



Interim Report of Jack White Productions AG
for the period Jan. 1 – March 31, 2007

- Jack White Productions AG booked consolidated Q1 sales of EUR 1,826 thousand (prior year: EUR 3,658 thousand)
- Net loss of EUR 557 thousand (prior year: net income of EUR 727 thousand)
- Outlook for the year: higher sales and a net profit
- Promising releases scheduled

Key Group figures

| Figures pursuant to IFRS | | March 31, 2007 | March 31, 2006 |
|--------------------------------|---------|----------------|----------------|
| Consolidated sales | EUR 000 | 1,826 | 3,658 |
| Cost of sales | EUR 000 | 806 | 606 |
| Gross profit on sales | EUR 000 | 1,020 | 3,052 |
| Gross margin | % | 55.9 | 83.4 |
| EBITDA | EUR 000 | -431 | 1,216 |
| Margin on EBITDA | % | - | 33.2 |
| EBIT (operating profit/loss) | EUR 000 | -642 | 1,017 |
| Margin on EBIT | % | - | 27.8 |
| Net profit/loss | EUR 000 | -557 | 727 |
| Net return | % | - | 19.9 |
| Net earnings/loss per share* | EUR | -0.08 | 0.10 |
| Cash flow according to DVFA/SG | EUR 000 | -346 | 992 |
| Employees as at March 31 | | 20 | 27 |

* Base: 7 million shares

| | | March 31, 2007 | Dec. 31, 2006 |
|----------------------|---------|----------------|---------------|
| Balance sheet total | EUR 000 | 30,693 | 31,635 |
| Shareholders' equity | EUR 000 | 24,159 | 24,734 |
| Equity/assets ratio | % | 78.7 | 78.2 |



The quarterly consolidated financial statements as at March 31, 2007, as well as the corresponding prior-year figures, were prepared in line with International Financial Reporting Standards (IFRS) and in compliance with the requirements of IAS 34. The accounting and valuation policies are in line with those for the annual financial statements as at Dec. 31, 2006.

Overall conditions

Economic climate

In Q1 2007, Jack White Productions AG operated in an overall favorable macroeconomic climate. Not only the global economy continued positive, despite the slight dampening in the US, but in Europe the economy got off to an upbeat start in 2007. In Germany, the upwards trend likewise persisted: By the end of March, gross domestic product (GDP) rose 3.3 % on the year according to data from the German Federal Statistics Office. On Q4 2006 German economic output increased 0.5 %.

Jack White Productions AG

Founded in 1998, Jack White Productions (JWP) AG is headquartered in Berlin and produces and releases music recordings with different artists and acquires recordings made by other producers. With a back catalog in excess of 100,000 songs, the corporation is one of the world's largest independent owners of music master rights. Jack White Productions AG's core business, which is concentrated in its Labels segment, is exploitation of these rights.

Since March 1, 2006, Thomas M. Stein has been CEO. Jack White, a member of the Board of Management until Jan. 31, 2007, became Managing Director of the newly-founded White Records GmbH at the beginning of February, which will focus within the JWP Group specifically on producing hits in German and popular folk music.

There was a change in the composition of the Company's Supervisory Board, too, following the resignation of Christoph Schmidt on March 20, 2007. In his place, Holm Tippner, a Munich-based lawyer, was appointed to the JWP AG Supervisory Board.



The scope of the Jack White Productions AG consolidation includes not only the parent company, but also Berlin-based Transcontinent Musikverlag GmbH, which is wholly owned by JWP AG and is a music publisher, and VI Music Holding Inc. in Puerto Rico, USA, in which JWP AG holds 50 % plus one share. VI Music Holding Inc. owns 50 % in the likewise Puerto Rico-based VI Music LLC. The remaining shares in this company are held by the Universal Music Group, which also handles global distribution of the VI Music label.

Business trends and earnings position

Special audit in the United States

In the United States, in mid-2006 we initiated a detailed examination of the books at our portfolio companies HoT JWP Music Inc. and VI Music Holding Inc., Puerto Rico, in order to shed light on the inconsistencies that had emerged there in the course of the year and answer open questions in the figures for the prior years. By means of the investigation, which has a considerable impact on the consolidated profits for 2006, we intend to swiftly ensure financial figures for the Group on which we can budget accurately. Thereafter we will be able to focus once more firmly on our operating activities.

The audits were continued and expanded in Q1 2007. We are now also examining the liability of members of the Boards of the parent company and HoT JWP Music Inc. Moreover, we intend to identify the exact scale of damages for the companies concerned and if required ascertain what claims to damages can be brought by the companies against those responsible. Before the end of 2006, all the key amortization was written off and 25 % of the shares in HoT JWP Music Inc. sold in September to a Swiss investor. In 2007, the company was therefore only included in the consolidated annual statements at equity.

Consolidated sales

Consolidated JWP AG sales in Q1 2007 came to EUR 1,826 thousand as compared with EUR 3,658 thousand in the same period the year before. The key to the decline of around 50 % was firstly the



deconsolidation of HoT JWP Music Inc., Miami, United States. In the first three months of 2006, the Company booked sales of EUR 544 thousand. Secondly, our subsidiary in Puerto Rico and Jack White Productions AG in Germany did not perform as well.

The parent company's sales volume dropped from EUR 2,314 thousand to EUR 1,126 thousand in Jan.-March, 2007, as most releases in Germany, Austria and Switzerland (GAS) only took place toward the end of the quarter. For this reason, we were not yet able to book noteworthy sales revenues from them. Among other things, March saw the launch of the new **Hansi Hinterseer** album, which went Gold in Austria after only two days of sales. Moreover, an **Ireen Sheer** album came out along with our first CD book-&-drama: the "GIBLINGE Project", a 3-part series of dramas and children's books – with **Roland Kaiser** as the main writer and narrator responsible. The series was presented at the Leipzig Book Fair at the end of March and has since then sold very well.

Sales by segment

In the Labels segment, in the first three months of 2007 sales of EUR 1,729 thousand were booked as against EUR 3,560 thousand in the year-before period. In other words, the segment sourced 94.7 % (prior year: 97.3 %) of Group sales. In our Publishing segment, which bundled the exploitation of copyrights, sales remained almost unchanged at EUR 97 thousand (prior year: EUR 98 thousand). Since the plan is to have sold this segment before the end of the year, the designation has been changed to "Publishing/Discontinued operations".

Consolidated earnings

Due to the considerably reduced sales volume, consolidated gross profit dropped on the quarter from EUR 3,052 thousand to EUR 1,020 thousand, with the gross margin on sales falling from around 83 % to 56 %.

The loss before interest, taxes, depreciation and amortization for the first quarter came to EUR 431 thousand (prior year EBITDA: EUR 1,216 thousand). The loss before interest and taxes, or operating loss, was EUR 642 thousand as against EBIT of EUR 1,017 thousand in Q1 2006.



However, costs of selling were pruned from EUR 1,219 thousand to EUR 1,005 thousand, with general and administrative costs trimmed from EUR 816 thousand to EUR 656 thousand.

The consolidated after-tax loss for Q1 2007 was EUR 557 thousand (prior year net income: EUR 727 thousand). This figure contains other expenses of EUR 159 thousand (prior year: EUR 36 thousand), largely the result of extraordinary expenses at Transcontinent Musikverlag GmbH. These resulted from the one-time payment of sums due to GEMA in arrears from former settlement periods. The Group posted a loss per share of EUR 0.08 as against EpS of EUR 0.10 in Q1 2006.

Earnings by segment

The net loss booked by the Labels segment as at the end of March was EUR 438 thousand as compared with net income of EUR 696 thousand the prior year. In the Publishing/Discontinued operations segment, the loss was EUR 119 thousand as against a profit of EUR 31 thousand in Q1 2006. The sole reason here was the afore-mentioned payment in arrears from prior periods, entered as an extraordinary expense of EUR 148 thousand.

Financial position

Cash flow statement

JWP Group cash flow as at end of March 2007 totaled EUR 658 thousand, as compared with EUR 2,140 thousand one year before. Compared with cash levels at the beginning of the year of EUR 1,158 thousand (prior year: EUR 1,123 thousand), cash and equivalents have fallen by EUR 500 thousand as against an increase of EUR 1,017 thousand one year earlier.

Cash flow from operating activities totaled EUR 10 thousand as compared with EUR 1,214 thousand one year before. Cash flow according to DVFA/SG was a net outflow of EUR 346 thousand as against a net inflow of EUR 992 thousand through March 31, 2006. Cash for investing activities in the period under review was EUR 198 thousand (prior year: EUR 156 thousand) and from financing activities EUR 312 thousand (prior year: EUR 41 thousand).



Assets

Balance sheet structure

Compared with year-end 2006, the consolidated balance sheet total as at March 31, 2007, had slipped slightly from EUR 31,635 thousand to EUR 30,693 thousand. On the assets side, non-current assets were marginally down from EUR 19,191 thousand at EUR 19,160 thousand and current assets fell from EUR 11,128 thousand to EUR 9,969 thousand. Alongside liquid funds, which shrank from EUR 1,064 thousand to EUR 425 thousand, above all trade receivables dropped. On March 31, 2007, this item totaled EUR 2,739 thousand and EUR 3,406 thousand one year earlier, mainly the result of amortization on receivables from HoT JWP Music Inc. in the United States. Inventories came to EUR 265 thousand as against EUR 277 thousand on Dec. 31, 2006.

On the liabilities side of the consolidated balance sheet, equity capital ran at EUR 24,159 thousand (Dec. 31, 2006: EUR 24,734 thousand), which translates into an equity/assets ratio of 78.7% (prior year: 78.2 %). Equity capital per share was EUR 3.45 as compared with EUR 3.53 at year-end 2006. Current liabilities have fallen in the course of the year to date from EUR 5,199 thousand to EUR 4,692 thousand. Above all, current loans fell, amounting to EUR 503 thousand as against EUR 816 thousand at year-end 2006. Current accruals and other current liabilities were reduced slightly to EUR 873 thousand (Dec. 31, 2006: EUR 917 thousand) and EUR 2,769 thousand (Dec. 31, 2006: EUR 2,987 thousand), while trade accounts payable were up on the year-end 2006 figure of EUR 479 thousand at EUR 547 thousand. Non-current liabilities remained almost unchanged at EUR 1,271 thousand (Dec. 31, 2006: EUR 1,288 thousand).

Employees

The JWP Group payroll fell by seven persons on the year, namely from 27 to 20 employees. The payroll in the Publishing segment held steady at two employees, while the number in the Labels segment fell from 25 to 18 mainly owing to deconsolidation of HoT JWP Music Inc. in the United States.



Events after the end of the period under review

After the end of the reporting period, we acquired 51 % in the Berlin-based company 313 MUSIC, which is specialized in managing artists and operates its own label. Among others, 313 MUSIC manages ex-Spice-Girl **Melanie C**, who celebrated a massive comeback in 2006, artist **Ben**, who is currently taking part in the RTL show "Let's Dance", as well as producer and composer **Lukas Hilbert**. The latter has already worked in the studio with stars such as **Nena**, **Peter Maffay** or **Die Prinzen** and has composed countless Top 10 songs. 313 Music also manages the finalists in the 2007 series of the TV show "Deutschland sucht den Superstar" (DSDS).

In this segment, we have already booked the first successes: with the no. 1 hit "Now or Never" by DSDS winner **Mark Medlock**. In the first week after its release, the single went to no. 1 in the German charts and by the very first weekend had sold over 100,000 copies and had thus gone Gold. Given that 313 MUSIC is responsible for the overall management of **Mark Medlock**, JWP AG benefits not only from sales of audio recordings, but also participates in all the revenue the artist earns.

Forecast

Overall conditions

From today's viewpoint, in the further course of the year the economic upturn will persist. According to estimates by the Kiel Institut für Weltwirtschaft, the global economy will grow this year by around 4.7 %. In the United States, the increase will be 2.6 % and in Euroland growth is expected to be about 2.7 %. The 2007 rise in German GDP is forecast to be around 2.8 %.

The international music industry is less confident: Sales by classical sales channels are expected to fall further in the current year. The online channel is becoming an increasingly important sales channel for the music industry, but is still of subordinate importance compared with the overall volume and does not yet offset the drop in sales of audio recordings.



JWP AG business trends

In 2007, JWP AG intends above all to stabilize earnings and place the Group on a solid basis from which to undertake future budgeting. In the United States, all the necessary audit mechanisms have been introduced to ensure that in the current year we can once again concentrate throughout the Group on our operating activities. In this regard, we are pursuing various measures to broaden our business base:

Firstly, we are taking young artists under contract who expand our repertoire and stabilize the course of business. Contracts have already been signed with Munich-based band **Jenson** and with artist **Alexa Phazer**, and negotiations are ongoing with other talents.

Secondly, we want to tap new fields of business by increasing our portfolio companies and entering into alliances. Thanks to the stake in 313 MUSIC acquired in Q2 2007, we have already taken a major step in this direction. In the further course of the year we will press ahead with the integration of 313 MUSIC's activities and at the same time hold talks with other possible partners.

We are planning several releases with our existing artist base in the current year – for example with popular folk music star **Hansi Hinterseer**, who in addition to the album in the stores since the end of March plans another CD in the summer and a DVD in November. Moreover, 2007 will see the release of the new CD by **Die Firma**, whose single "Die Eine 2005" went Gold. The release of "This Time", the **Melanie C** album brought out on the 313 MUSIC label, will be supported by a wide-ranging marketing drive that includes a trailer campaign for the new Sat1 series "Nur die Liebe zählt". Furthermore, the single "For the moment you believe" is the song for this year's "Aktion Mensch" campaign.

We will bring out the new **ELLI** album on Hitch Records, a label run by US producers Gary Baker and Anthony Little, with whom we have an exclusive agreement. Among others, Gary Baker wrote the hit "I Swear", which became world famous when covered by **All4One**, and has produced top hits for artists such as the **Backstreet Boys**, **LeAnn Rimes**, **Ronan Keating** and **Jessica Simpson**. All in all, as a songwriter and producer he has already sold over 250 million audio recordings, was nominated for three Grammys and won one of them. As a songwriter and producer, Anthony Little



has also landed countless chart busters, including for **Tina Turner, Jessica Simpson, Natural** and **Justin Timberlake**. The first ELLI single will come out on June 1 and the related album most probably at the beginning of September.

On balance, we expect that in 2007 sales will rise mildly to about EUR 7 million for the parent company. For the Group (i.e., including US business), sales are expected to pick up as of the second half, and the year to close in profit. New projects such as 313 MUSIC are not factored into this estimate.

In the long term, one of our aims is for JWP AG to tap larger sections of the music industry exploitation chain, to expand the repertoire and strengthen the existing business segments. By contrast, we intend to sell off the Transcontinent Musikverlag GmbH subsidiary, which is specialized in exploiting copyrights. A number of high-quality offers have been made for the company and it will therefore probably be spun off before the end of the current year.

We will further strengthen our human resources in 2007 and hire a product manager for marketing and promotion in GAS. We also intend to fill the vacant position of CFO as soon as possible.

JWP equity

In Q1 2007, the JWP AG equity continued to move downwards. At the end of March, the share was quoted at EUR 2.34. Compared with the year-end 2006 price of EUR 2.57, this amounts to a decrease of 8.95 %. By contrast, the "Prime Media Performance" segment index gained 9.69 %, and the SDax increased by 9.87 %. The market capitalization of the seven million JWP ordinary shares available for trading totaled EUR 16.4 million as at March 31, 2007. In the second quarter, the price continued to slip, closing April at EUR 2.25. After the announcement that Mark Medlock's single had gone to no. 1 in the charts, the share started to climb appreciably, and it reached as much as EUR 2.70.



Shareholder structure - directors' holdings

As at March 31, 2007, of the total of seven million Jack White Productions AG shares, 5,049,600 units or 72.14 % were in free float. According to our information, Effecten-Spiegel AG holds 1,400,400 shares (20.006 %) and Heinz Heiler 550,000 shares (7.86 %). Holm Tippner, since March 2007 a member of the Supervisory Board, held 20 shares as at March 31, 2007, and Jack White, until Jan. 20, 2007 a member of the Board of Management, 500 shares.

No interim dividend was disbursed.

Berlin, May 2007



Consolidated Balance Sheet

| ASSETS | March 31, 2007 | Dec. 31, 2006 |
|---|----------------|---------------|
| Current assets | | |
| Cash and cash equivalents | 425 | 1,064 |
| Securities | 779 | 794 |
| Trade accounts receivable | 2,739 | 3,406 |
| Inventories | 265 | 277 |
| Rechnungsabgrenzungsposten and other current assets | 5,761 | 5,587 |
| Total current assets | 9,969 | 11,128 |
| Noncurrent assets | | |
| Tangible assets | 530 | 552 |
| Intangible assets | 15,240 | 15,425 |
| Participations | 460 | 460 |
| Shares in associated companies | 2 | 0 |
| Deferred taxes | 2,928 | 2,754 |
| Other financial assets | 0 | 0 |
| Total noncurrent assets | 19,160 | 19,191 |
| Assets in discontinued operations | 1,564 | 1,316 |
| Total assets | 30,693 | 31,635 |

Figures in EUR 000



| LIABILITIES | March 31, 2007 | Dec. 31, 2006 |
|--|-----------------------|----------------------|
| Current liabilities | | |
| Trade accounts payable | 547 | 479 |
| Loans and current portion of noncurrent loans | 503 | 815 |
| Provisions | 874 | 917 |
| Other current liabilities | 2,769 | 2,987 |
| Total current liabilities | 4,692 | 5,199 |
| Noncurrent liabilities | | |
| Loans | 1,218 | 1,234 |
| Deferred taxes | 53 | 54 |
| Total noncurrent liabilities | 1,271 | 1,288 |
| Liabilities in discontinued operations | 571 | 414 |
| Total liabilities | 6,534 | 6,901 |
| Shareholders' equity | | |
| Subscribed capital | 7,000 | 7,000 |
| Paid-in capital | 16,159 | 16,159 |
| Unrealized translation adjustments | -138 | -139 |
| Retained profit/loss | -3,779 | -3,202 |
| Equity capital attributable to group shareholders | 19,242 | 19,818 |
| Minority interest | 4,917 | 4,916 |
| Total shareholders' equity | 24,159 | 24,734 |
| Total liabilities | 30,693 | 31,635 |

Figures in EUR 000



Consolidated Income Statement

| | Jan. 1 – March 31, 2007 | Jan. 1 – March 31, 2006 |
|---|-------------------------|-------------------------|
| Consolidated sales | 1,826 | 3,658 |
| Cost of sales | -806 | -606 |
| Gross profit on sales | 1,020 | 3,052 |
| Selling costs | -1,005 | -1,219 |
| General and administrative costs | -656 | -816 |
| Operating profit/loss | -642 | 1,017 |
| Interest income / expense | -10 | 14 |
| Income from participations | 23 | 0 |
| Other financial gains/losses | 59 | 276 |
| Other income/expense | -159 | -36 |
| Result before income taxes | -729 | 1,271 |
| Income tax | 173 | -478 |
| Result before minority interests | -557 | 793 |
| (of which from discontinued operations) | (-118) | (33) |
| Minority interests | 0 | -66 |
| Net profit/loss | -557 | 727 |

Figures in EUR 000

| | | |
|-----------------------------------|-----------|-----------|
| Net earnings/loss per share (EUR) | -0.08 | 0.10 |
| Shares outstanding | 7,000,000 | 7,000,000 |



Consolidated Cash Flow Statement

| | March 31, 2007 | March 31, 2006 |
|--|----------------|----------------|
| Net income/loss | -557 | 727 |
| Profit attributable to minority interests | 0 | 66 |
| Depreciation/allocations to fixed assets | 211 | 199 |
| Cash flow according to the DVFA/SG method | -346 | 992 |
| Changes in deferred taxes | -181 | 458 |
| Foreign-currency losses | -24 | 0 |
| Other income/expenses impacting on cash | -4 | 210 |
| Increase/decrease in trade accounts receivables | 798 | -589 |
| Increase/decrease in inventories | 13 | 32 |
| Increase/decrease in other assets | -213 | -667 |
| Increase/decrease in trade accounts payable | 238 | 350 |
| Change in other liabilities | -271 | 428 |
| Cash flow from/for operating activities | 10 | 1,214 |
| (of which from discontinued operations) | (138) | (-4) |
| Change in marketable securities | 15 | -255 |
| Payments for investments in tangible assets | -1 | -22 |
| Payments for investments in/from sale of intangible assets | -214 | 64 |
| Payments for investments in financial assets | -2 | -67 |
| Payments from sale of tangible assets | 4 | 0 |
| Payments from sale of financial assets | 0 | 124 |
| Cash for/from investing activities | -198 | -156 |
| (of which from discontinued operations) | (0) | (0) |
| Debt taken up/repaid | -312 | -41 |
| Cash for/from financing activities | -312 | -41 |
| (of which from discontinued operations) | (0) | (0) |
| Changes in cash and equivalents impacting on the income Statement | -500 | 1,017 |
| (of which from discontinued operations) | (138) | (-4) |
| Cash and cash equivalents at the beginning of the period | 1,158 | 1,123 |
| Cash and cash equivalents at the end of the period | 658 | 2,140 |

Figures in EUR 000



Segment Reporting

| | Labels | | Publishing/ Discontinued Operations | | Group | |
|---------------------------|-------------------|-------------------|--|-------------------|-------------------|-------------------|
| | March 31, 2007 | March 31, 2006 | March 31, 2007 | March 31, 2006 | March 31, 2007 | March 31, 2006 |
| Sales revenues | 1,729 | 3,560 | 97 | 98 | 1,826 | 3,658 |
| of which USA/Puerto Rico | 602 | 1,597 | 0 | 0 | 602 | 1,597 |
| Gross profit on sales | 971 | 2,967 | 49 | 85 | 1,020 | 3,052 |
| of which USA/Puerto Rico | 356 | 1,315 | 0 | 0 | 356 | 1,315 |
| Depreciation | 197 | 184 | 14 | 15 | 211 | 199 |
| of which USA/Puerto Rico | 0 | 26 | 0 | 0 | 0 | 26 |
| Financial income/expenses | 73 | 292 | -1 | -2 | 72 | 290 |
| of which USA/Puerto Rico | 0 | -47 | 0 | 0 | 0 | -47 |
| Net profit/loss | -438 | 696 | -119 | 31 | -557 | 727 |
| of which USA/Puerto Rico | -303 | 289 | 0 | 0 | -303 | 289 |
| Minority interest | 0 | 66 | 0 | 0 | 0 | 66 |
| of which USA/Puerto Rico | 0 | 66 | 0 | 0 | 0 | 66 |
| Tangible assets | 530 | 435 | 2 | 6 | 532 | 441 |
| of which USA/Puerto Rico | 55 | 117 | 0 | 0 | 55 | 117 |
| Intangible assets | 15,240 | 14,728 | 968 | 1,021 | 16,208 | 15,749 |
| of which USA/Puerto Rico | 754 | 10,934 | 0 | 0 | 754 | 10,934 |
| Number of employees | 18 | 25 | 2 | 2 | 20 | 27 |
| of which USA/Puerto Rico | 7 | 16 | 0 | 0 | 7 | 16 |

Figures in EUR 000



Consolidated schedule of changes in Equity

| | Ordinary shares | Paid-in capital | Retained earnings | Minority shareholders | Translation adjustments | Total equity |
|--------------------------------------|-----------------|-----------------|-------------------|-----------------------|-------------------------|---------------|
| Balance, December 31, 2005 | 7,000 | 16,159 | 5,912 | 4,381 | 202 | 33,654 |
| Net profit/loss | | | 727 | 66 | | 793 |
| Change in the scope of consolidation | | | | | | 0 |
| Currency translation adjustments | | | -598 | -100 | -356 | -1,054 |
| Balance, March 31, 2006 | 7,000 | 16,159 | 6,041 | 4,347 | -154 | 33,393 |
| | | | | | | |
| Balance, December 31, 2006 | 7,000 | 16,159 | -3,202 | 4,916 | -139 | 24,734 |
| Net profit/loss | | | -557 | 0 | | -557 |
| Change in the scope of consolidation | | | | | | 0 |
| Currency translation adjustments | | | -20 | 1 | 1 | -18 |
| Balance, March 31, 2007 | 7,000 | 16,159 | -3,779 | 4,917 | -138 | 24,159 |

Figures in EUR 000



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