstanding payment	0	450	0
Costs directly attributable to the acquisition	1	11	0
Total acquisition price	161	911	500
Fair value of the acquired net assets[1]	116	911	0
Goodwill	45	0	500

[1]For Manfred Hertlein stated as zero owing to negative equity capital.

The acquisition prices were determined on the basis of company valuation reports.

The costs directly attributable to the acquisition entail attorney and notary fees.

The goodwill reflects the future, positive earnings expectations of Seven Days and Manfred Hertlein. The earlier acquisitions of shares in Manfred Hertlein were effected with 10% of the shares each in May 2000 and in July 2001 at a price of EUR 460.000 in total. It was assumed that at that time no hidden reserves and obligations were acquired and these would no longer be present in the then form at this point in time. Thus, of the previous total acquisition price of EUR 960,000 an amount of EUR 500,000 is goodwill.

The following assets and liabilities were acquired under the acquisitions:

	ALDACO		313 Music		Manfred Hertlein[1]	
	Fair Value	Book value	Fair Value	Book value	Fair Value	Book value
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Property, plant and equipment	3	3	6	6	63	63
Intangible assets	100	0	2.366	0	175	175
Financial assets	0	0	0	0	25	25
Inventories	0	0	0	0	900	900
Receivables and deferrals	3	3	130	130	572	572
Cash and equivalents	48	48	46	46	2.729	2.729
Provisions	-10	-10	0	0	-196	-196
Liabilities	0	0	-99	-99	-4.317	-4.317
Deferred taxes	-28	0	-663	0	0	0
Net assets	116	44	1.786	83	-49	-49
Minority interests	0		-875		27	
Acquired net assets	116		911		-22	

	ALDACO	313 Music	Manfred Hertlein
Acquisition price rendered in cash	161	461	500
Cash held by acquired company	-48	-46	2.729
Cash outflow in transaction	113	415	500

[1] Manfred Hertlein consolidated at equity - assets and liabilities not included in consolidated financial statements.

The acquired intangible assets relate to business relationships/artist contracts in the case of Seven Days and 313 Music. The intangible assets are assumed to have useful lives of 20 years. Both intangible assets were completely written off in 2008.

9 Segment information

The Group has applied IFRS 8 "Business Segments" one year before its effective date, with effect from 1 January 2008, with adjustment of the prior-year disclosures. Under IFRS 8, business segments are to be defined on the basis of the internal control of business units whose operating results are regularly reviewed by the Company's decision makers with respect to decisions on the allocation of resources to the pertinent segments and the assessment of their performance. Under IAS 14 "Segment Reporting", which has been superseded by IFRS 8 is, the Company was required to identify two segment levels – business and geographic segments – using the "risk and awards approach". The management information system for decision takers within the Company is used as the starting point to define the segments. The application of IFRS 8 has led to changes in the identification of the Group's reportable segments.

Not lastly due to the retrospective disposal of the two Puerto Rican VI-Companies, the management has decided to base decisions on the distribution of resources and assessment of the performance on an entity approach because this information is generally also available more quickly.

The following segments were formed under the entity approach and thus constitute the reportable segments under IFRS 8:

Company	**Segment**
313 AG	Label
313 Music	Artist management
Transcontinent and Seven Days	Other (in particular exploitation of publishing rights)

The accounting policies of the reportable segments are the same as the group accounting policies described under Note 3.

There follows a presentation of the sales revenues and results of the Group's reportable segments, whereby it should be borne in mind that the "artist management" segment was consolidated in the prior year only from 1 August:

Continued operations	Segment sales		Segment result	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	EUR '000	EUR '000	EUR '000	EUR '000
Label	2.940	2.641	-4.667	-4.758
Artist management	878	358	-83	-68
Other	64	0	36	-76
Total continued operations	3.882	2.999	-4.714	-4.902
Pro rata period profit/loss associated companies			-168	0
Amortisation goodwill			-34	-14
Derecognition catalogue rights			-2.290	0
Income from investments			0	24
Impairments financial assets			-50	-350
Pre-tax profit (continued operations)			-7.256	-5.242

Discontinued operations	Segment sales		Segment result	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	EUR '000	EUR '000	EUR '000	EUR '000
Label	1.204	1.957	-638	-1.560
Artiste management	0	0	0	0
Other	0	212	285	1.305
Total discontinued operations	1.204	2.169	-353	-255
Pro rata period profit/loss associated companies			0	0
Impairments			-3.587	0
Income from investments			0	0
Impairments financial assets			0	0
Pre-tax profit (discontinued operations)			-3.940	-255
Income taxes (**continued and discontinued** operations)			-346	-1.765
Total revenue and net profit/loss	5.086	5.168	-11.542	-7.262

The segment result shows the result of each individual segment in particular before the pro-rata period profit/loss, net interest income and impairment expenses of discontinued operations and also goodwill and catalogue rights amortisation.

Further breakdown by main products and services was dispensed with because this would have largely led to the above segmentation.

The segment assets of the individual segments is as follows:

	Segment assets	
	31.12.2008	31.12.2007
	EUR '000	EUR '000
Label	11.015	21.661
Artist management	158	274
Other	616	314
Total segment assets	11.789	22.249
Non-allocated assets	893	2.123
Consolidated total assets	12.682	24.372

For the purpose of monitoring performance, the decision takers track the material, intangible and financial assets allocated to the individual segments. Apart from the shares in associated companies, marketable securities and income tax claims, all the assets are allocated to the reportable segments using the entity approach.

On the depreciation of and additions to non-current assets per segment, the following information is provided:

	Scheduled depreciation		Additions to non-current assets	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	EUR '000	EUR '000	EUR '000	EUR '000
Label	705	631	6	604
Artist management	121	51	0	0
Other	5	44	0	0
Total	831	726	6	604
Goodwill	34	14	0	0
Total	865	740	6	604

Of the goodwill amortisation, EUR 34,000 is accounted for by Seven Days, therefrom EUR 31,000 (prior year: EUR 14,000) by the former ALDACO.

Of the unscheduled writedowns, EUR 2,198,000 is accounted for by the Artist management segment and EUR 92,000 by the Other segment.

The Group is in the main active in two geographical regions, namely in the German-speaking countries Germany, Austria and Switzerland and also in the USA. The geographical breakdown of the Group's sales revenues from transactions with external customers and also information on its segment assets - non-current assets without associated companies - is as follows.

	Sales to external customers		Non-current assets	
Geographical information	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	TEUR	TEUR	TEUR	TEUR
Continued operations				
Germany, Austria and Switzerland	3.882	2.999	6.569	9.449
Discontinued operations				
Germany, Austria and Switzerland	0	212	0	0
USA	1.204	1.957	1.339	5.217
	1.204	2.169	1.339	5.217
Total	5.086	5.168	7.908	14.666

Of the total revenues in 2008 EUR 2,245,000 (prior year: EUR 2,322,000) is accounted for by the main customers (continued operations) or 57.8% (prior year: 77.4%) of the total revenues. Of the total revenues from discontinued operations in 2008 EUR 1,204,000 (100%) and in 2007 EUR 1,957,000 (90.25%) is accounted for by a further main customer.

10 Earnings per share

The earnings per share is computed from the net income divided by the weighted average of the shares issued during of the year.

As in the prior year, 313 AG has not issued any financial instruments that would have counted as having a diluting effect, so that the diluted earnings per share corresponds to the basic earnings per share.

Thus, the loss per share is determined as follows:

	31.12.2008	31.12.2007
	Euro	Euro
Basic earnings per share		
from continued operations	-0,75	-0,99
from discontinued operations	-0,20	-0,03
Total basic earnings per share	-0,95	-1,02

The profit or loss and the average weighted number of common shares included in the calculation of the basic earnings per share are shown below:

	31.12.2008	31.12.2007
In EUR '000		
Net deficit attributable to parent company shareholders	-8.631	-7.210
Profit/loss applied in calculating the basic earnings per share	-8.631	-7.210
Profit/loss from discontinued operations used to calculate the basic earnings per share for discontinued operations	-1.860	-256
Profit/loss used to calculate the basic earnings per share for continued operations	-6.771	-6.954
Number of shares		
Weighted average number of shares issued (undiluted)	9.043.055	7.088.889
Number of shares as of 01.01	8.600.000	7.000.000
Additions	483.333	1.600.000
Number of shares as of 31.12	9.083.333	8.600.000

Concerning the capital increase in January 2008 and December 2007, we refer to Note 5.18 "Equity Capital".

11 Additional information on the flow of funds statement

The flow of funds statement has been drawn up in accordance with IAS 7 "Cash Flow Statements". It shows the change in cash and cash equivalents of the 313 Group during the course of the year under report. To this end, the cash flows have been broken down in the flow of funds statement by operating activities, investing and financing activities.

The cash flow as per DVFA/SG for the financial year 2008 amounts to EUR -8,387,000 (prior year: EUR -6,522,000). The cash used in operating activities was EUR 1,614,000 (prior year: EUR 1,641,000). The payments for income taxes and interest are included in the cash used in operating activities. In the period under report, income tax refunds of EUR 8,000 (prior year: EUR 192,000) were received. The interest payments in the period amounted to EUR 7,000 (prior year: EUR 22,000). The proceeds from interest rose from EUR 27,000 in the prior year to EUR 53,000 in 2008.

Investment activities resulted in total cash received of EUR 297,000 (prior year: cash received EUR 727,000). The cash received arises in the main from the receipt of the security deposit (EUR 285,000) in August 2008 in conjunction with the sale of the Transcontinent publishing catalogue. The cash received in the prior year is also mainly due to receipts from the sale of the Transcontinent publishing catalogue (EUR 2,325,000).

The cash received from financing activities was EUR 581,000 (prior year: EUR 1,313,000) and results in the main from the capital increase carried out in January 2008.

The cash and cash equivalents comprise cash in hand and balances at banks and corresponds to the liquid funds reported in the balance sheet.

12 Other financial obligations

The total amount of the other financial obligations in the Group is EUR 87,000 (prior year: EUR 181,000). There are obligations for future rent and lease payments. The obligations are due as follows:

In EUR '000	**2009**	**2010**	**2011 and later**
Rent obligations	25	17	0
Vehicle lease obligations	28	17	0
Total	53	34	0

The Group has offices in Munich (prior year up to August 2007 also in Berlin) and studios prior year up to the beginning of 2008 also in Berlin. The office in Miami, USA was closed in 2007. For FY 2009 there are rent obligations of EUR 25,000.
In addition, there are financial obligations from vehicle leases. The proportion of vehicle lease payments to the total obligation amounts to EUR 46,000. For 2009 there are obligations under vehicle leases of EUR 28,000 (prior year: EUR 42,000).
For 2008 VI LLC had lease obligations for office equipment of EUR 41,000.
The other financial obligations were considerably reduced because the rent and lease expenses for the former CEO and former CFO ceased at the latest in 2007 and May 2008.

13 Risks

As an international company, 313 AG is exposed to currency, price and interest rate risks in its business activities.

As assets in which the credit risks may be concentrated for the Company, there are primarily cash, current investments and receivables. Bank balances are held in euros and US dollars. Current investments are effected in high-quality securities.

In the period under report, a suitable risk management system was developed and implemented. For further details we refer to the risk report in the consolidated management discussion.

Sensitivities/market risks

For the presentation of market risks IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on profit or loss and equity capital.

The term market risks encompasses the following types of risks:

Interest rate risk

The Company finances its operative business solely via equity capital. To that extent, the Company is not exposed to any interest rate risk.

The main original financial instruments (liquid funds, receivables, other assets and also trade accounts payable and other liabilities) are measured at their amortised acquisition costs and thus do not give rise to any interest rate risks pursuant to IFRS 7.

Currency risks

The Company is exposed to currency risks within the meaning of IFRS 7 in so far as the Puerto Rican companies account in US dollars. However, for the balance sheet date 2008 there is only a minor risk due to the intended deconsolidation of the companies with effect from 1 January 2009. The currency risk was not hedged in 2007, either.

Exchange rate changes would have had the following effects on receivables and liabilities in 2007:

Rate falls by -10%		**Exchange rate in EUR/US-$**		
		Closing rate	rate -10%	
		1.4721	1.32489	Change in profit/loss
	in US-$	**in €**	**in €**	**in €**
Liabilities	2,313,648	1,571,665	1,746,294	-174,629

Receivables	3,820,806	2,595,480	2,883,867	288,387
Balance	**1,507,158**	**1,023,815**	**1,137,572**	**113,757**

Rate increases by +10%		**Exchange rate in EUR/US-$**		
		Closing rate	Rate +10%	
		1.4721	1.61931	Change in profit/loss
	in US-$	**in €**	**in €**	**in €**
Liabilities	2,313,648	1,571,665	1,428,786	142,879
Receivables	3,820,806	2,595,480	2,359,527	-235,953
Balance	**1,507,158**	**1,023,815**	**930,741**	**-93,074**

Other price risks

IFRS 7 also requires disclosures on how hypothetical changes in risk variables would affect the prices of financial instruments to be included in the presentation of market risks. The Company is not exposed to any other key market price risks.

Other risks

With respect to the receipt of investor protection lawsuits we refer to the Note "Events after the balance sheet date".

14 Disclosures on capital control

The capital control within the 313 Group is designed to ensure that it remains a going concern at all times and thus generate the greatest possible benefit to the providers of the equity and debt capital. Achieving and maintaining an optimum capital structure is a further goal of capital control with a view to reducing the costs of capital.

The potential capital control instruments within the 313 Group include the control over dividend distributions to share owners, capital repayments to share owners, issuing new shares (see Note 5.18 for details of quantification) or divestment measures to reduce liabilities.

As at most other companies, the 313 Group controls its capital using the debt ratio. The debt ratio is computed by dividing net debt capital by total assets. The net debt capital is calculated by deducting liquid funds from the total debt capital (short and long term). Total assets are the Group's equity and debt capital.

Since the debt ratio is always to be interpreted in the light of the current business environment, generally valid target levels cannot be quantified.

The capital control methods have not changed from the prior year.

15 Events after the balance sheet date

The German Financial Reporting Enforcement Panel (Prüfstelle für Rechnungslegung -DPR) has exhaustively reviewed the past consolidated financial statements. There were no criticisms at all with respect to the individual financial statements of 313 AG. The DPR did, however, identify an estimation error for the Puerto Rican subsidiaries in the consolidated financial statements as of 31 December 2005. This estimation error was corrected retroactively for the financial year 2007 in this year's consolidated financial statements. This led to a EUR 3,623,000 correction in the VI LLC goodwill and a corresponding reduction of the accumulated profit/loss.

The Company sold its shares in VI Music LLC, San Juan / Puerto Rico, which is jointly managed with Universal, retroactively to 1 January 2009. The shares amounting to 50% have been acquired by Universal, thus leaving Universal as the sole shareholder. Likewise retroactively to 1 January 2009 313 AG sold its investment in VI Holding, which served as a pure holding function for the investment in VI LLC.

In Q2, 2009, 313 AG exercised the option granted to it and intends thus to increase its stake in Manfred Hertlein Veranstaltungs-GmbH by a further 6% to 51%.

At the beginning of 2009 the Company was served legal action relating to claims for damages totalling EUR 667,000 by three investors. As part of its defence 313 AG joined the former management board members Jack White, Frank Nussbaum and Thomas M. Stein to the proceedings. Following the earlier threats of legal action, the Company had an expert opinion produced on the matter. This expert opinion completely rebuts the allegations against the Company that form the basis for the claims for damages. By law the Company is liable for breaches by its executive bodies; however the Company assumes that there will be no financial loss.

During the course of the court action for damages relating to his breach of duty when auditing the financial statements of the American company in 2004 and 2005, the Company reached a settlement with Richard Shapiro, the former auditor of the former 313 AG subsidiary and later associated company, HOT JWP Music Inc., Miami. The agreed amount has since been received in full by 313 AG.

16 Disclosures on related persons and companies

Under IAS 24 "Related Parties", disclosure is required for persons and companies who can exercise a significant influence on the Company, i.e. are involved in its finance and business policy of the Company without having control over the Company, including close family members. As in the prior year this relates to the members of the parent company's supervisory and management boards, their close family members and also associated companies of the 313 Group.

16.1 Relationships with related companies

The Company maintains usual business relationships with the affiliated companies which are not included in the consolidated financial statements due to the consolidation measures and thus for which there are no disclosure requirements. The transactions with associated companies carried out in the period under report within the meaning of IAS 24 were all of lesser significance.

16.2 Relationships with related persons

Material transactions with related persons

In 2008 supervisory board member Dr. Thomas Griebe acted in his function as attorney for 313 AG. He represented 313 AG in the law suit against 313 AG relating to payment of management board salary. A sufficient amount of EUR 55,000 has been added to provisions.

The supervisory board chairman, Mr Jürgen Uhlemann, provided 313 AG with a loan of EUR 40,000 which was due for repayment as of 31 December 2008. Including interest, the loan amounted to just over EUR 42,000 as of 31 December 2008. With the agreement of Mr Uhlemann, 313 AG repaid the loan in February 2009.

Mr Klaus Munzert has a cooperation agreement with 313 AG, which is also a component of his currently valid management board contract, under which he receives a monthly fee of EUR 3,000 net for the services rendered for 313 AG in conjunction with his recording studio.

The following transactions constitute material transactions with related persons in 2007. 313 AG acquired 100% of the shares in ALDACO from its former shareholder Mr Thomas M. Stein (313 AG management board chairman). Furthermore, 313 AG acquired 51% of the shares in 313 Music from the previous sole shareholder Mr Volker Neumüller (313 AG management board member and managing director of 313 Music). For further details, we refer to Note 8 "Acquisition of companies".

In 2007, 313 AG paid Mr Jack White fees of altogether EUR 99,000 under a consulting contract after he left the management board.

The former supervisory board members Mr Hartmut Fromm and Mr Albert Czapski and companies controlled by them rendered consulting services to group companies in financial year 2007. This resulted in fees of altogether EUR 47,000 until they retired from the supervisory board.

17 Disclosures under Section 315 Subs. 4 Commercial Code

17.1 Executive body remuneration

In EUR '000	**2008**	**2007**
Total remuneration of management board	**259**	**346**
of which fixed component	259	346
of which variable component	0	0
of which short-term remuneration	259	346
of which long-term due remuneration for pension scheme	0	0
of which settlements	0	0
Remuneration of former board members	**0**	**99**
Pension provisions for former board members	**0**	**0**
Total remuneration for supervisory board	**34**	**30**
of which short-term remuneration	34	30

The remuneration of the management board members in FY 2008 was as follows:

In EUR '000	Fixed	Variable	Long-term	Total
2008				
Klaus Munzert (from 11 September)	40	0	0	**40**
Thomas M. Stein (until 31 August)	187	0	0	**187**
Volker Neumüller (until 12 August)	32	0	0	**32**
Total	**259**	**0**	**0**	**259**
2007				
Thomas M. Stein	304	0	0	**304**
Volker Neumüller (from 13 September)	18	0	0	**18**
Horst Nußbaum (until 31 January)	24	0	0	**24**
Total	**346**	**0**	**0**	**346**

All management board remunerations are fixed and short-term. In the financial year under report no settlements or bonuses were paid to management board members. There are no pension commitments or retirement or settlement commitments for the event of termination of service. There are no share-based remuneration components. A variable remuneration component has currently not been agreed to.

As of 31 December 2008, there were receivables against and liabilities to related persons as follows:

In EUR '000	**Receivables**	**Liabilities**
31 December 2008		
Supervisory board members	0	42
Klaus Munzert	0	0
Total	**0**	**42**
31 December 2007		
Supervisory board members	290	17
Thomas M. Stein	0	0
Volker Neumüller	18	450
Total	**308**	**467**

17.2 Auditor's fees

In the financial year under report, the auditors received fees totalling EUR 50,000 (prior year: EUR 50,000) for auditing the financial statements and EUR 15,000 (prior year: EUR 18,000) for other services, which were posted as expenses.

17.3 Headcount

In financial year 2008, the 313 Group employed an average of 16 (prior year: 19) employees including management board members and managing directors. Of the 16 persons, on average 2 persons formed the company management and the remaining 14 persons are staff. There are no apprentices or part-time employees. Of the headcount 5 (prior year: 7) employees worked at equity consolidated foreign companies.

18 Senior executives of the parent company

Composition of the supervisory board:

Mr Jürgen Uhlemann, businessman, Siek
- chairman, member of the supervisory board since 3 April 2008 and chairman since 26 May 2008
- no further posts -

Dr. Thomas Griebe, Attorney, Hamburg
- deputy chairman, member of the supervisory board since 5 June 2008
- no further posts -

Mr Karl-Heinz Klempnow, businessman, Berlin
- member of the supervisory board since 1 January 2008
Posts: Deputy chairman of the GEMA supervisory board, Berlin; member of the advisory board of the GEMA Foundation, Berlin

Mr Stefan Grau, tax consultant / auditor, Paphos-Tala / Cyprus
- deputy chairman from 7 September 2007 to 31 May 2008
Posts: Supervisory board member of Ymos AG, Obertshausen

Mr Manfred Gustav Karl Atzert, bank economist, Hamburg
- chairman of the supervisory board from 3 July 2007 to 28 March 2008
- no further posts -

Composition of the management board:

Mr Klaus Munzert, businessman, Munich

- management board member since 11 September 2008

Mr Thomas M. Stein, businessman, Baldham

- chairman of the management board, on the board up to 31 August 2008

Mr Volker Neumüller, businessman, Berlin

- member of the management board up to 12 August 2008

19 Disclosures pursuant to Section 160 Subsection 1 No. 8 Corporation Act

The participation relationships as of the pertinent balance sheet dates are as follows:

Shareholder structure as of 31.12.2008	**Number of shares**	**% of share capital**
Free float	5.815.898	64,03
Effecten-Spiegel AG	1.650.000	18,17
Heinz Heiler	747.600	8,23
Jürgen Uhlemann (chairman of supervisory board)	583.365	6,42
Rainer Wakke	286.470	3,15
Total	**9.083.333**	**100,00**

Shareholder structure as of 31.12.2007	**Number of shares**	**% of share capital**
Free float	6.350.000	73,83
Effecten-Spiegel AG	1.650.000	19,19
Heinz Heiler	600.000	6,98
Total	**8.600.000**	**100,00**

On 7 January 2009 Mr Wakke notified us pursuant to Section 21 I Securities Trading Act that his voting rights in 313 AG exceeded the 3% threshold on 29 December 2008 and on that day stood at 3.15%. This notification was published pursuant to Section 26 I Securities Trading Act on 7 January 2009.

Mr Heiler and Mr Uhlemann both confirmed the above holdings as of 31 December 2008. Publication thereof was not required because no thresholds were involved.

20 Declaration pursuant to Section 161 Corporation Act

The Company has issued the Declaration of Conformity with Corporate Governance Code stipulated by Section 161 Corporation Act and made it continuously available to the shareholders on its website.

21 Confirmation of the balance sheet

We declare to the best of our knowledge that in compliance with the accounting regulations to be applied for reporting the consolidated report gives a fair presentation of the net assets, financial position and results of operations of the Group and that the management discussion describes the course of business including the business results and the Group's situation such that it gives a fair presentation and description of the key opportunities and risks in the Group's expected development.

Unterföhring, 13 July 2009

The management board

Klaus Munzert

CONFIRMATION NOTE

We audited the group financial statement prepared by 313 Music JWP AG – consisting of balance sheet, profit and loss account, equity capital change account, flow of funds statement and appendix – as well as the group annual report for the business year from 1.1.2008 to 31.12.2008. Preparation of the group financial statement and group annual report in accordance with the IFRS, as applicable in the EU, and the supplemental applicable commercial requirements according to § 315a para. 1 HGB is the responsibility of the legal representatives of the company. It is our task to provide an assessment of the group financial statement and group annual report on the basis of the audit performed by us.

We have performed our audit of the group financial statement according to § 317 HGB, taking into account the principles of proper audits set forth by the Institut der Wirtschaftsprüfer (IDW). Accordingly, the audit is to be planned and performed in such a manner that misrepresentations and violations, which have a significant impact on the presentation of the picture presented by the group financial statement, taking into account the applicable accounting requirements, and by the group annual report of the assets, financial and earnings situation are detected with sufficient certainty. In definition of the audit activities, knowledge of the business activities and the economic and legal environment of the group, as well as the expectations concerning potential errors are taken into account. During the audit, the effectiveness of the accounting-related internal control system as well as evidence for the data in the group financial statement and group annual report is primarily assessed on the basis of spot checks. The audit includes the assessment of the financial statements of companies included in the group financial statement, the demarcation of the consolidation group, the applied accounting and consolidation principles and the main assessments of the legal representatives, as well as the appreciation of the overall presentation of the group financial statement and group annual report. It is our opinion that our audit forms a sufficiently certain basis for our assessment.

Our audit did not result in any objections.

According to knowledge gained in the course of our audit, the group financial statement is in accordance with the IFRS, as applicable in the EU, and the supplemental applicable commercial requirements according to § 315a para. 1 HGB, and in consideration of these requirements presents a picture of the group's assets, financial and revenue situation in line with the actual conditions. The group annual report is in harmony with the group financial statement, presents and overall true picture of the situation of the group and presents the chances and risks of the future development faithfully.

Without limiting this assessment, we refer to the statements made in the annual report and the appendix to the group financial statement. In section "Overall risk" of the annual report, the managing board stated that the group financial statement as per 31.12.2008 was prepared under the going-concern premise, but that the continuation of the company is dependent presupposes that the reorganization performed by the company is not significantly affected by external factors, and that the earnings through the exploitation of catalogs and artist productions, which are not part of the license agreement with Sony, have to be realized to ensure the liquidity of the company in the medium and long-term. Furthermore, the managing board did not exclude that additional corporate actions must be necessary.
In the group appendix, the managing board stated in section 3.6 "Use of estimates" that the estimates for the assessment of the value of the goodwill as well as the valuation other intangible assets with limited useful life as well as the stake valuation of associated companies also entail considerable uncertainty based on the business model itself.

Neuss, 14 July 2009

W I S B E R T – T R E U H A N D GmbH
- Wirtschaftsprüfungsgesellschaft -

Jörg Wisbert
Certified public accountant