



Interim report of 313 Music JWP AG

01.01.2008 to 31.03.2008

- 313 Music JWP AG achieves a group turnover of 809 (previous year 1,826) TEuro for the first quarter
- Net earnings at -779 (previous year -557) TEuro
- For the entire year, we are striving for a plus in turnover and positive earnings
- Publications promising success are planned

Group ratios

Data according to IFRS		31.03.2008	31.03.2007
Turnover	TEuro	809	1,826
Production cost	TEuro	411	806
Gross sales result	TEuro	398	1,020
Gross margin	%	49.2	55.9
EBITDA	TEuro	-691	-431
EBITDA margin	%	-	-
EBIT (operating result)	TEuro	-915	-642
EBIT margin	%	-	-
Result after taxes	TEuro	-779	-557
Net rate of return	%	-	-
Net result per share*	Euro	-0.09	-0.08
Cash flow according to DVFA/SG	TEuro	-520	-346
Employees as per reporting date		19	20

* Basis: 9 (previous year 7) million shares

		31.03.2008	31.12.2007
Balance sheet total	TEuro	26,302	27,995
Equity capital	TEuro	20,238	20,450
Equity ratio	%	76.9	73.0



The quarterly balance sheet of the group as per 31 March 2008, as well as the appropriate figures for the previous year, were prepared as required by the International Financial Reporting Standards (IFRS).

General framework

Economic environment

The world economy was also burdened in spring of 2008 due to the turbulences on the financial markets triggered by the US real estate and financial crisis. The US economy experienced a significant downturn in recent months, and the US economy is on the threshold of a recession. Falling real estate prices and the decreasing share prices resulted in asset losses of private households, which dampened private consumption. The US Federal Reserve reacted to the current financial and threatening economic crises by several, significant reductions in interest rates, the central bank discount rate fell to 2.25 percent as per the reporting date. The economic growth in Western Europe also slowed down, in some countries, the national real estate boom lost dynamics. The greatly increased exchange rate of the common European currency and the significantly increased consumer prices burdened the economy in the Euro zone. For example, the prices in March 2008, increased by 3.5 percent compared to the same month of last year. In Germany, the economic development was relatively rapid in the first months of 2008, the economic mood indicators maintained a high level. For example, the gross domestic product (GDP) in the first quarter of 2008 was 1.5 percent higher than in the fourth quarter of 2007, adjusted for price, calendar and season. Compared to last year, the GDP in the first quarter rose by 1.8 percent real, adjusted for the calendar by 2.6 percent.

Industry development

The music industry, however, still operates in a tense environment. After the first quarter, market researchers showed a sales minus of 9.4 percent and a turnover minus of 8.1 percent on the market for physical media.

The download business, however, continues to develop contrary to the trend. From the beginning of January to the end of March, the sale of all digital products grew by 38.1 percent, the number of downloaded individual tracks by 36.1 percent, and that of the bundles sold by 63.3 percent.



On the one hand, this is due to improved technical equipment and a broader product range, and on the other hand, the number of young buyers between 10 and 19 years of age is growing. Whether this growth is due to success in fighting the Internet piracy will only be revealed in the future according to statements of the Bundesverband Musikindustrie e.V. At present, it is estimated that for every legal music download, there are between 10 and 20 illegal ones.

313 Music JWP AG

313 Music JWP AG produces and publishes recording of music with various artists, purchases recordings by other producers and exploits them. Along with the music production business segment, we are active in the area of artist management through our subsidiary 313 Music GmbH, in which we hold 51 % of the shares. In this manner, we not only profit from media sales, but from all revenues of an artist. In addition, our 45 % interest in the Manfred Hertlein Veranstaltungs-GmbH covers the event management segment. Furthermore, the publication business, where the intellectual property of composers and text writers is managed, is intended to grow. For this purpose, new copyrights are being established continuously and exploited by the subsidiary Transcontinent Musikverlag OHG. The headquarters of 313 Music JWP AG is located at Unterföhring near Munich.

The foreign subsidiaries include VI Music Holding Inc., Puerto Rico, in which 313 Music JWP AG holds 50 % plus one share. It acts as a holding company for the interest in VI Music LLC, which is also resident in Puerto Rico, in which we hold a 50 % interest. The purpose of this company is the production and publication of works of music, particularly in the Americas. The remaining shares of VI Music LLC are owned by Universal Music Group, which also takes over the worldwide marketing of the associated label VI Music. The remaining shares in the American HoT JWP Music Inc., Miami, in which 313 Music JWP AG still held 48.3 % in 2007, were sold retroactively as per 01.01.2008.

In addition, 313 Music JWP AG owned 100 % of the shares of ALDACO entertainment GmbH and White Records GmbH, both at Unterföhring. The companies were merged effective on 1 January 2008 to form Seven Days Music GmbH, Unterföhring.

This is in line with the realignment of the company, which reorganizes the structure of the group.

The managing board is comprised of two members. The chairman of the managing board has been Thomas M. Stein since 1 March 2006. Since 13 September 2007, Volker Neumüller has been an



additional member of the managing Board. Thomas M. Stein will resign from the managing board on 31 August 2008.

Work of the managing board is continuously supervised by the supervisory board. As per 31 March 2008, this body was comprised of: Jürgen Uhlemann as chairman of the supervisory board, Dr. Thomas Griebe as deputy chairman and Karl-Heinz Klemnow.

Course of business and earnings situation

Group sales

In the first quarter of 2008, the group sales of 313 Music JWP AG were 809 TEuro, following 1,826 TEuro in the appropriate period of the previous year. The downturn of about 56 % was on the one hand due to increased returns, and on the other hand, the business development in Puerto Rico, which was behind expectations.

The volume of the parent company from January to March 2008 was reduced to 579 (previous year 1,126) TEuro, since most publications in the German-language area only occur at the end of the quarter.

Sales by segments

In the label segment, sales of 750 TEuro were achieved in the first three months of 2008, following 1,729 TEuro in the period of last year. This is primarily due to the drastic drop in sales in Puerto Rico. Hence, the business segment contributed 92.7 (previous year 94.7) % to the group volume. In our second segment, publication, which gathers the exploitation of copyrights, the sales dropped from 97 TEuro to 59 TEuro.



Group result

Because the sales volume was significantly reduced, the gross result in the group was reduced from 1,020 TEuro to 398 TEuro comparing quarters. The gross sales margin was reduced from about 56 % to 49 %.

The result before interest, taxes and depreciations (EBITDA) after three months was -691 (previous year -431) TEuro. The EBIT, which corresponds to the operating result, was -915 TEuro following -642 TEuro during the same period in the previous year. The sales cost was reduced from 1,005 TEuro to 679 TEuro, the general and administration cost was reduced from 656 TEuro to 634 TEuro.

After taxes, we showed a group result of -779 (previous year -557) TEuro in the first three months of 2008. For each share, there is a minus of 0.09 Euro in the group, following a deficit of 0.08 Euro in the first quarter of 2007.

Profit development by segments

The net result in the labels segment by the end of March was -828 TEuro compared to -438 TEuro in the previous year. In the publication segment, we show a profit of 49 TEuro following a deficit of -119 TEuro during the same period of 2007.

Financial position

Flow of funds statement

The financial resources in the group at the end of March 2008 were 947 TEuro, following 658 TEuro as per the appropriate date in 2007. Compared to the level at the beginning of the year, in the amount of 1,568 (previous year 1,158) TEuro there is an effective reduction by -621 TEuro.



The outflow from ongoing business activities amounted to a total of -1.353 TEuro following inflows of 10 TEuro during the same period of the previous year. The cash flow according to DVFA/SG amounted to -520 TEuro compared to -346 TEuro on 31 March 2008. From investment activities, a total of 1 (previous year -198) TEuro was added in the course of 2008, and from financing activities 731 (previous year -312) TEuro.

Financial situation

Balance sheet structure

Compared to the end of 2007, the group balance sheet total as per 31 March 2008 fell slightly from 27,995 TEuro to 26,302 TEuro. On the asset side, the long-term assets slightly decreased from 20,262 TEuro to 20,068 TEuro and the short-term assets decrease from 7,733 TEuro to 6,234 TEuro. Along with liquid funds which decreased from 1,568 TEuro to 947 TEuro, primarily the accounts receivable from deliveries and services dropped. As per 31 March 2008, this items was 562 TEuro following 1.206 TEuro an the same day of the comparison period. The inventory was 318 TEuro compared to 319 TEuro on 31 December 2007.

On the liabilities side of the group balance sheet, equity capital of 20,238 (31.12.2007: 20,450) TEuro was shown, which yields an equity ratio of 76.9 (previous year 73,0) %. The equity capital per share was 2.23 Euro following 2.38 Euro at the end of 2007. The short-term liabilities were reduced in the course of this year from 5,103 TEuro to 3,504 TEuro. The short-term loads were almost constant, as per the reporting date, they amounted to 9 TEuro following 4 TEuro in the comparison period. The reserves and other liabilities were also reduced to 1,008 (31.12.2007: 1,358) respectively 1,315 (31.12.2007: 1,895) TEuro, also the liabilities from deliveries and services, which at 759 TEuro were below the comparison value of 1,047 TEuro. The long-term liabilities were almost unchanged at 2,560 (31.12.2007: 2,442) TEuro.



Number of employees

The number of employees in the group was almost unchanged at 19 compared to 20 in the previous year.

Supplemental report

After completion of the special audit with the subsidiary HoT JWP Music inc. Miami, the former managing board members were required in writing to compensate the company for the damage caused, which was provisionally fixed at 1.9 million €. This amount only includes the cost of the audit and consulting as well as loans granted illegally. This does not include the damage that probably arose in the USA, which will be determined separately in the legal proceedings there.

The joint venture between Universal Music Group and VI Holding Inc., Puerto Rico, will likely terminate in 2008 as stipulated in the contract. The companies are currently in discussions.

Prognostic report

General conditions

The global economy will grow significantly more slowly in 2008 according to the forecast of the "Project group community diagnosis" than in previous years, with an increase of 2.7 percent. For Germany, the project group expects a growth of 1.8 percent of the real gross domestic product in 2008.

In the music industry, experts expect a further decrease in the sales share of physical media. According to a GfK study, an annual sales decrease of 5 % is to be expected. Only the number of legal downloads will continue to increase according to the BVMI. However, this can only compensate the decrease in the media business in 2010, according to an estimate by the market research company Jupiter.



As stated by the Bundesverband Musikindustrie e.V., the labels are working on the expansion and development of additional sources of income, such as artist and concert management, licensing and merchandising, as well as other services, in order to reduce the dependence on the traditional media business.

Business development of 313 Music JWP AG

313 Music JWP AG will continue on the course set in 2008 in order to profit from the future-oriented investments that were initiated. The expansion of our areas of activity and the optimized cost structures are likely to improve our earnings position. However, this also depends on the reorganization measures taken in 2007 becoming effective and that no external factors will significantly affect this. It cannot be excluded that liquidity must be provided to the company within the framework of reorganization.

It is our primary strategic goal to utilize increasingly large parts of the marketing chain in the music industry in order to achieve more independence from pure media sales. In the long term, we will achieve a higher earnings and planning security in this manner. The new business segments, artist and event management, above all and the publication business will consequently be expanded by us. In addition, we will increasingly move to the strong-growth online marketing in order to follow development in the industry. In contrast to other companies, we began this reorientation at an early time and hope for a competitive advantage due to this.

We are also broadening our basis in the music production segment. For this purpose, we are engaging additional artists as well as young talents, expanding the repertoire and intensifying the cooperation with established labels and producers.

In the first months of 2008, we already had a few successes in the operative business of the group: On the one hand, the hit "Du hast den schönsten Arsch der Welt" by Alex C. feat. Y-ass stayed in the German single charts for several weeks and achieved gold status in January. The successor project "Doktorspiele" by the project backed by the artist Alex Christensen immediately conquered the sales charts. The title song of the cult series "Shaun das Schaf" sung by the multi-award-winning



comedian Ralf Schmitz was also sold with great success. The single is marketed by 313 Music JWP AG in cooperation with the WDR.

The superstar Mark Medlock was awarded the ECHO, which is regarded as one of the most important music awards of the world, at the beginning of February. The awards honors the most successful national and international top stars of the previous year. Mark Medlock won the category "Most successful Newcomer National". In May, Mark Medlock won the coveted VIVA music award COMET as the "Best Newcomer". The single "Summer Love" from the current album "Cloud Dancer" achieved gold status in Germany recently after conquering 1st place of the German charts directly.

Rednex, who became famous by the international hit "Cotton Eye Joe", which reached the chart position 1 in twelve countries, climbed to place 1 of the sales list at the Swedish home of the band in June with the single "Football Is Our Religion", which was published for the European soccer championship. To date, Rednex received a total of 41 golden records and had six no. 1 titles in Germany alone. The worldwide artist contract between 313 Music GmbH and Rednex was concluded together with King Size Records GmbH of the successful producer, Alex Christensen, and secures for us a share in the income from live concerts of the band.

The DSDS winner, Thomas Godoj, and the second, Fady Maalouf, were given new contracts. The single of Thomas Godoj, "Love Is You", already achieved gold status. The first album of Thomas Godoj, "Plan A!", as well as the single of Fady Maalouf "Blessed" were published last week.

Hansi Hinterseer, for years one of the bestsellers in the artist portfolio of the company, achieved gold in Austria with his current album "Ein kleines Edelweiß". The new CD includes 14 folk melodies, which pick up characteristic dialect melodies from the Tirolean home of the artist. The new album of Hansi Hinterseer, "Für immer", will appear on 22 August 2008.

New publications are planned by the group in 2008, among others, with the artists Alex C., Das BO, Mike Krüger, Heino as well as the newcomers Jenson and Bruno Ferrara.

313 Music JWP share



The share of 313 Music JWP AG dropped further in the first quarter of 2008. At the end of March, the share was valued 0.94 Euro. Compared to the final price for 2007 of 1.25 Euro, this corresponds to a reduction by 24.8 %. This development reflects the trend on the share market. The industry index "Prime Media Performance" lost 11.45 % of its value during the reporting period, the SDax similarly lost 13.55 % . The market capitalization of the 9,083,333 traded 313 Music JWP common stock was 8.5 million Euro as per the reporting date.

Shareholder structure - Directors' Holdings

As per the reporting date 31 March 2008, 6,260,133 or 68.92 % of a total of 9,083,333 shares of 313 Music JWP AG were found in portfolio investment. According to information available to us, the Effecten-Spiegel AG held 1,650,000 shares (18.17 %), Heinz Heiler 640,000 shares (7.05 %), and Jürgen Uhlemann as the chairman of the supervisory board held 533,200 shares (5.87 %). Thomas M. Stein, chairman of the managing board, held a total of 35,000 shares on 31 March 2008, and Volker Neumüller held 10,000 shares.

An interim dividend was not paid.

Explanations regarding the interim balance sheet for the group

The abbreviated interim balance sheet of 313 Music JWP AG as per 31 March 2008 was prepared in accordance with the International Financial Reporting Standards (IFRS) for interim reporting as applicable in the European Union.

The balance sheet and valuation methods correspond to those of the group balance sheet as per 31.12.2007. The balance sheets included in the interim balance sheet for the group were not subject to any audit.

Unterföhring, August 2008



Group balance sheet

Assets	31.03.2008	31.12.2007
Short-term assets		
Liquid funds	947	1,568
Securities	150	150
Accounts receivable from deliveries and services	562	1,206
Inventory	318	319
Other accounts receivable	4,257	4,490
Sum of short-term assets	6,234	7,733
Long-term assets		
Tangible fixed assets	448	470
Immaterial assets	17,572	17,819
Financial assets	960	960
Deferred taxes	1,012	1,013
Other financial assets	76	0
Sum of long-term assets	20,068	20,262
Assets in activities not to be continued	0	0
Sum of assets	26,302	27,995

Data in T€

Total equity and liabilities	31.03.2008	31.12.2007
Short-term liabilities		
Accounts payable from deliveries and services	759	1,047
Loans and short-term share of long-term loans	9	4
Reserves	1,008	1,358
Liabilities towards relatives	61	457
Other liabilities	1,315	1,895
Tax liability	352	342
Sum of short-term liabilities	3,504	5,103
Long-term liabilities		
Loans	1,904	1,758
Deferred taxes	656	684
Sum of long-term liabilities	2,560	2,442
Liabilities in discontinued operations	0	0
Sum of liabilities	6,064	7,545
Equity capital		
Signed capital	9,083	8,600
Capital reserve	3,236	3,139
Equity capital difference from currency conversion	-274	-226
Balance-sheet profit	2,208	2,984
Equity capital due to group shareholders	14,253	14,497
Minority shares	5,985	5,953
Sum of equity capital	20,238	20,450
Sum of total equity and liabilities	26,302	27,995

Data in T€

Profit and loss account for the group

	01.01.-31.03.2008	01.01.-31.03.2007
Sales revenue	809	1,826
Production cost	-411	-806
Gross sales result	398	1,020
Cost of sales	-679	-1,005
General and administration cost	-634	-656
Operating result	-915	-642
Interest	2	0
Interest paid	1	-10
Investment earnings	0	23
Other financial result	-10	59
Other earnings / cost	156	-159
Result before taxes	-766	-729
Taxes on income and earnings	19	173
Result before minority shares	-747	-557
Minority shares	-32	0
Annual profit/deficit	-779	-557

Data in T€

Result per share in €	-0,09	-0,08
Shares in trade	9,083,333	7,000,000



Group flow of funds statement

	31.03.2008	31.03.2007
Annual profit/deficit	-779	-557
Profit share of minorities	32	0
Depreciation/appreciation of assets	224	211
Cash flow according to DVFA/SG	-520	-346
Change in deferred taxes	-27	-181
Foreign currency losses	0	-24
Other non-effective expenses/revenues	-568	-4
Increase/decrease of accounts receivable for deliveries and services	644	798
Increase/decrease of inventory	1	13
Increase/decrease of other assets	157	-213
Increase/decrease of accounts payable for deliveries and services	-460	238
Change in other liabilities	-580	-271
Funds inflow/outflow from ongoing business	-1,353	10
Change of securities of current assets	0	15
Payments for investments in the fixed assets	1	-1
Payments/deposits for investments in immaterial assets	0	-214
Payments for investments in the financial assets	0	-2
Deposits from sale of fixed assets	0	4
Deposits from sale of financial assets	0	0
Funds inflow/outflow from investments	1	-198
Deposits from capital increase	580	0
Deposits from taking out loans	151	0
Payments made for loan payback	0	-312
Funds inflow/outflow from financing activities	731	-312
Effective change in financial fund	-621	-500
Financial fund at the beginning of the period	1,568	1,158
Financial fund at the end of the period	947	658

Data in T€

Segment reporting

	Labels		Publishing		Group	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Sales revenue	750	1,729	59	97	809	1,826
of this USA/Puerto Rico	-40	602	0	0	-40	602
Gross sales result	339	971	59	49	398	1,020
of this USA/Puerto Rico	-71	356	0	0	-71	356
Depreciation	224	197	0	14	224	211
of this USA/Puerto Rico	14	0	0	0	14	0
Financial result	2	73	0	-1	2	72
of this USA/Puerto Rico	0	0	0	0	0	0
Result	-828	-438	49	-119	-779	-557
of this USA/Puerto Rico	-47	-303	0	0	-47	-303
Minority result	-32	0	0	0	-32	0
of this USA/Puerto Rico	0	0	0	0	0	0
Fixed assets	448	530	0	2	448	532
of this USA/Puerto Rico	31	55	0	0	31	55
Immaterial assets	17,572	15,240	0	968	17,572	16,208
of this USA/Puerto Rico	601	754	0	0	601	754
Number of employees	19	18	0	2	19	20
of this USA/Puerto Rico	7	7	0	0	7	7

Data in T€

Change in the group equity capital
313 Music JWP AG
Unterföhring

	Parent company				Minority shares		Equity capital of minorities	Group equity capital	
	Paid-up equity capital		Generated group equity capital	Other group result	Equity capital of the parent company				
	Subscribed capital	Capital reserve	Balance sheet profit/loss	Equity capital difference from currency conversion		Minority capital			Equity capital difference from currency conversion
As per 31 December 2006	7,000	16,159	-3,202	-139	19,818	4,909	7	4,916	24,734
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	2,984	-226	14,497	5,952	1	5,953	20,450
Capital increase	483	97			580			0	580
Group results for the year			-776		-776	32		32	-744
Other group results									
Total group results					-776				-744
Currency adjustments				-48	-48			0	-48
As per 30 June 2008	9,083	3,236	2,208	-274	14,253	5,984	1	5,985	20,238



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