313music JWP AG

Unterföhring

Consolidated Six-Monthly Report

as at 30 June 2009

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Consolidated key operating figures according to IFRS

		30.06.2009	30.06.2008
Data for continued business segments			
Sales revenues	kEUR	8.995	1.989
Cost of sales (production costs)	kEUR	7.563	1.138
Gross sales result	kEUR	1.432	851
Gross margin	%	15,9	42,8
EBITDA	kEUR	644	-1.131
EBITDA margin	%	7,2	-
EBIT	kEUR	279	-1.578
EBIT margin	%	3,1	-
Date for continued and discontinued business segments			
Result after taxes	kEUR	107	-1.591
Net return	%	1,2	-
Net result per share	EUR	-0,02	-0,17
Cash flow according to DVFA/SG	kEUR	472	-1.144
Employees as at reporting date (continued/discontinued segments/ total)	Number	18/5/23	12/7/19

		30.06.2009	31.12.2008
Balance sheet total	kEUR	14.230	12.682
Equity (shareholders and minority holdings)	kEUR	7.259	5.882
Equity ratio	%	51,0	46,4

The six-monthly report as at 30 June 2009 was compiled in accordance with the regulations of IAS 34 and the provisions of DRS 16 (German Accounting Standards 16). The accounting and evaluation methods are explained in detail in the 2008 annual report. The interim financial statement has, as in the comparable period for the previous year, been drawn up according to the regulations of the International Financial Reporting Standards. This interim financial statement has not been reviewed pursuant to Section 317 HGB (German Commercial Code) nor has it been audited.

Consolidated interim management report

Business and framework conditions

Basis of business and group structure

313music JWP AG produces and publishes music recordings with a variety of different artists, and acquires and exploits the recordings of other producers. In addition to the music production business segment, we operate in the area of artist management through our 313 Music GmbH, Berlin subsidiary, in which we have an interest of 51%. In this way we not only participate in sales of sound carriers but also in the further revenues of an artist.
Via our 45% holding in Manfred Hertlein Veranstaltungs GmbH, Würzburg, (MHV), we are also active in the event management segment.

In May 2009 the company exercised its contractual option to acquire a further 6% interest in MHV in the form of a notarised deed. This option had been available to the company since 01 January 2009 on the strength of a contractual agreement. Due to the existing controlling possibility, MHV was fully consolidated for the first time with effect from 01 January 2009 by way of the existing interest of 45% and the option of a 6%-increase to create a 51% interest. The accounts of MHV for the previous year had been prepared in accordance with the at-equity principles.

Following the sale of substantial publishing rights in 2007 from the portfolio of Transcontinent Musikverlag oHG, greater emphasis is to be placed on the publishing business again. To this end, new copyright is steadily being built up and exploited by the Transcontinent Musikverlag OHG subsidiary. The domicile of Transcontinent Musikverlag OHG, Seven Days Music GmbH and 313music JWP AG is Unterföhring near Munich, Germany.

The foreign subsidiaries included VI Music Holding Inc., Puerto Rico, in which 313music JWP AG owned 50% plus one share. It acted as a holding for the 50% share in VI Music LLC, also domiciled in Puerto Rico. The business purpose of this company was the production and publication of works of music, in particular for the US market. As planned, 313music JWP AG sold its two foreign subsidiaries by contract as at 01 January 2009. The purchaser of the 50% holding in VI Music LLC was the Universal Music Group; the purchaser of a holding in VI Music Holding Inc. being the co-shareholder Juan Vidal Nieves. Hence the two companies were no longer part of the 313music JWP AG consolidated entity with effect from 01 January 2009.

The planned sale of the VI companies was reflected in the group financial statements as at 31 December 2008. For this purpose, the assets of these companies as at 31 December 2008 were shown under the item "Long-term assets held for sale" and the debts under the item "Debts in direct connection with long-term assets held for sale". The items were merged in the item "Result from discontinued business segments" in the 2008 profit and loss account.

The sale of the foreign subsidiaries reflects the intention of the company to re-organise the group and its structure and to focus the operative business on the German-speaking area.

The board of management has had one member only since the appointment of Mr. Klaus Munzert in September 2008. There had been two members of the board the previous year, namely Mr. Thomas M. Stein (chairman) and Mr. Volker Neumüller.

The work of the board of management is continuously monitored by the supervisory board. The following were members of this board as at 30 June 2009: Mr. Jürgen Uhlemann as chairman of the supervisory board, Dr. Thomas Griebe as deputy chairman and Mr. Karl-Heinz Klempnow.

Events of importance in the first six months of 2009

Final consolidation of the VI companies

As planned, the company sold its two foreign subsidiaries, VI Music LLC und VI Music Holding Inc., by contract as at 01 January 2009. Therefore the two companies were finally consolidated as at 01 January 2009. As the losses arising from the disposal of the two companies were taken into account almost in their entirety in 2008, final consolidation only gave rise to a further loss in 2009 of kEUR 170 resulting from the cumulative exchange rate differences in the period in which the two companies were members of the group.

Final consolidation of Manfred Hertlein Veranstaltungs GmbH

The holding in this company was last increased in December 2007 by 25% to 45%. Since then the company has been included in the consolidated financial statements using at-equity principles. 313music JWP AG had the contractual option to acquire a further 6% interest in MHV in the period from 01 January 2009 to 31 December 2011. This option was exercised by way of a notarised deed in May 2009. Given the potential additional voting rights of 6 percentage points, control of MHV by 313music JWP AG under IFRS regulations was deemed to have been in effect as of 01 January 2009.

On the basis of the 45% interest and the option of a further 6% of shares, bringing the total up to 51%, MHV has been fully consolidated since 01 January 2009. No agreement on the purchase price of the further 6% share had been reached at the time the six monthly report was compiled.

In view of the consolidation of MHV, the figures for the first six months of 2009 are only comparable with those of the previous year to a limited extent.

General economic environment

The first six months of 2009 remained strongly influenced by the global financial and economic crisis. Contrary to expectations, the economies of the industrialised countries of Europe and Asia developed positively in the second quarter of 2009; the United States is showing the first signs of recovery. However, many experts are warning against seeing this as a reversal of the trend as these positive developments are also the result of state stimulus packages in the major economies.

A look at movements on the stock exchanges does show that optimism seems to have returned in the second quarter of 2009.

However, falling real estate prices and the drop in share prices over an extended period have led to decreases in the disposable income of private households and therefore in private consumption.
Nor was the Euro zone able to escape the global downturn in economic activity. Although this affected Germany comparatively late on, it has proved to be more profound and severe there.

Germany experienced a record economic decline in the first quarter of 2009. GDP fell, after adjustment for price rises, by 6.7% in comparison with the same quarter in 2008.
In comparison with the second quarter of 2008, GDP fell, after adjustment for price rises, by 7.1%. After adjustment for working-day variations, economic performance was only 5.9% lower than one year previously as in the second quarter of 2009 there were three fewer working days than in the same period the previous year.
Nevertheless, according to the Federal Statistics Office (Destatis), the German economy grew slightly in the second quarter of 2009 for the first time since the first quarter of 2008. GDP, adjusted for price rises, seasonal factors and variations in working days, was 0.3% higher in the second quarter of 2009 than in the first quarter of the year.

Development of the industry

The music business continues to operate in a very difficult environment.
Market surveys show a record decline in sales of physical sound carriers of 3.2% for the period up to 30 June 2009 and in the combined physical and digital market of 1.7% in comparison with the pervious year.
Unlike the physical market, the digital market continues to show positive development.
Sales in the download and mobile segments forming the digital market increased by approx. 15% in the first six months of 2009 in comparison with the previous year.
Market research institutes forecast, among other things, a tripling of sales in the digital music business between now and 2013 due to the growing availability of broadband Internet access.

Results of operations

Consolidated sales

The consolidated sales from continued segments of 313music JWP AG were kEUR 8,995 in the first six months of 2009 in comparison with kEUR 1,989 in the corresponding period the previous year. Due to licensing of the catalogue of the parent company to Sony Music, sales revenues from the sound carrier business fell from kEUR 1,239 to kEUR 104,4; these proceeds were entirely achieved by new releases under the existing distribution contract with Sony Music. The licence revenue from the catalogue contract in the amount of kEUR 529 was unable to make up for the fall in sales in the sound carrier business.

Sales according to segments

The structure of the profit and loss account was altered as at 31 December 2008; specifically the profit and loss account was divided up into “continued and discontinued segments”; “other income and expenses” and the item “exchange rate profits and losses” were included in the operating result. A number of individual adjustments to the structure of the flow of funds statement were made as at 31 December 2008.

Further, the company decided to use the IFRS 8 Operating Segments for the first time with effect from 01 January 2008. This has led to a change in the segmentation of business operations. The following segments have been formed on the basis of an entity approach and therefore under IFRS 8 are subject to reporting requirements.

Company	Segment
313music JWP AG	Label
Manfred Hertlein Veranstaltungs GmbH	Event management
313 Music GmbH	Artist management
Transcontinent Musikverlag oHG and Seven Days Music GmbH	Others (in particular exploitation of publishing rights)

The figures for the previous year were adjusted accordingly in all cases in order to improve comparability.

In the artist management segment, licence revenues in 2009 have been shown under “sales revenues” and not, as in the previous year, under “other operating income”. Corresponding adjustments were made for the pervious year. A total of kEUR 197 was transferred from “other operating income” to “sales revenues” for the first two quarters of 2008.
However, given the fact that MHV has been consolidated for the first time, comparability with the previous year is only possible to a limited extent.

Sales from continued business broken down according to segments were as follows:

	Segment sales *(percentage of total sales)*					
	01.01-30.6.2009	01.01-30.6.2008	01.04-30.6.2009	01.04-30.6.2008	01.01-31.3.2009	01.01-31.3.2008
	kEUR (%)	kEUR (%)	kEUR (%)	kEUR (%)	kEUR (%)	kEUR (%)
Label	910 (10,1)	1.449 (72,9)	413 (14,0)	869 (76,2)	497 (8,2)	580 (68,3)
Artist management	733 (8,1)	446 (22,4)	443 (15,0)	236 (20,7)	290 (4,8)	210 (24,7)
Event management	7.317 (81,3)	0 (,0)	2.063 (70,0)	0 (,0)	5.254 (86,9)	0 (,0)
Other	35 (,4)	94 (4,7)	28 (1,0)	35 (3,1)	7 (,1)	59 (6,9)
Total	8.995 (100,0)	1.989 (100,0)	2.947 (100,0)	1.140 (100,0)	6.048 (100,0)	849 (100,0)

Sales of kEUR 910 were generated in the Label segment in the first six months of 2009 following kEUR 1,449 in the comparable period for the previous year. This is attributable to the change in the structuring of sales of the parent company after licensing of the catalogue to Sony Music. Leaving aside the Event Management segment, the Label segment accounted for 54.2% (previous year: 72.9%) of consolidated sales. In contrast, the Artist Management segment was able to increase its share of consolidated sales from 22.4% to 43.7%, not including sales from Event Management.

Sales revenue in the Event Management segment in the second quarter of 2009 fell in comparison with the first quarter of the year. This was partly due to seasonal factors but primarily due to the fact that concerts featuring artists such as Elton John and Pink were managed in the first quarter of 2009.

Consolidated result

Thanks to the increased sales volume, the gross operating result from continued segments in the group improved in the first six months of the year from kEUR 851 to kEUR 1,432. However, the gross sales margin fell appreciably from approx. 42.8% to 15.9%.
Albeit, the figures cannot be compared with those for the previous year directly as, on the one hand, MHV was consolidated for the first time and, on the other hand, the manner in which costs are reported in the Label segment has changed from “distribution costs” to “production costs”.

EBITDA from continued areas was positive and amounted to kEUR 644 in the first six months of 2009 (previous year: kEUR -1,131).

EBIT was kEUR 279 in comparison with kEUR -1,578 in the corresponding period the previous year. The improvement by kEUR 1,857 is, in addition to the positive result contributed by MHV, primarily attributable to a decrease in distribution costs as well as general and administrative costs of kEUR 1,102 in total. Of this amount, in comparison with the previous year, kEUR 968 alone are accounted for by distribution costs; albeit a direct comparison is not possible due to changes is the way that production costs are now reported in 2009. The remaining items contributed kEUR 175 to the improvement of EBIT.
The positive result for the first six months of 2009 includes one-off effects from the retransfer of liability reserves in the amount of kEUR 108, waiver of a claim in the amount of kEUR 107 and the collection of kEUR 217 from litigation.
In the context of a claim for damages taken to court on account of breach of duty in respect of the audit of the annual financial statements of the American company in 2004 and 2005 the company was able to agree a settlement with, Richard Shapiro, the former auditor of HOT JWP Music Inc., Miami.

The financial result amounts to kEUR 105 (previous year: kEUR 2). It consists of kEUR 108 from revaluation of the existing holding of 45% in MHV on the basis of a contractually agreed minimum purchase price of kEUR 120 for a further 6% of the shares in MHV. The arithmetical value of a 100% holding in MHV would be kEUR 2,000.

After taxes, a result of kEUR 384 (previous year: -1,536) was reported for continued business segments as at 30 June 2009.

The consolidated result that takes the discontinued business segments into consideration amounts to kEUR 107 after a loss of kEUR 1,591 in the comparable period the previous year.
There have been no significant changes in the contingent claims or contingent debts since the last balance sheet date.

Consolidation of MHV contributed kEUR 403 to the positive result in the first six months of the year (1st quarter of 2009: kEUR 445) before being contributed to the minority holdings.

As the VI companies are no longer part of the reporting entity of the group, the equity difference arising from foreign exchange conversions of kEUR 170 was dissolved. In the first two quarters of 2009, this led to expenditure in the same amount. Expenditure arising from disposal of the VI companies had already largely been reported in 2008 as a decrease in the value arising from discontinuation of the segments in the amount of kEUR 3,587.

The loss arising from the disposal of the VI companies by way of a contract as at 01 January 2009 and from the result of the discontinued segments is as follows:

	31.03.2009
	kEUR
Income from discontinued business segments	0
Loss from disposal of the business segment including dissolution of foreign exchange conversion reserves upon disposal of the subsidiaries	-170
Written of claim	-107
Allocable taxes on income and earnings	0
Profit for the year from discontinued business segments	-277

The net outflow of funds from the sale is as follows:

	31.03.2009
	kEUR
Purchase price paid by cash or cash substitutes	
Sales price	0
Less: cash and cash equivalents	
given with the purchase price	-4
Net cash outflow from the sale	-4

Per share the group calculates a result (discontinued and continued business segments) of € -0.02 following a deficit of € -0.17 in the first six months of 2008.

Development of profit according to segment

The following table sets out the sales revenues of the individual segments and their respective results:

Continued business segments	Segment sales revenues		Segment result	
	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	kEUR	kEUR	kEUR	kEUR
Label	910	1.449	-251	-1.762
Artist management	733	446	121	-48
Event management	7.317	0	403	0
Other	35	94	3	234
Total: continued business segments	8.995	1.989	276	-1.576
Pro-rated result of affiliated enterprises for the reporting period			0	0
Revaluation of interests held at-equity the previous year			108	0
Decrease in value of financial assets			0	0
Pre-tax profit (continued business segments)			384	-1.576

Further segment data

The assets of the individual segments are as follows:

	Segment assets	
	30.06.2009	31.12.2008
	kEUR	kEUR
Label - continued business segments	7.352	7.552
Label - discontinued business segments	0	3.463
Artist management	305	158
Event management	5.923	0
Other	550	616
Total segment assets	14.130	11.789
Assets not allocated	100	893
Consolidated assets total	14.230	12.682

With the exception of the securities forming part of the current assets and the claims to taxes on income and earnings and the interests in associated companies in the previous year, all assets are distributed qua the entity approach to the segments subject to reporting requirements.

The depreciations and additions (excluding “Additions from MHV consolidation”) re long-term assets break down per segment as follows:

	Scheduled depreciations		Additions to long-term assets	
	30.06.2009	30.06.2008	30.06.2009	30.06.2008
	kEUR	kEUR	kEUR	kEUR
Label	322	356	2	1
Artist management	1	60	0	0
Event management	42	0	6	0
Other	0	3	0	0
Total	365	419	8	1
Goodwill	0	28	0	0
Total	365	447	8	1

After disposal of the holdings in the Puerto-Rican companies, the group has concentrated its activities on the German-speaking area. The consolidated sales revenues and its assets per segment break down geographically as follows:

	Sales revenues		Long-term assets	
Geographical information	30.06.2009	30.06.2008	30.06.2009	31.12.2008
	kEUR	kEUR	kEUR	kEUR
Continued segments				
Germany, Austria and Switzerland	8.995	1.989	9.009	6.569
Discontinued business segments				
Germany, Austria and Switzerland	0	0	0	0
USA	0	478	0	1.339
	0	478	0	1.339
Total	8.995	2.467	9.009	7.908

The major customers accounted for revenues of kEUR 633 in the first six months of 2009 (previous year: kEUR 1,306) from continued business segments; this constitutes approx. 38% (previous year: 66%) of the sales revenues, excluding the event management segment.

Net assets and financial position

Flow of funds statement

The consolidated financial resources (liquid funds of kEUR 3,192 less bank liabilities of kEUR 1,136) were kEUR 2,056 at the end of June 2009 in comparison with kEUR 496 in the preceding year. In comparison with the figure of kEUR 832 (previous year: 1,568) there was an effective increase totalling kEUR 1,224 in the first six months of 2009 (previous year: kEUR -1,072).

The cash flow according to DVFA/SG (German Association for Financial Analysis and Asset Management) was kEUR 472 in comparison with kEUR 1,144 as at 30 June 2008. The inflows from current business activities totalled kEUR 2,177 after outflows of kEUR 1,811 in the comparable period. In the course of 2009 so far there have been outflows from investment activities of kEUR -2,016 (previous year: outflow of kEUR 1). The inflow from financing activities was kEUR 1,059 in comparison with an inflow of kEUR 740 the previous year.

Analysis of the balance sheet

The consolidated balance sheet total increased by kEUR 1,548 from kEUR 12,682 to kEUR 14,230 between the end of 2008 and 30 June 2009. On the assets side, in the case of short-term assets, liquid funds in particular increased by kEUR 2,360 to kEUR 3,192, inventories by EUR 262 to kEUR 309 and other accounts receivable by kEUR 698 to kEUR 1,105. Following the final consolidation of the VI companies, short-term assets decreased by kEUR 3,463. Long-term assets essentially increased by kEUR 1,647 net due to the consolidation of MHV. As a result of consolidation, goodwill of kEUR 2,587 was reported on the balance sheet.

Equity of kEUR 7,259 was reported on the liabilities side of the consolidated balance sheet (31.12.2008: kEUR 5,882), meaning a total capital-to-assets ratio of 51.0% (46.4% as at 31.12.2008). Equity per share was approx. EUR 0.80 in comparison with EUR 0.65 at the end of 2008.

In the context of final consolidation of the VI companies, the sum of kEUR 2,980 was transferred from the minority holdings to the balance sheet profit (not affecting the operating result). This adjustment was necessary as the losses of the VI companies that had arisen up to 2007 were allocated to the shareholders in full. In the context of the initial consolidation of MHV, capital of kEUR 1,100 was transferred to the minorities.

The short-term liabilities excluding debts that are connected to certain asset items for sale increased by kEUR 2,359. In particular, amounts due to banks increased by kEUR 1,136, advances from customers increasing by kEUR 1,691. The long-term portion of liabilities rose by kEUR 662 to kEUR 1,467. The major part of the increase (kEUR 532) is accounted for by deferred income arising from licensing of the 313music JWP AG catalogue to Sony Music.

The following assets and debts were assumed in the context of the initial consolidation of Manfred Hertlein Veranstaltungs GmbH as at 01 January 2009.

	Manfred Hertlein	
	Fair value	Book value
	kEUR	kEUR
Fixed assets	98	98
Intangible assets	112	112
Inventories	1.230	1.230
Accounts receivable and accrued income	687	687
Cash	4.558	4.558
Accrued liabilities	-255	-255
Due to banks	-1.568	-1.568
Remaining liabilities	-5.449	-5.449
Deferred taxes	0	0
Net assets	-587	-587

This gives rise to the following goodwill, assuming a purchase price for the 6% of the shares in MHV at the contractually agreed minimum amount of kEUR 120. Hence total fair value of MHV amounts to kEUR 2,000.

	Interests	current value
	%	kEUR
Total purchase price:		
Minimum amount for 6% of the interest	6	120
Further minority holdings	49	980
Subtotal	55	1.100
Holdings of 313music JWP AG as at 01.01.2009	45	900
Total	100	2.000
Undisclosed reserves		0
Plus negative net assets		587
Goodwill		2.587

The book value of the holding in MHV reported at equity so far was kEUR 792 prior to full consolidation. Hence, reporting of the holding at the applicable current market value shows revenue of kEUR 108 for full consolidation.

The goodwill calculated and allocation of the purchase price may change following final acquisition of the further 6% of the shares in MHV.

Employees

The number of employees of the group in continued segments rose particularly due to the consolidation of MHV to 18 in comparison with 12 in the comparable period the previous year. The discontinued “VI companies” segment had 5 employees (previous year: 7).

Opportunities and risks

Reference is made to the consolidated management report as at 31 December 2008 for an outline of opportunities and risks (Risk Report p. 128 ff.) There have been no substantial changes since the date of the report. No new risk factors have arisen that could have a significant or sustained influence on the financial position or the development of the business activities of the group.

Talks are currently in progress with a view to improving the liquidity position of the parent company regarding necessary investments in its future and securing business activities in the medium- and long-term.

Addendum

313music JWP AG exercised its contractually agreed option in May 2009 by way of a notarised deed and intends to increase its interest in Manfred Hertlein Veranstaltungs GmbH by a further 6% to 51%. In view of the potential additional voting rights control of MHV would be possible. Therefore MHV was fully consolidated retroactively with effect from 01 January 2009.

Forecast

Framework conditions

Despite all the efforts on the part of governments and central banks, no real improvement in the general economic situation is in the offing even if there are first positive indications that the recession has bottomed out. In the view of the IfW (Kiel Institute for the World Economy), the global recession, burdened by the continuing uncertainty of the financial markets and the slump on the property market, will continue until the middle of the year at the least. A moderate recovery of the global economy is not expected until the end of the year and an increase in global GDP by 2.1% not until 2010. For example the IfW forecasts a decrease in GDP in the USA of -1.8% this year; the Euro zone is expected to report a deficit of approx. 3.3%. According to the latest forecasts of leading economic research institutes, real GDP in Germany is likely to fall significantly in comparison with the previous year despite the recovery in the second quarter of 2009.

The Bundesverband Musikindustrie BVMI (Federal Music Industry Association) expects that, with the exception of the “CD album” format, sales of physical sound carriers (singles, music DVDs etc.) will continue to fall in the years to come. However, the continued high rate of growth on the digital market for downloads/mobiles, confirmed by market surveys as at 30 June 2009, is evaluated as being positive.

The increasing willingness to waive copying protection (DRM – Digital Rights Management) and the market entry of new competitors and differentiated product assortments can provide new stimulus.

However, the music industry must, in addition to the physical sound carriers and the digital market, increasingly exploit the potential offered by further distribution platforms in order to counteract the drop in sales. The demand for digital formats in particular will continue to increase. A new trend already discernible is music that can be played via a mobile phone. The first cooperation agreements between mobile phone manufacturers and music labels are already in place and first successes can be seen. With a volume of USD 7.3 bn, it is expected that by 2011 this marketing form will account for a substantial share of the entire music industry.

Further, income from licences, artist management, concert and ticket sales as well as merchandising are becoming increasingly important for companies in the music industry. Individual market segments such as music sung in German, continue to remain popular. In particular the [German] easy-listening and folk music industry sees its future as positive and anticipates increased sales of sound carriers, sales on the digital market and the number of visitors at events.

313 Music JWP AG business development

313music JWP AG will continue to consistently pursue the course that it adopted at the end of 2008 and by means of additional targeted acquisitions of rights in artists and their productions endeavour to generate corresponding sales and necessary contribution margins. The cost structure was adjusted to reflect anticipated sales in the short- and medium-term. Thanks to optimised costs structures, we expect to be able to improve the results of operations in 2009.

Making use of greater potential in the marketing chain in the music industry remains a strategic goal. We plan to expand the artist- and event management business segments as well as the publishing business with a view to achieving greater independence from sound carrier sales. Further, we are placing greater emphasis on the fast-growing online segment. in order to reflect the changes taking place in the industry. In addition, we plan to make selected catalogue purchases, insofar as they are available on the market and financially attractive, in order to further increase the substance of the company. In the long term this will enable us to achieve a greater degree of dependable earnings and planning.

The hip-hop band *Die Firma* is currently producing a new studio album, its release is planned for spring 2010.

Hansi Hinterseer, one of the most successful artists for years, will present his new album to coincide with his popular fan pilgrimage and his open-air concert in August 2009. The album will be released by Sony Music.

The artists, Eko Fresh, Christian Wunderlich and *Bürgermeista* (Roland Bürger) have signed contracts with the parent company. The first singles will be released in the second six months of 2009; albums are planned for 2010.

In addition to a number of compilations, the parent company plans to release the first sound carriers from the US Hot catalogue, including Stevie B, Django Reinhard and Patsy Cline. An application for registration of the copyright acquired from HOT JWP has now been made to GEMA (music authors' society).

Music productions that promise success are also to be expected from our subsidiary 313 Music GmbH. For example, by Daniel Schuhmacher, the winner of the 2009 German talent show *DSDS (Pop Idol)*, who took the charts by storm with his debut single *Anything But Love*. There are plans to release further singles.

Shareholder structure – directors' holdings

Of the total 9,083,333 shares of 313music JWP AG, 5,651,709 or 62.22% were free floating stock as at 30 June 2009. The shareholder structure is as follows:

Shareholder structure as at 30.06.2009	Number of shares (individual shares)	Percentage of nominal capital (%)
Free floating stock	5.651.709	62,22
Effecten-Spiegel AG	1.650.000	18,17
Heinz Heiler	747.600	8,23
Jürgen Uhlemann (supervisory board chairman)	663.254	7,30
Rainer Wakke	370.770	4,08
Total	9.083.333	100

There was no interim dividend payment.

The 313 Music JWP share

The 313 Music JWP shares developed by all means positively during the period under review. With a value of EUR 0.48 as at 30 June 2009, the value of the shares was appreciably above the closing price in 2008 of EUR 0.33 and has also made gains in comparison with the price of EUR 0.42 quoted at the end of March 2009.
This is an increase of approx. 14% in the second quarter of 2009 since the previous quarter and of 52% since the beginning of the year.
The market capitalisation of the 9,083,333 ordinary shares of 313 Music JWP admitted to trading was EUR 4.4 million as at 30 June 2009.

In the further course of the year the share had risen to EUR 0.76 just a few days prior to publication of this six-monthly report. It was quoted at EUR 0.61 at the same time the previous year.

Unterföhring, 24 August 2009
Board of Management

Consolidated balance sheet

Assets	30.06.2009	31.12.2008
	kEUR	kEUR
Short-term assets		
Liquid funds	3.192	832
Securities	100	100
Accounts receivable (from sales and services)	515	471
Inventories	309	47
Other accounts receivable	1.105	407
Subtotal of short-term assets	5.221	1.857
Long-term assets held for sale	0	3.463
Total of short-term assets	5.221	5.320
Long-term assets		
Tangible assets	401	332
Intangible assets	8.608	6.237
Interests in affiliated enterprises	0	793
Deferred taxes	0	0
Total of long-term assets	9.009	7.362
Total assets	14.230	12.682

Liabilities	30.06.2009	31.12.2008
	kEUR	kEUR
Short-term liabilities		
Due to banks	1.136	
Accounts payable	739	618
Loans and short-term portions of long-term loans	0	654
Accrued liabilities	692	930
Advances from customers	1.691	0
Other liabilities	106	76
Provisions for taxes	263	380
Deferred income	877	487
Subtotal: short-term liabilities	5.504	3.145
Debts directly connected to assets held for sale	0	2.850
Subtotal: short-term liabilities	5.504	5.995
Long-term liabilities		
Deferred income	1.337	805
Provisions for pensions	130	
Deferred taxes	0	0
Total: long-term liabilities	1.467	805
Total liabilities	6.971	6.800
Equity		
Subscribed capital	9.083	9.083
Capital reserve	0	0
Equity difference from exchange rate conversions	0	-170
Balance sheet profit	-3.268	-6.074
Consolidated shareholders' equity	5.815	2.839
Minority holdings	1.444	3.043
Total equity	7.259	5.882
Total assets	14.230	12.682

Consolidated profit and loss account

	01.01.-30.06.2009	01.01.-30.06.2008	01.04.-30.06.2009	01.04.-30.06.2008
	kEUR	kEUR	kEUR	kEUR
Continued business segments				
Sales revenues	8.995	1.989	2.947	1.027
Cost of sales (production)	--7.563	-1.138	-2.143	-724
Gross profit on sales	1.432	851	804	303
Distribution expenses	-244	-1.212	-75	-562
General and administrative expenses	-1.354	-1.488	-1.140	-900
Other income	447	286	4	280
Other expenses	0	-100	5	-79
Exchange rate profit/losses	-2	85	5	95
Operating result	279	-1.578	-397	-863
Interest income	5	2	2	0
Interest expenses	-8	0	-1	0
Income from affiliated enterprises	0	0	0	0
Result from valuation of holdings reported at equity the previous year at the applicable fair market value	108	0	0	0
Other financial result	0	0	0	0
Financial result	105	2	1	0
Result after interest	384	-1.576	-396	-863
Taxes on income and earnings	0	40	0	27
Result after taxes from continued business segments	384	-1.536	-396	-836
Discontinued business segments				
Result from discontinued business segments	-277	-55	0	-8
Net income (previous year: net loss)	107	-1.591	-396	-844
Of which due to:				
Shareholders in the parent company	-174	-1.580	388	-801
Minority shareholders	281	-11	-8	-43

Result per share in Euro from continued business segments	0,01	-0,17	-0,04	-0,09
Continued and discontinued segments	-0,02	-0,17	-0,04	-0,08
Shares in circulation	9.083.333	9.083.333	9.083.333	9.083.333

Consolidated flow of funds statement

	1.1-30.06.2009 kEUR	1.1.-30.06.2008 kEUR
Income/ loss	107	-1.591
Depreciations/write-ups of fixed assets	365	447
Cash flow according to DVFA/SG	472	-1.144
Changes in deferred taxes	0	-45
Foreign exchange result	0	-85
Profit shares from affiliated enterprises	0	0
Loss from disposal of business segments	170	0
Other non-cash expenses/income	0	-650
Increase/decrease in accounts receivable	-44	368
Increase/decrease in inventories	-262	59
Increase/decrease in other assets	-698	472
Increase/decrease in accounts payable	121	-198
Increase/decrease in accrued liabilities	-225	0
Increase/decrease in deposits from customers	1.691	0
Increase/decrease in deferred income	922	0
Increase/decrease in other liabilities	30	-1.888
Outflow/ inflow of funds from current business activities	2.177	-1.811
Changes in fixed assets due to full consolidation replacing at-equity accounting	-2.004	0
Changes in investments held as current assets	0	0
Outflow for investments in fixed assets	-8	-1
Inflows/ outflows for investments in intangible fixed assets	0	0
Outflow for investments in financial assets	0	0
Proceeds from disposal of business segments	-4	0
Inflow from the sale of financial assets	0	0
Outflow/ inflow of funds from investment activities	-2.016	-1
Changes in minority capital due to full consolidation replacing at-equity accounting	1.100	0
Inflows from the capital increase	0	580
Inflow from raising of a loan	0	160
Outflows from redemption of loans	-41	0
Inflow/ outflow of funds from financing activities	1.059	740
Effective changes in funds	1.220	-1.072
Funds at the beginning of the period	832	1.568
Changes in funds resulting from the structure of the reporting entity	4	0
Funds at the end of the period	2.056	496

Statement of consolidated equity changes

	Parent company					Minority holdings			Consolidated equity
	Paid-up equity		Earned consolidated equity	Other consolidated result	Equity of parent company			Minorities' equity	
	Subscribed capital	Capital reserve	Balance sheet profit/ loss	Equity difference from currency conversion		Minority capital	Equity difference from currency conversion		
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Reporting date: 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
Consolidated result for the year			-8.631		-8.631	-2.911		-2.911	-11.542
Other consolidated result				56	56	2		2	58
Consolidated overall result					-8.575			-2.909	-11.484
Withdrawals from the capital reserve		-3.196	3.196		0			0	0
Reclassification of minorities					0		-1	-1	-1
Reporting date: 31 December 2008	9.083	0	-6.074	-170	2.839	3.043	0	3.043	5.882
Consolidated result			-5		-5	281		281	276
Result from revaluation of holdings reported at-equity the previous year			108		108				108
Other consolidated result			-277	0	-277				-277
Consolidated overall result			-174	0	-174	281		281	107
Equity difference from currency conversion				170	170				170
Reclassification of minorities			2.980		2.980	-2.980	0	-2.980	0
Addition from full consolidation of the company reported at-equity the previous year						1.100		1.100	1.100
Reporting date: 30 June 2009	9.083	0	-3.268	0	5.815	1.444	0	1.444	7.259

Abridged Notes to the consolidated interim financial statements

1 Group

For the business activities of the individual members of the group and the reporting entity, reference is made to the 2008 annual report and to the Sections of this consolidated interim report “Basis of business and group structure” and “Events of importance in the first six months of 2009”.

313music JWP AG is a German stock corporation domiciled in Unterföhring, Germany. The registered address of the company is Münchner Strasse 135, D-85774 Unterföhring. The company is listed on the Prime Standard of the Frankfurt Stock Exchange under securities identification number 508750. The board of management and the supervisory board have made a declaration of compliance with the Corporate Governance Code pursuant to Section 161 of the Aktiengesetz (German Stock Corporation Act) and posted this declaration on the web site of 313music JWP AG for perusal by the shareholders at any time.

The valuation of all assets and debts has been carried out on the basis of the principles of a going concern. Assets and debts are shown on the balance sheets as, depending on applicability, short-term or long-term items. Assets and debts are classified as short-term if they are to be realised or are due within twelve months of the end of the period under review. The consolidated profit and loss account is structured in accordance with the operational format. These consolidated interim financial statements as at 30 June 2009 were released for publication on 24 August 2009.

2 Bases of the consolidated interim financial statements

2.1 Balancing of accounts pursuant to IFRS

These consolidated interim financial statements as at 30 June 2009 were drawn up in accordance with the same accounting, valuation and calculation methods as the consolidated financial statements of 313 Music JWP AG as at 31 December 2008. The consolidated interim financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) valid as at 30 June 2009; their application being mandatory in the European Union.

IFRS that have not yet come into force and/or their interpretation were not used ahead of their application. This interim report is in accordance with the standards of IAS 34.

2.2 Balancing of accounts pursuant to IFRS

All amounts in the consolidated interim financial statements are – with the exception of the profit per share – shown in thousand Euro (kEUR).

2.3 Reporting entity

In addition to 313 Music JWP AG, the fully consolidated entity consists of all subsidiaries in which 313 Music JWP AG directly or indirectly has the majority of the voting rights. As at 01 January 2009, the two foreign companies VI Music Holding Inc. San Juan/Puerto Rico, and VI Music LLC, San Juan/Puerto Rico, were consolidated finally. VI Music LLC is a joint undertaking that is included in the consolidated financial statements on a pro-rated basis. Manfred Hertlein Veranstal-

tungs GmbH, which was still reported in accordance with at-equity principles the previous year, was also fully consolidated with the existing share of 45% with effect from 01 January 2009.
In view of the contractually agreed option as of 01 January 2009 to acquire a further interest of 6% and therefore a 51% interest in Manfred Hertlein Veranstaltungs GmbH by 313music JWP AG the time at which control took effect has been brought forward.

3 Use of estimates and changes in estimates

In order to draw up the consolidated interim financial statements in compliance with the International Financial Reporting Standards, management is required to make estimates and make assumptions that influence not only the amount of the assets and liabilities reported on the balance sheet but also income and expenses shown. Actual results may deviate from these estimates and assumptions. Changes in estimates in comparison with estimates that were used for the purpose of drawing up the consolidated financial statements as at 31 December 2008 have not given rise to consequences of any substance.

4 Effects of unusual factors on the results of operations, net assets and financial position

There were no factors or circumstances during the period under review that in terms of their nature, their extent or frequency were to be seen as unusual or would have been likely to have an influence on assets, debts, equity, the result for the period in question or cash flows.

5 Equity financing/ outside financing

There were neither issues nor redemption of equity titles during the period under review.

6 Dividends

No interim dividends for the first six months of 2009 were paid.

7 Seasonal and economic factors affecting business activity

The group's business is subject to seasonal fluctuation. The influences of the economy are discussed in the management report.

8 Segment information

Reference is made to the management report for information on the individual segments.

9 Transactions of substance with persons not at arm's length

There were no transactions of substance with affiliates and persons not at arm's length in the period under review.

10 Events after the balance sheet date

There were no events of significance after the balance sheet date that it would have been necessary to report.

11 Changes in contingent debts or contingent claims

As at the balance sheet date there had been no significant changes in the contingent debts or contingent claims as against the position as at 31 December 2008.

This consolidated interim balance sheet has not been audited.

Covenant by the legal representatives

To the best of our knowledge, we covenant that, pursuant to the applicable accounting principles for interim reporting, the consolidated interim financial statements present an accurate picture of the results of operations, the net assets and financial position of the group that is accurate and that the consolidated interim financial statements present the course of business including business results and the position of the group that conveys an accurate picture and that the significant opportunities and risks of the anticipated development of the group in the remainder of the financial year have been set out..

Unterföhring, 24 August 2009
313music JWP AG

Board of Management

Contact

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